GERRESHEIMER AG

ANNUAL REPORT 2018

Profitable growth

GERRESHEIMER

CHECKLIST

VISION

Gerresheimer will become the leading global partner for enabling solutions that improve health and well-being. Our success is driven by the passion of our people.

GOALS FOR 2018

Profitable growth

Revenues at constant exchange rates, excluding the Advanced Technologies Division, between EUR 1.38bn and EUR 1.4bn

Adjusted EBITDA at constant exchange rates, excluding the Advanced Technologies Division, at approximately EUR 305m depending on how the development work necessary for the large projects secured in 2018 progresses

Realize growth potential operationally

All employees as quality officers

Leading competitive position

Extend value chain

Improve innovations and product mix

Regional expansion

Win new customers

Quality and cost leadership

Financial market attractiveness

Long term: Gx ROCE of approximately 15%

Long term: Adjusted EBITDA leverage at 2.5x

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

Ensure verifiably sustainable operations

2018 RESULTS

Profitable growth

Revenues at constant exchange rates, excluding the Advanced Technologies Division, at EUR 1,393.8m ☺☺ in progress

Adjusted EBITDA at constant exchange rates, excluding the Advanced Technologies Division and despite substantially negative energy costs and resin prices, at EUR 307.5m[1] ☺ in progress

Definition of relevant markets and positioning; backed up four growth drivers with a range of operating measures ☺☺ in progress

Continued in-house employee campaign to enhance quality awareness ☺ keep at it

Leading competitive position

Acquired Sensile Medical, established Advanced Technologies Division ☺☺ course set

Wealth of innovations in primary glass and plastic packaging as well as in drug delivery devices ☺ keep at it

New production facilities for plastic pharmaceutical packaging in China, Brazil and the US ☺ groundwork laid

Won major contracts for inhalers in Europe and as main supplier of prefillable syringes to heparin producer ☺☺ course set

Automation measures, decision on new plant for devices and syringes in Eastern Europe as well as closure of facility in Kuessnacht ☺☺ course set

Financial market attractiveness

Gx ROCE initially adversely affected by Sensile Medical acquisition, down to 10.7%—long-term target of 15% unchanged ☺ course set

Temporary increase in adjusted EBITDA leverage in 2018 to above 3.0x due to the acquisition of Sensile Medical—long-term target of 2.5x unchanged ☺ course set

Further increase in proposed dividend to EUR 1.15 per share (prior year: EUR 1.10) ☺ target achieved

Non-financial Group declaration pursuant to the CSR Directive Implementation Act released ☺ keep at it

OVERALL ASSESSMENT FOR 2018

Successful financial year ★★★★☆

[1] Excluding the two negative one-off effects of the exemption from electricity network charges and final fair value measurement of the Triveni put option.

Profitable growth

Gerresheimer is a leading global partner to the pharma and healthcare industry. With specialty glass and plastic products, the Company contributes to health and well-being. Gerresheimer has worldwide operations and around 10,000 employees manufacture products in local markets close to its customers. With plants in Europe, North America, South America and Asia, Gerresheimer generates revenues of approximately EUR 1.4bn. Its comprehensive product portfolio includes pharmaceutical packaging and products for safe and simple drug delivery: insulin pens, inhalers, micro pumps, 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.

OUR FOUR GROWTH AREAS

VALUE PROPOSITION

- Sensile Medical acquired
- Small-batch production of prefillable syringes in Wackersdorf
- Cosmetic glass decoration capacity expanded

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PRODUCTS AND INNOVATION

- Gx® Elite Glass
- Gx InnoSafe®
- Gx RTF® ClearJect® syringe
- Gx RTF® metal-free syringe
- Gx® RTF and Gx® ETF Vials
- Micro pump for Parkinson's

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CUSTOMERS

- Secured major contracts for inhalers and syringes
- Gx® Solutions for biotech
- New internal customer: Sensile Medical

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REGIONAL EXPANSION

- Triveni: full takeover
- New production facilities for plastic packaging in China, the US and Brazil
- New production facility for devices and syringes planned in Eastern Europe
- Sales operations in Southeast Asia strengthened

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Our Management Board

From left to right:

Dietmar Siemssen

Chief Executive Officer (since November 1, 2018), as of March 1, 2019 also responsible for Plastics & Devices and Advanced Technologies

Career
Born in 1963 / industrial engineering degree / worked at Continental from 1994 to 2011, ultimately heading up the joint venture between Continental and Nisshimbo in Japan / from 2011 to 2018 CEO of international automotive supplier Stabilus / CEO of Gerresheimer AG as of November 2018 / currently appointed to the Management Board until October 2021

Rainer Beaujean

Chief Financial Officer

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 / Also Speaker of the Management Board from February to October 2018 / currently appointed to the Management Board until April 2019

Dr. Lukas Burkhardt

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

Career
Born in 1979 / Masters and PhD in mechanical engineering / started career at Audi AG / managerial positions at Rieter Automotive from 2007 to 2014, including six years in China and India / Chief Operating Officer of Franke Group from 2015 to 2017 / Management Board member of Gerresheimer AG from 2018 / currently appointed to the Management Board until December 2020

Andreas Schütte

Management Board member responsible for Plastics & Devices and Advanced Technologies

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 February 2019

"My clear objective is to set Gerresheimer on a path to sustainable, profitable growth."

**DIETMAR SIEMSSEN,
CHIEF EXECUTIVE OFFICER**

INTERVIEW WITH OUR MANAGEMENT BOARD

Mr. Siemssen, you stepped up as Chief Executive Officer on November 1, 2018. What are your initial impressions after three months?
DIETMAR SIEMSSEN: I am truly impressed with the great number of products, sophisticated production processes and technologies, cleanroom technology and pharmaceutical expertise here at Gerresheimer. All of this is absolutely essential to assuring the superior quality expected of us as an important partner to the pharma and cosmetics industries. At Gerresheimer, we have a strong, very motivated and highly qualified team propelling the Company forward each and every day.

Pharmaceuticals and cosmetics aren't industries you immediately associate with excitement. What is your view?
DIETMAR SIEMSSEN: Quite the contrary. Each is a huge, dynamic market in its own right with tremendous growth potential. Together, the relevant segments represent a volume of some EUR 15bn for us. The coming years promise to bring plenty of opportunities our way. Our products and solutions are fundamental to ensuring not only that patients safely receive their daily medication in pristine condition day in, day out, but that it is also easily and reliably administered. What we do goes well beyond merely producing packaging. Our place within and contribution to the rapidly changing healthcare markets will become even more central in the future, opening up a variety of new prospects.

That sounds quite abstract, what exactly do you mean?
DIETMAR SIEMSSEN: Let's take parenteral medications—liquid drugs that must be injected—as an example because they are a good illustration of the development path and of how we have contributed to greater safety and convenience for patients. In the past, patients requiring parenterals had to regularly visit a doctor's practice or hospital as an in- or out-patient to receive their injections. As soon as today's patients return home after being hospitalized for an operation, they can inject themselves with syringes prefilled with heparin to prevent thrombosis. Our next source of added value is our innovative needle shield, which prevents needle-prick injuries. Our next-generation products, including those from our new subsidiary Sensile Medical, are even more pioneering. Small, wearable micro pumps that can be programmed to deliver precise doses of medication beneath the skin. And, in the future, digital interfaces will provide patients and doctors with all the relevant data. This is why we all feel very confident that Sensile Medical is a great addition to the corporate family.

RAINER BEAUJEAN: And these aren't distant promises for the year 2030 but the realities of today and tomorrow. Sensile Medical is developing just such micro pumps and readying them for market launch as part of selected customer projects. To this end, a micro pump—in this instance, for treating Parkinson's—received its European CE declaration of conformity in fall 2018. Now it's important that the development team be allowed to focus on continuing their work, while we bring the major projects we have won to market and to customers in our trademark quality.

Rainer Beaujean, Chief Financial Officer

"2018 was a successful year. We met many of our targets."

ANDREAS SCHÜTTE: Sensile Medical is also collaborating with Sanofi and Alphabet subsidiary Verily on another project to help diabetes patients. In this way, we are establishing new partnerships that far exceed the traditional supplier relationship that packaging companies have with pharma companies.

RAINER BEAUJEAN: The fact that acquiring Sensile Medical spurred us to create a new third division—Advanced Technologies—also makes it clear how significant this is for us.

DIETMAR SIEMSSEN: In the coming years, Sensile Medical will undoubtedly serve as the cornerstone for many projects of all sizes. We believe our new Advanced Technologies Division will unlock significant growth and market opportunities. After all, intelligent and digitally networked devices will play a major role in tomorrow's healthcare market.

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

"With Elite Glass, we have developed a new grade of pharmaceutical glass packaging."

ANDREAS SCHÜTTE: In addition to our core business of primary pharma packaging, we have for many years enjoyed great success as a contract manufacturer of medical plastic systems, such as insulin pens and inhalers. With Sensile Medical, we are taking things a step further by developing our own products, registering patents, broadening our expertise as well as cooperating with pharma companies in the early stages of drug development and delivering intelligent, forward-looking devices that offer the connectivity required in today's and tomorrow's networked world.

That sounds like an exciting future. But what about today's innovations?
DIETMAR SIEMSSEN: That is a very good point. I have found that, here at Gerresheimer, we have a very strong foundation for profitable growth. Our sound plan for 2019, which entails building up further growth impetus in the medium and long term, bears testimony to this. The robust innovation pipeline at Gerresheimer will help us to achieve this.

LUKAS BURKHARDT: When you consider that glass is a thousand-year-old packaging material—valued by civilizations as old as the Romans—it sounds dull and outdated. But that is not true. It is still the best material, especially when it comes to injectable liquid drugs, for safely transporting medication to doctors and patients. Our high-quality pharma jars, injection vials, ampoules and cartridges are a case in point. We have developed a new grade of pharmaceutical glass packaging that we call Elite Glass. Highly break-resistant, extremely durable and free of cosmetic defects, it is produced to strict dimensional specifications and is the product of many years of development and engineering work by our teams. Then there are our easy-to-fill injection vials that are pre-sterilized, packaged and delivered to pharma companies ready for filling.

"We are establishing new partnerships that far exceed the traditional supplier relationship with pharma companies."

Andreas Schütte, Management Board member responsible for Plastics & Devices and Advanced Technologies

ANDREAS SCHÜTTE: In the US, plastic vials for prescription drugs did well in 2018, as did plastic pharmaceutical packaging in India and South America. On the European market, plastic products only edged slightly above 2017 levels. Syringe sales were also slightly up on the prior year. Due to the loss of a contract for inhalers in Europe, plastic medical products experienced only marginal growth. As a result, we decided to close the affected plant in Kuessnacht, Switzerland. In contrast, our large inhaler project in the US did very well.

How does that translate into figures for the financial year 2018?
RAINER BEAUJEAN: In a nutshell, 2018 was a successful year. We met many of our targets. To give you a few key figures, our revenues at constant exchange rates increased by 4.3% to EUR 1,406.7m. Organic revenue growth—which excludes Sensile Medical—was 3.4%. Given that market research company IQVIA projected volume growth of only 0.3% for drugs in 2018, we clearly outperformed the market. Our earnings are impressive, too. Despite higher costs of energy and resins of some EUR 6m and an estimated EUR 5m, respectively, and excluding both the measurement of the Triveni option, the effects of the exemption from electricity network charges and Sensile Medical, we achieved adjusted EBITDA at constant exchange rates of EUR 307.5m, thus maintaining it at its strong prior-year level. Adjusted net income after non-controlling interests came to EUR 178.0m, well above the prior-year figure of EUR 127.5m. This primarily reflects changes to tax law in the US.

ANDREAS SCHÜTTE: Our prefillable syringes made from high-performance plastics COP and produced in Europe are another example. Not to mention our prefillable glass syringes, which meet the high requirements notably for drugs produced using biotechnology. These are flanked by our many tried-and-tested products, which have proven themselves over the years and yet continue to be refined still further. Two examples of these are plastic pharmaceutical packaging which, thanks to its shape, is especially well suited to online mail orders, and our new child-resistant closures.

How was business in the financial year 2018?
LUKAS BURKHARDT: In 2018, our injection vial, ampoule and cartridge business in North America clearly recovered. Molded glass also progressed well, with our cosmetic glass products experiencing especially strong demand.

ANDREAS SCHÜTTE: The first of three examples is our large inhaler project for the North American market, where production in Peachtree City got off to a good start. As a result, the same customer has awarded us their European inhaler contract—a big win from an existing customer—which is why we are expanding our plant in the Czech Republic. Our syringe experts also did a great job, achieving success with a new customer. For the first time, we secured a large project for prefillable syringes from one of the world's biggest heparin producers. We are also aware that over the medium to long term, we will require additional European production capacity for products such as insulin pens, inhalers and syringes. So we are planning to build an additional production facility for devices and syringes in Eastern Europe.

Return on capital employed and leverage are also key figures for the long-term outlook. Where do we stand on those?

RAINER BEAUJEAN: Right on target. Acquiring Sensile Medical has naturally had an impact. As a result of this investment, Gx ROCE was 10.7% compared to 12.9% for 2017. Our long-term goal remains a Gx ROCE of 15%. And our adjusted EBITDA leverage temporarily increased above 3.0x in 2018 as a result of the acquisition—which is perfectly normal. In the long term, we are still targeting 2.5x.

DIETMAR SIEMSSEN: Gerresheimer has a very solid, robust financial basis that has been carefully managed over the past years.

The market expects growth. How will Gerresheimer drive growth?

RAINER BEAUJEAN: As long as twelve months ago, we identified four growth areas: extending the value chain; products and innovation; regional expansion; growth with existing and new customers. In 2018, we initiated a number of projects and notched up a variety of successes.

LUKAS BURKHARDT: In the Primary Packaging Glass Division, we are making major inroads with automation, investing in our employees as well as product and process quality. Our cosmetic glass production continues to undergo further development in the shape of additional finishing technologies as well as environmentally friendly and sustainable products containing high proportions of recycled glass.

DIETMAR SIEMSSEN: To spur profitable growth, we are investing intensively in capacities, improved productivity and enhancing our employees' skills and expertise. Our new large-scale projects and forward growth planning call for substantial investments over the next two years. With this in mind, we are initially increasing investment levels for 2019 and 2020 to about 12% of revenues. Thereafter, they will be tapered back down to roughly 8%, as in previous years. To lay out our guidance for 2019, revenues are expected to be in a range of around

EUR 1.4bn to EUR 1.45bn, against a comparative figure of EUR 1,359.7m for the financial year 2018; adjusted EBITDA at constant exchange rates is anticipated to be approximately EUR 295m (plus or minus EUR 5m), compared with EUR 289.1m excluding a number of one-off effects in the financial year 2018. In subsequent years, we anticipate clearly accelerated growth.

How will shareholders profit?
RAINER BEAUJEAN: At the upcoming Annual General Meeting, the Management Board and Supervisory Board will propose raising the dividend by EUR 0.05 to EUR 1.15 per share—the eighth increase in a row. This payout ratio amounts to 20.3% of adjusted net income after non-controlling interests. It is, after all, our firm belief that our shareholders should share in our success.

Mr. Siemssen, what will you be focusing on in the coming months and years?
DIETMAR SIEMSSEN: We have a sound plan for 2019. My clear objective is to set Gerresheimer on a sustainable, profitable path to growth. In 2019 and beyond, I will be working together with our entire workforce to this end. The basic roadmap for the Company is in place: Our core business—glass and plastic primary pharmaceutical packaging—will account for the lion's share of the Company's success now and in the future. At the same time, we will continue to strive for excellence, sharpen our customer focus and foster our workforce. In addition to our strong core business, we will identify new projects and areas, which will drive sustainable, profitable growth, making Gerresheimer even more successful.

The composition of the Management Board is changing. What will this bring?
DIETMAR SIEMSSEN: Yes, two members of the Management Board are regrettably leaving us. Andreas Schütte is stepping down of his own request at the end of February 2019. I will take charge of the Plastics & Devices and Advanced Technologies divisions. Rainer Beaujean has opted not to serve the additional three-year term of office offered to him by the Supervisory Board and will depart at the end of April 2019. I am nevertheless very optimistic about the future. With Dr. Bernd Metzner joining us at the latest from July 2019, we will have a seasoned CFO in our management team. Following a transition period with a few changes, Bernd Metzner, Lukas Burkhardt and I will act as a strong and stable Management Board. I look forward to joining hands with colleagues and the entire global Gerresheimer team in continuing the Company's successful development worldwide.

Many thanks.

The questions were asked by Jens Kürten, Gerresheimer Group Senior Director Communication & Marketing.

FOUR AREAS FOR PROFITABLE GROWTH

Our primary objective is profitable growth, which is driven by four closely interlinked growth areas. In parallel, we are, of course, also further expanding our quality and cost leadership positions.

OUR FOUR GROWTH AREAS

VALUE PROPOSITION

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PRODUCTS AND INNOVATION

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We made great strides in all four growth areas in 2018.

VALUE PROPOSITION

There's no question that when pursuing growth, it is not only essential to be on the lookout for opportunities but also to keep an eye on the horizon—the long-term trajectory. For us, that means continually reassessing, adapting and expanding our value proposition—i.e. our value chain.

By acquiring Sensile Medical, we have taken an important step forward.

Two significant trends stand out: The pharma industry is increasingly calling for system and all-in solutions rather than individual components. We have those capabilities and are even extending them. Intelligent—and ideally networked—drug delivery devices are also in demand. These, too, preferably as a solution, platform or modular system. By acquiring Sensile Medical in 2018, we have taken an important step forward in this direction. And from within our operating business, too, we are making significant progress in expanding our value chain.

ADVANCED TECHNOLOGIES—OUR NEW INNOVATION DRIVER

By acquiring the Swiss tech company Sensile Medical in the summer of 2018, we not only supplemented our product range with wearable micro pumps but also paved the way for the Group's new division, whose name is a byword for progress and innovation: Advanced Technologies Division. The new division pools our development and production of smart drug delivery systems.

Sensile Medical's innovations build on its proprietary micro pump technology, which is the centerpiece in the infusion devices range. Subject to ongoing development and improvement, this pump technology is safeguarded by patents through to the 2030s. Sensile's liquid-drug delivery systems allow flexible, precise and reliable administration in various indication areas, including self-treatment for diabetes and Parkinson's.

Alongside this core technology, Sensile Medical has developed additional modules that can be integrated into custom solutions as from a fully modular technology system. In this way, Sensile Medical is able to develop solutions adapted to treatment and patient needs.

At present, there are several projects with global bio-pharma companies at various stages of development. Additional areas of innovation include device connectivity and other digital solutions for the entire care chain.

SYRINGE INNOVATION LAB—SMALL-BATCH PRODUCTION IN WACKERSDORF

Large orders of prefillable syringes are one aspect of the business but there is increasing demand for customer-specific solutions. Often, these are required for small batches of new medications undergoing clinical trials, and frequently they are also used in the early stages of marketing. This calls for specialized skills, flexibility, quick action as well as the ability to address customers' unique needs. To this end, we are expanding our innovation center in Wackersdorf (Germany), which had previously focused on developing and industrializing medical plastic systems, to include expertise in prefillable syringes and cartridges. The main idea is to establish a small-batch production facility directly adjoining the R&D department.

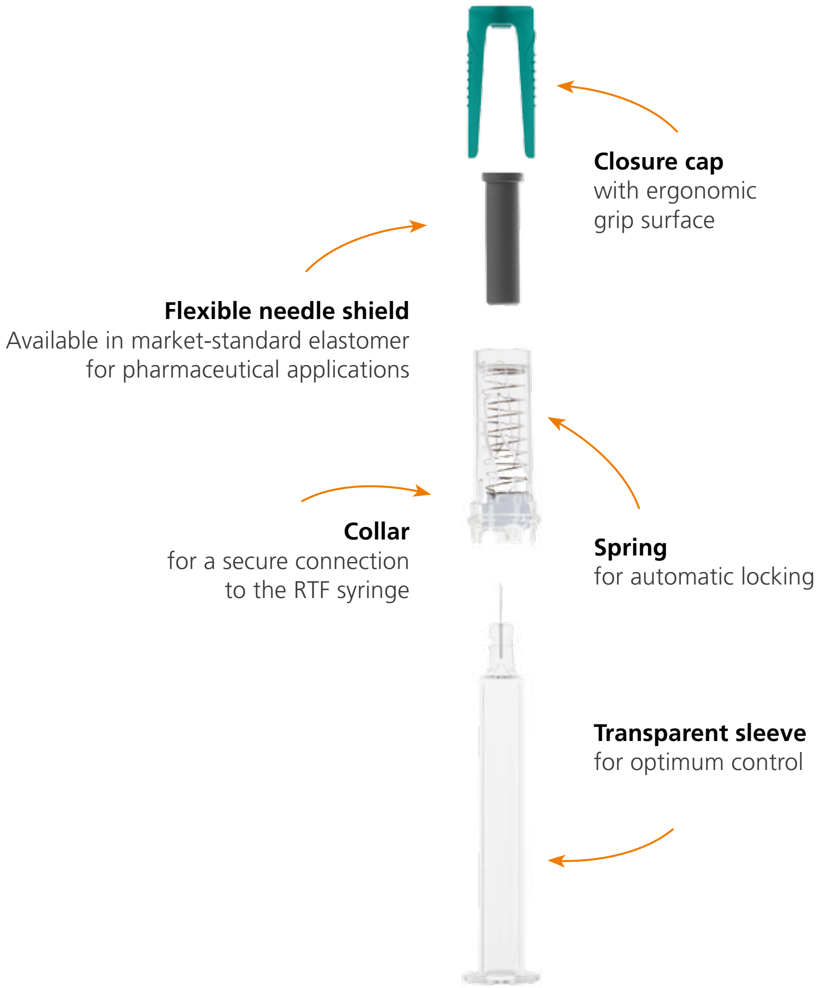
COSMETIC GLASS—DECORATION MAKES ALL THE DIFFERENCE

Our cosmetic glass plants in Tettau (Germany) and Momignies (Belgium) are preferred suppliers to several cosmetic companies in Europe, large and small. Expertise in all things glass goes with the territory. But as designs and decorations on cosmetics bottles become ever more elaborate, that alone is not enough, especially as customers prefer complete one-stop solutions. This is why we are expanding our expertise in decorative and finishing technologies with new printing and spray coating facilities, hot stamping, acid etching, labeling equipment, adhesive technologies for various accessories and much more.

We are expanding our expertise also in decorative and finishing technologies.

PRODUCTS AND INNOVATION

Innovations are drivers for tomorrow's growth. But before they reach patients, pharmaceutical innovations must be fully developed, tested, certified and validated. Naturally, this also applies to our primary pharma packaging. We have a slew of innovations in the pipeline—some are completely novel, others offer new properties or safety features.



Gx INNOSAFE®—PREVENTING NEEDLE-PRICK INJURIES

Used syringes can injure doctors, nurses and medical assistants. The one million needle-prick injuries recorded each year in Europe alone speak for themselves. We are in the process of developing a solution to the problem: Gx InnoSafe®. This integrated, easy-to-use passive safety system not only helps to prevent accidental needle-prick injuries but also ensures that syringes cannot be reused.

Gx® ELITE VIALS

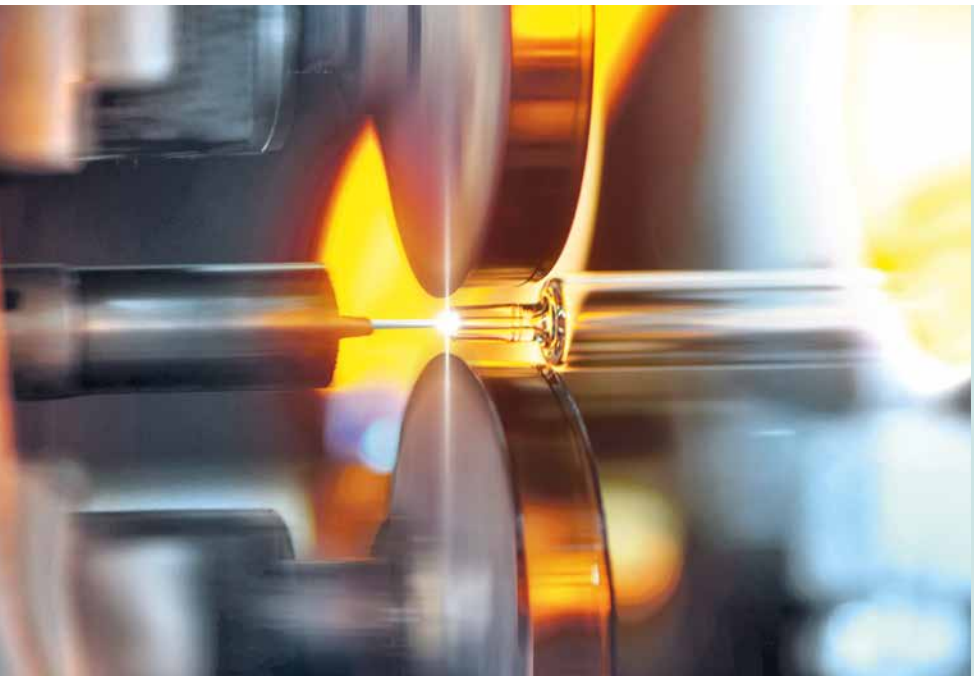
While no glass receptacle is perfect, we are getting ever closer to that ideal. When it comes to packaging vital medication, such as cancer drugs, in injection vials, our close-to-perfect Gx® Elite vial is the best choice. The highly break-resistant vials are extremely durable, free of cosmetic defects and produced to strict dimensional specifications. These are key prerequisites for correctly filling and packaging the vials. Gx® Elite vials have already been successfully tested by some of our customers.

Gx® RTF VIALS & Gx® ETF VIALS

Our two core competencies—molded glass injection vials and processing ready-to-fill or easy-to-fill glass primary packaging materials—facilitate further processing by the pharmaceuticals industry. Our sterilized, packaged and ready-to-fill injection vials are primed to receive drugs the moment they arrive at pharma companies.

Gx RTF® CLEARJECT® NEEDLE SYRINGE

Sometimes glass is not the ideal material for prefillable syringes. In such cases, COP (cyclic olefin polymer), a premium-grade plastic, is the answer. We have started series production of these high-performance syringes at our site in Pfreimd (Germany). This new product is the first plastic syringe that we have developed and are manufacturing in Germany. It is the perfect solution for many biotechnologically manufactured drugs.



METAL-FREE Gx RTF® SYRINGE

During the conventional production of prefillable glass syringes, a tungsten pin is used to shape the syringe cone. However, this pin occasionally leaves a metal residue behind. This can negatively impact certain biotechnologically manufactured drugs. So prefillable syringes with zero risk of being contaminated by metals are a must. This is why we have developed a new production technology that uses a ceramic pin instead. We have filed the patent for this process.

DUMA® CONTAINERS—CHILD-RESISTANT AND PERFECT FOR DELIVERING ONLINE PURCHASES

Since medication, too, is increasingly ordered online and delivered to customers' doorsteps, the drugs should ideally fit in a mailbox. Instead of the usual round shape, the Duma® Pocket tablet container is a flat oval, ensuring it slips into most mailboxes. This means it is perfectly suited to door-to-door medication deliveries. Furthermore, the Duma® Standard container is now also available with a plastic, single-component, child-resistant cap.

IRRADIATING PRIMARY PACKAGING

Plastic packaging such as dropper bottles for ophthalmology and rhinology products frequently need to be treated with gamma rays before they can be filled. We now save our customers the trouble by taking care of this additional step.

MICRO PUMP FOR PARKINSON'S

The first product from the new Gerresheimer subsidiary Sensile Medical has reached the European market. A wearable micro pump received CE certification for the European market in September 2018. Used in the treatment of advanced Parkinson's disease, the micro pump is one of several specific customer projects in various therapeutic areas.

ECO-FRIENDLY PLASTIC PACKAGING FOR A PERSONAL CARE PRODUCT

A major customer recently launched a new shampoo brand that focuses on natural ingredients on the market. In keeping with the brand's environmental priorities, we developed green packaging to match. Reduced wall thickness lowers both the amount of plastic and the container weight. Thanks to the cube-shaped design and indentation in the base, the containers can be easily stacked, which helps to make transportation more environmentally friendly. In addition, each bottle can be refilled up to three times in hair salons.

There are always opportunities for growth. But transforming potential into results calls for a clear game plan.

REGIONAL EXPANSION

We are already among the leaders in many markets, our products rank among the top three in many regions. But not everywhere or in every region. There are always opportunities for growth. But transforming potential into results calls for a clear game plan. Sometimes it is worth starting out small and being patient while harnessing existing strengths and structures. After all, our customers in the pharma industry are very meticulous and circumspect—as they should be—when it comes to health concerns. As a result, decisions are not made quickly, new partners have to pass muster—especially as regards local production—and prove that they have what it takes to handle major orders.

AN IMPORTANT PIECE OF THE PUZZLE ON THE INDIAN SUBCONTINENT

To round out our portfolio, we have acquired the remaining 25% stake in our Indian subsidiary Triveni from the former owners. Triveni successfully produces plastic pharmaceutical packaging for India and export. Moreover, we also have plants manufacturing pharmaceutical-grade molded glass, injection vials and ampoules in India.

FROM OHIO TO THE REST OF THE CONTINENT

With our primary glass packaging for injection drugs, we have long been the market leader in the US. The same goes for our plastic packaging for prescription-only tablets which are counted out and bottled by pharmacists. Now we are using our plant in Berlin (Ohio/USA) where the familiar orange tablet tubes are produced to tap into the next business area—high-quality plastic packaging that is filled with medication by pharmaceutical manufacturers. This not only means that production must be carried out in clean-room conditions, but also that specialized tamper-evident seals and specific materials are required. The first line became operational in May 2018. And there is plenty of room for further expansion on site.

A NEW PLANT IN A NEW REGION—GOING FROM STRENGTH TO STRENGTH IN BRAZIL

For years, our plastic pharmaceutical packaging has been highly successful in Brazil. So far, production has been centered around Sao Paulo. Now it is time to expand into a second region in this enormous country. Our new plant in Anapolis in the state of Goias started production in 2018. There, we will produce the full range of successful plastic packaging as well as customized solutions such as closures, caps, on-site assembly and decoration. Good news not just for customers in Brazil but throughout the continent.

NEW PLANT IN EASTERN EUROPE

It is evident that we need additional production capacity in Europe for drug delivery devices and ultimately also for prefillable syringes. Our existing facilities are insufficient and their scope for expansion is limited. For this reason, we have decided to build a new plant in Eastern Europe in the coming years. The plans are already in full swing.

CHANGZHOU—PLANTING SEEDS IN THE MIDDLE KINGDOM

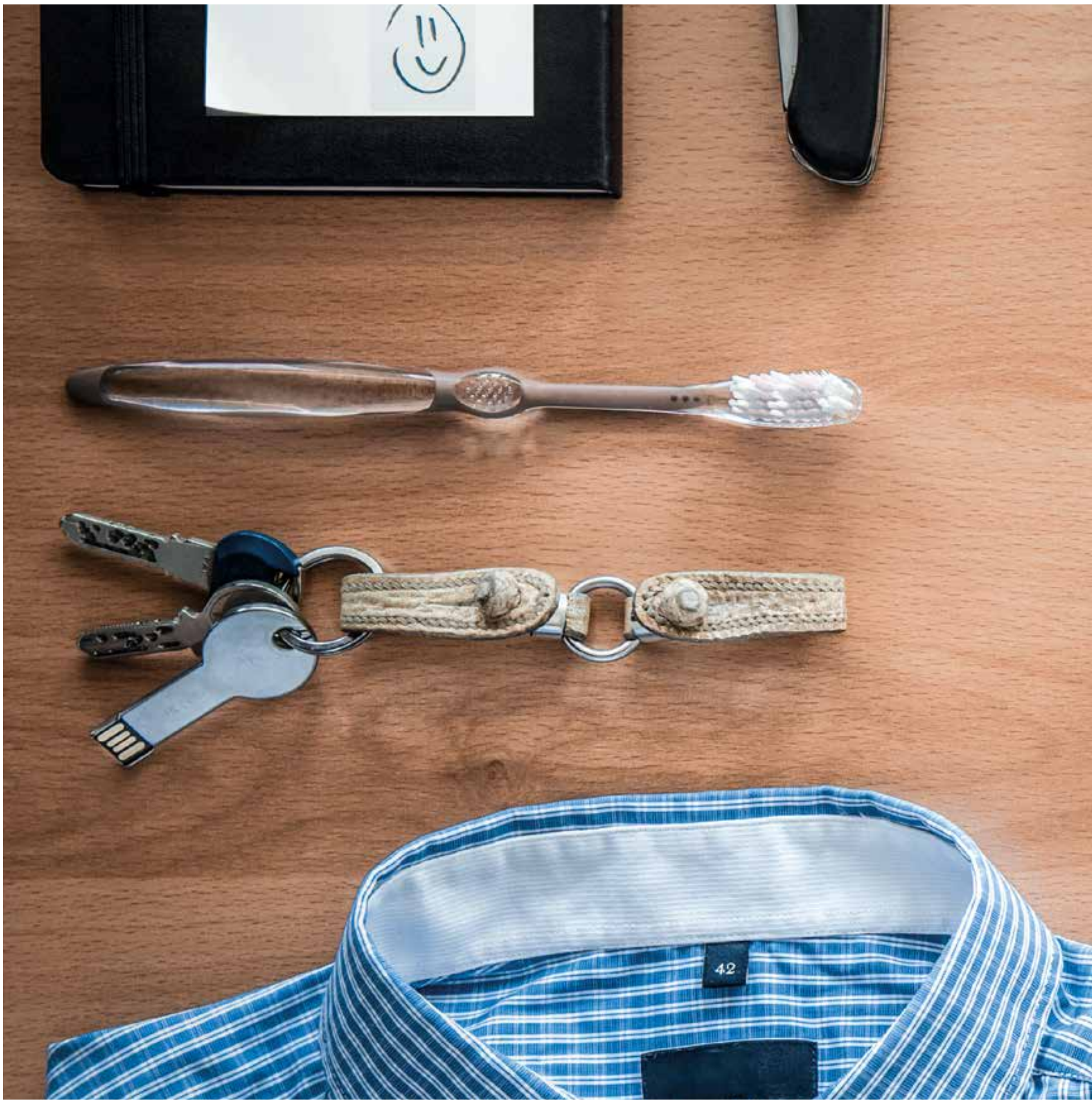
Our plan for China is to pursue the same course as with the Plastic Packaging Business Unit in the US—start out small and take the time to build up local production capacity and expertise. Ultimately, there is no way forward without local production and discerning pharma customers’ on-site certification and validation. This is why we are taking the time to build a solid foundation for manufacturing plastic pharmaceutical packaging in Changzhou, a city in China’s fast-growing Jiangsu province. In this way, we can best demonstrate our strengths to local customers. But will it start generating high revenues as early as next year? That is highly unlikely because, after all, patience and meticulousness are just as important to the pharmaceuticals sector in China.

SINGAPORE—GATEWAY TO SOUTH-EAST ASIA

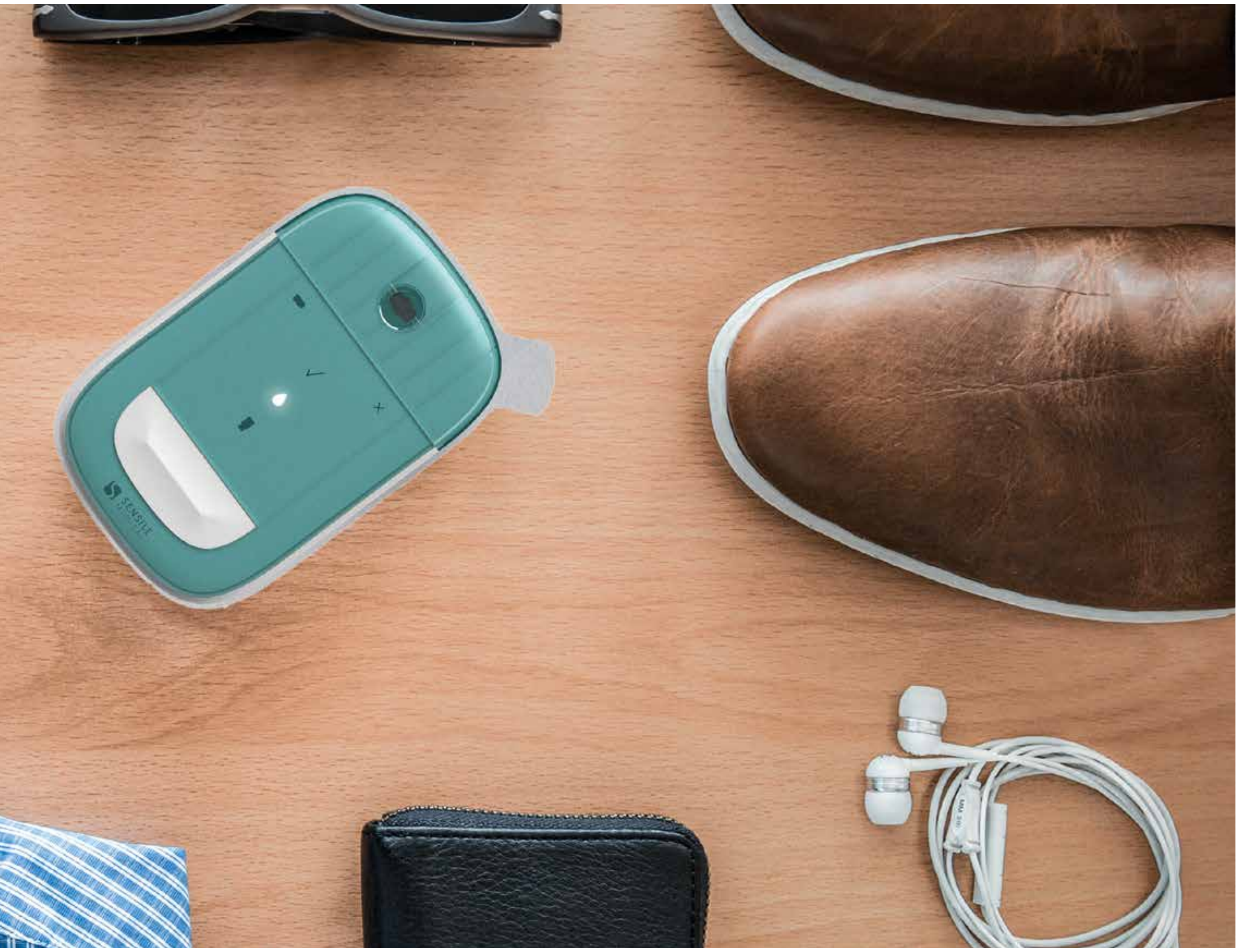
It is not always necessary to have a local production facility in order to expand into new markets. There is plenty going on outside of China in South-East Asia. Indonesia, Malaysia and the Philippines are attractive regions and fast-growing pharmaceutical markets. To ensure that we can better serve potential local customers, we also make our presence felt beyond the relevant trade shows in Jakarta and other cities: We have established a bridgehead in the shape of a small but high-caliber team in Singapore, which is well versed in our portfolio of glass and plastic packaging for the pharma industry and on the lookout for new clients who need our help in this multifaceted region of South-East Asia.

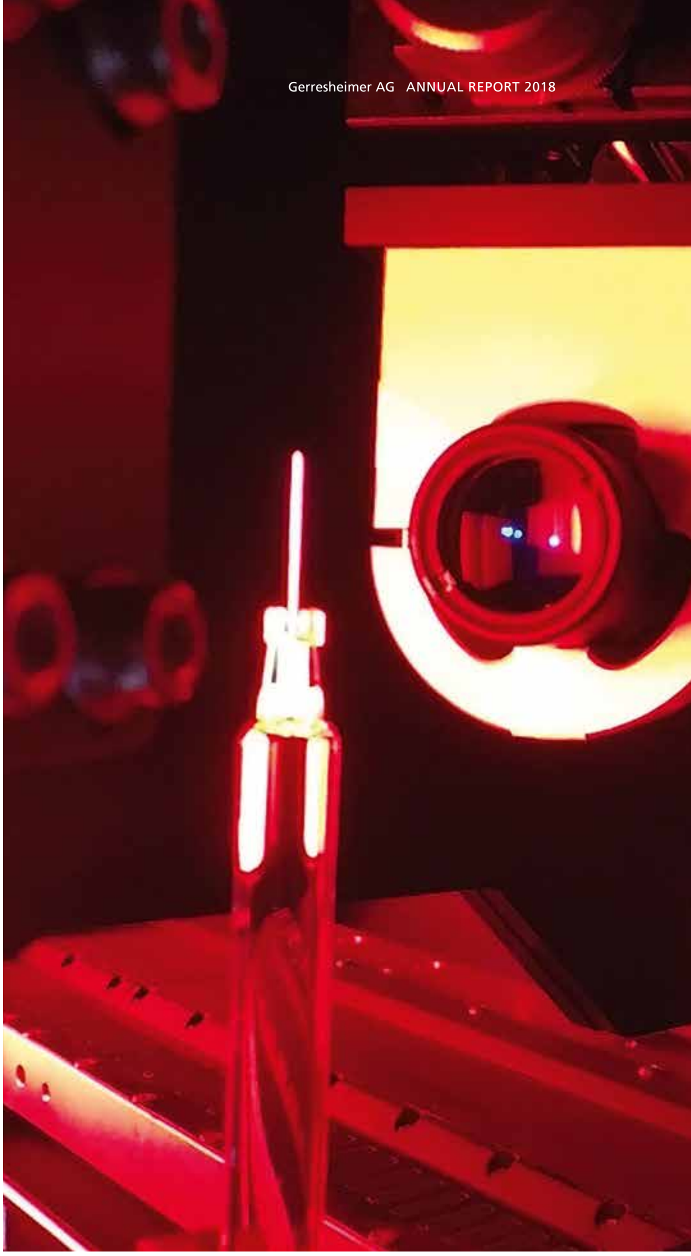
CUSTOMERS

No two customers are alike. Why? Because "customer" may spell large or small contracts, standard orders or customer-specific requests that call for very special services on our part. Or they may even be so big that we need to make major investments, such as creating new production capacities in new clean rooms and new facilities. Or we may also tap into entirely new customer groups. And sometimes even an internal customer may suddenly gain significance.



We tap into new customer groups.





Gx® SOLUTIONS—INTERDISCIPLINARY EXPERT TEAM FOR SPECIAL REQUIREMENTS

Many new, demanding and sensitive medications administered in liquid form call for a new generation of tailor-made primary pharma packaging. We have pooled our skills in Gx® Solutions, an interdisciplinary team of experts and salespeople. This team specializes in services tailored specifically for biotech drugs provided to small and medium-sized biotech companies.

INHALERS FOR EUROPE

Sadly, many people—around 235 million, according to the latest WHO estimates—suffer from asthma. New drugs and inhalers are being developed for these patients. Our US facility in Peachtree City (Georgia/USA) already produces such new inhalers for the US market for an international pharma company. Now we have secured a corresponding contract for Europe as well. And we are investing heavily in the requisite production capacities at our Czech plant in Horsovsky Tyn.

MULTI-YEAR CONTRACT FOR HEPARIN SYRINGES

Another highlight among our new orders in 2018: We have succeeded for the first time in becoming the main supplier to one of the largest heparin producers. We will be supplying this customer with prefillable syringes under a multi-year contract. For this, too, we will be making significant investments in our syringe competence center in Buende (Germany).

A MAJOR NEW INTERNAL CUSTOMER: SENSILE MEDICAL

Sensile Medical, our newest subsidiary, develops infusion pumps for various therapeutic areas. The company's core competency is developing the devices—not manufacturing them once they are licensed and ready for series production. The latter calls for manufacturing partners who can do the job with high quality, flexibility and reliability. Going forward, Business Unit Medical Systems will perform that role for various projects following licensing. After all, that is their specialty, which they already perform very successfully for many similar projects, notably insulin pens and asthma inhalers. The German facility in Pfreimd, in particular, will produce a number of these devices in the coming years. In this case, however, they will not be fulfilling external pharma customers' orders but those of our subsidiary Sensile Medical.

REPORT OF THE SUPERVISORY BOARD

› Dr. Axel Herberg
Chairman of the Supervisory Board

In the financial year 2018, 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 eight meetings 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. The Supervisory Board also dealt with various changes in the composition of 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 or Speaker. 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 2018, the Supervisory Board consisted of Dr. Axel Herberg as Chairman, Francesco Grioli as Deputy Chairman, Andrea Abt, Heike Arndt, Dr. Karin Dorrepaal, Franz Hartinger, Dr. Peter Noé, Markus Rocholz, Paul Schilling, Katja Schnitzler, Theodor Stuth and Udo J. Vetter.

Dr. Lukas Burkhardt joined the Management Board effective January 1, 2018. Dr. Christian Fischer left the Company as Chairman of the Management Board by mutual consent effective February 5, 2018. At its meeting on February 5, 2018, the Supervisory Board appointed Chief Financial Officer Rainer Beaujean as interim Speaker of the Management Board with immediate effect. At its meeting on September 6, 2018, the Supervisory Board appointed Dietmar Siemssen as a member of the Management Board effective November 1, 2018 and appointed him as its Chairman as of the same date. At the same meeting, the Supervisory Board revoked the appointment of Rainer Beaujean as Speaker of the Management Board effective midnight on October 31, 2018. Andreas Schütte was also a member of the Company's Management Board throughout the financial year 2018.

The contract of service of Andreas Schütte as a member of the Management Board and his appointment to the Management Board were terminated early by mutual consent effective midnight on February 28, 2019. Rainer Beaujean will not be extending his contract of service as a member of the Management Board beyond April 30, 2019 and will consequently be retiring from the Management Board. Dr. Bernd Metzner will join the Management Board at the latest effective July 1, 2019.

MEETINGS AND RESOLUTIONS OF THE SUPERVISORY BOARD

The Supervisory Board met eight 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.

At the Supervisory Board meeting on February 5, 2018, the Supervisory Board resolved 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, and appointed Chief Financial Officer Rainer Beaujean as interim Speaker of the Management Board with immediate effect.

At the Supervisory Board meeting on February 20, 2018, the Annual Financial Statements and Management Report of Gerresheimer AG, the Consolidated Financial Statements and the Group Management Report for the financial year 2017, the proposal for appropriation of retained earnings and the Report of the Supervisory Board were approved. The Annual Financial Statements were thereby adopted. At the same meeting, the Supervisory Board adopted its proposals for resolutions to be put to the Annual General Meeting on April 25, 2018.

At its meeting on April 25, 2018, the Supervisory Board approved an additional investment project in Europe. In addition, the Management Board presented Sensile Medical AG to the Supervisory Board as an attractive acquisition target.

The purpose of the Supervisory Board's meeting on July 9, 2018 was the in-depth presentation by the Management Board on the acquisition of Sensile Medical AG after completion of negotiations with the sellers as well as on the impact of two major contracts won. The Supervisory Board addressed the resultant changes to the budgeted amounts for capital expenditure, profitability and revenues for the years 2019 to 2022.

At its meeting on July 11, 2018, the Supervisory Board approved the acquisition of Sensile Medical AG and its financing as well as the changes to the budget discussed.

At its meeting on September 6, 2018, the Supervisory Board appointed Dietmar Siemssen as a member of the Management Board effective November 1, 2018 and appointed him as its Chairman as of the same date. The Supervisory Board also revoked the appointment of Rainer Beaujean as Speaker of the Management Board effective midnight on October 31, 2018. The corporate strategy drawn up by the Management Board was another point of focus of the meeting that afforded considerable time and attention. At this meeting, the Supervisory Board additionally dealt with the annual Declaration of Compliance in accordance with section 161 of the German Stock Corporation Act (Aktiengesetz), the engagement of the auditor for the financial year 2018, the future usability of loss carryforwards recognized prior to the establishment of the consolidated tax group and the appointment of Deloitte GmbH Wirtschaftsprüfungsgesellschaft to review the Company's non-financial reporting for the financial year 2018.

On October 10, 2018, the Supervisory Board approved the early termination of the appointment of Andreas Schütte as a member of the Management Board and his termination agreement by mutual consent effective midnight on February 28, 2019.

The main items dealt with at the Supervisory Board meeting on November 22, 2018 were the appointment of Dr. Bernd Metzner as a member of the Management Board effective no later than July 1, 2019, the Group's medium-term planning and the approval of the budget for the financial year 2019.

With the exception of Andrea Abt and Dr. Karin Dorrepaal, who were each unable to attend one meeting of the Supervisory Board and gave reasons for their absence, all members of the Supervisory Board attended all the meetings of the Supervisory Board in the financial year 2018.

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 twelve times, on January 30, 2018, February 20, 2018, April 24, 2018, May 3, 2018, May 7, 2018, May 30, 2018, August 28, 2018, September 12, 2018, September 27, 2018, October 9, 2018, October 10, 2018 and October 15, 2018, and primarily addressed the departure of Dr. Christian Fischer from the Management Board and his successor as Chairman of the Management Board. Other matters were the departure of Andreas Schütte and Rainer Beaujean from the Management Board as well as a successor for the Chief Financial Officer position.

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 20, 2018, April 11, 2018, July 11, 2018 and October 10, 2018. Its discussions focused on the reports on the audit of the Annual Financial Statements and Consolidated Financial Statements for the financial year 2017 as well as the quarterly financial reports and half-year financial report for 2018. The Audit Committee also dealt with the independence of the auditor and the recommendation to the Annual General Meeting regarding the election of the auditor, issued the audit engagement to the auditor for financial year 2018, and defined and monitored the audit process as well as the areas of emphasis of the audit, including the agreement on the audit fee. Further topics of consultation were the preparation and conduct of a tendering procedure for audit services for the financial year 2019, the future usability of loss carryforwards recognized prior to the establishment of the consolidated tax group, the effectiveness of the internal audit system, the risk management system and compliance at Gerresheimer.

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. It did not meet in the financial year under review.

Likewise, the Mediation Committee did not meet during the past financial year.

In the financial year 2018, Francesco Grioli was unable to attend one meeting of the Audit Committee and gave reasons for his absence. Markus Rocholz was unable to attend meetings of the Presiding Committee once, and Udo J. Vetter twice, and both gave reasons for their absence. In other respects, all committee members attended all meetings of the Supervisory Board committees in the financial year 2018.

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 31 to 33 of the Annual Report. On September 6, 2018, the Management Board and Supervisory Board submitted the annual Declaration of Compliance 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 2018.

ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2018

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, 2017 to November 30, 2018 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 2018 were made available to the Supervisory Board for examination. The Audit Committee discussed and examined the documents in detail at its meeting on February 12, 2019 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 13, 2019. 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 approved the auditor's findings and declared that no objections were to be raised. The Supervisory Board adopted the Annual Financial Statements and approved the Consolidated Financial Statements. The Supervisory Board concurs 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 2018.

Duesseldorf, February 13, 2019

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 speaker. 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 2018 is presented on page 167 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. Shareholder representatives are elected by the Annual General Meeting and employee representatives by the employees. The period of office of the current Supervisory Board members started at the end of the Annual General Meeting on April 26, 2017 and runs to the end of the Annual General Meeting at which a resolution is adopted on the formal approval of the actions of the members of the Supervisory Board for the financial year 2021.

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 on 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 2018 is presented on page 166 of the Annual Report.

The work of the Supervisory Board is supported by committees. According to the Rules for the Supervisory Board, there are the following Supervisory Board committees:

The Mediation Committee, set up in accordance with section 27 (3) of the German Codetermination Act (Mitbestimmungsgesetz), 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 and Franz Hartinger.

The Presiding Committee prepares the Supervisory Board's personnel-related decisions. In place of the Supervisory Board, the Presiding Committee decides on the conclusion, amendment and termination of Management Board members' service contracts and pension agreements, 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 (Aktiengesetz) as well as on granting loans to the group of persons specified in sections 89 and 115 of the German Stock Corporation Act (Aktiengesetz). In the past financial year, the Presiding Committee was composed of Dr. Axel Herberg (Chairman), Francesco Grioli, Markus Rocholz and Udo J. Vetter.

Among other things, the Audit Committee prepares 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 Audit Committee was made up of Theodor Stuth (Chairman), Andrea Abt, Francesco Grioli, Dr. Axel Herberg, Markus Rocholz and Katja Schnitzler.

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 was made up of Dr. Axel Herberg (Chairman), Dr. Peter Noé 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.

Supplementary to the requirements for Supervisory Board members under the law and the German Corporate Governance Code, the Supervisory Board, in compliance with number 5.4.1 of the German Corporate Governance Code, 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:

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 of the Company; and
- at least four out of six representatives of the shareholders on the Supervisory Board should be independent.

Availability
Members of the Supervisory Board should have sufficient time available to exercise their duties such that their office can be performed with the required regularity and care. As a rule, a Supervisory Board member who is a member of the management board of a listed company should not exercise a total of more than three supervisory board offices at listed companies or on the supervisory bodies of unlisted companies with comparable requirements that do not belong to the group of that company in which the management board function is exercised.

Former Management Board members
No more than two members of the Supervisory Board should be former Management Board members of the Company. Management Board members should not become members of the Company's Supervisory Board before two years have passed since the end of their appointment, unless they are elected at the proposal of shareholders who hold more than 25% of the Company's voting rights. In this case, a switch to the chairmanship of the Supervisory Board should be an exception that has to be justified to the Annual General Meeting.

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.

Minimum percentage of women and men
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 that makes the 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 315e (1) of the German Commercial Code (Handelsgesetzbuch). The Annual Financial Statements of Gerresheimer AG are prepared in accordance with the German Commercial Code (Handelsgesetzbuch) and the German Stock Corporation Act (Aktiengesetz).

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 2018. 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. This 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 2018 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 2018 is likewise presented and published in the Remuneration Report included in the Group Management Report. The Company has agreed long-term share-price-based variable remuneration with all members of the Management Board. This so-called Phantom Stocks Program is also presented 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 complied with, or which recommendations have not been applied, and the reasons for this.

On September 6, 2018, 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 section 161 of the German Stock Corporation Act.

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

Gerresheimer AG will in 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 2018 STOCK MARKET YEAR

Buoyed by factors including the healthy global economic environment, the international equity markets recorded a positive start to the financial year 2018 until the beginning of February 2018. This trend did not continue in the subsequent months, although the period up to the end of September still saw largely robust economic situation. Persistent uncertainty about international trade relations and the consequences of Brexit as well as political debate surrounding the debt levels of some emerging economies repeatedly put temporary pressure on stock price performance. Starting at the end of September, the somewhat less optimistic prospects for the global economy in particular reinforced the negative factors impacting the international equity markets, which then came under significant pressure.

GERRESHEIMER SHARES

These developments also affected the performance of the Gerresheimer share price and its benchmark index, the MDAX. Starting in mid-July, the Gerresheimer AG share price posted a substantial increase on the back of publication of the half-year results featuring an upgraded growth forecast and the acquisition of Sensile Medical AG, reaching its high point for the year of EUR 79.80 on September 12, 2018. When the international equity markets came under pressure in September, Gerresheimer shares were unable to escape the effects, too. At EUR 59.75, the share price hit its lowest level in the financial year 2018 on October 15, 2018.

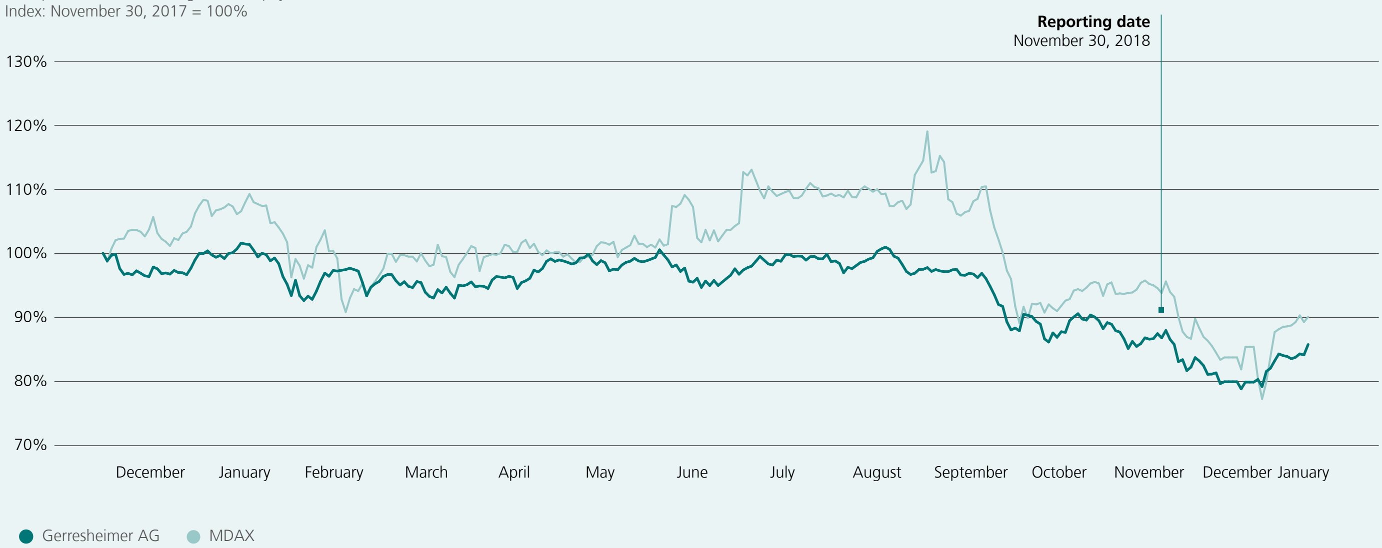
Despite a 6.2% decline, Gerresheimer shares outperformed the MDAX by 7% at the November 30, 2018 reporting date, closing the financial year 2018 at a price of EUR 62.90.

Taking into account the dividend payout, the -4.6% performance posted by Gerresheimer shares beat the MDAX benchmark index (-13.2% for the financial year 2018) by 8.7% as of the November 30, 2018 reporting date. Viewed over the longer term, our share has continued to follow an upward trajectory since the IPO in 2007. Including reinvested dividends, long-term investors were able to generate a return in excess of 100% between our IPO and November 30, 2018.

Persistent concerns over political risks and a slowdown in the global economy continued to put international equity markets under pressure until the end of December 2018. These developments were also reflected in the performance of the Gerresheimer share price and the MDAX. Starting at the beginning of January, the Gerresheimer share price has rapidly and markedly recovered, rising above the EUR 60.00 mark to close at EUR 60.40 on January 18, 2019.

Gerresheimer AG Shares Versus MDAX

Total performance including dividend payout
Index: November 30, 2017 = 100%



THE MAJORITY OF ANALYSTS CONTINUE TO GIVE BUY OR HOLD RECOMMENDATION

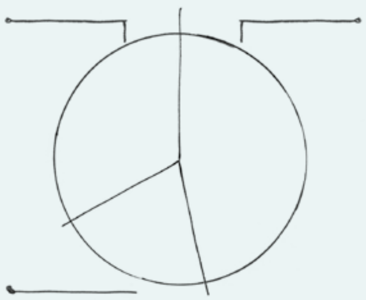
As of January 18, 2019, 15 bank analysts regularly covered the performance of Gerresheimer AG, providing investment recommendations. Seven analysts gave a buy recommendation and five a hold recommendation. Three analysts recommended selling. As of January 18, 2019, the average price target was EUR 70.64. The charts that follow provide an overview of the banks covering Gerresheimer as of January 18, 2019, together with their recommendations:

Analyst Coverage

Bankhaus Lampe	Equi.TS	Kepler Cheuvreux
Berenberg Bank	Goldman Sachs	LBBW
Commerzbank	Hauck & Aufhäuser	MainFirst
Credit Suisse	HSBC	Metzler
Deutsche Bank	J.P. Morgan Cazenove	Pareto (formerly equinet bank)

Overview of Analyst Recommendations as of January 18, 2019

Number (prior year)



2018 ANNUAL GENERAL MEETING: ANOTHER VERY STRONG CAPITAL ATTENDANCE – DIVIDEND RAISED TO EUR 1.10 PER SHARE

At the Annual General Meeting on April 25, 2018, 79.78% of the capital stock was represented. All resolutions proposed by the Management Board and Supervisory Board were approved by a large majority of shareholders. For example, they approved payment of a dividend of EUR 1.10 per share (2017: EUR 1.05 per share). This represents an increase of 4.8% per dividend-entitled share and is the seventh consecutive dividend rise. The dividend was paid out on April 30, 2018.

For the financial year 2018, the Management Board and Supervisory Board will propose at the Annual General Meeting that a dividend of EUR 1.15 per share be paid out.

All key documents and information relating to the Annual General Meeting are available at www.gerresheimer.com/en/investor-relations/annual-general-meeting.

Gerresheimer Shares: Key Data

	2018	2017
Number of shares at reporting date in million	31.4	31.4
Share price[1] at reporting date in EUR	62.90	67.06
Market capitalization at reporting date in EUR m	1,975.1	2,105.7
Share price high[1] during reporting period in EUR	79.80	78.01
Share price low[1] during reporting period in EUR	59.75	61.03
Earnings per share in EUR	4.11	3.21
Dividend per share in EUR	1.15 [2]	1.10

[1] Xetra closing price.
[2] Proposed appropriation of net 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

GROWTH INVESTORS AGAIN CLEARLY PREDOMINATE IN THE CONSISTENTLY 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, investors in the Netherlands accounted for the largest share of the free float at around 26% as of January 18, 2019, followed by North American investors with around 24% and British investors with around 23%. German shareholders accounted for around 2%. As in the prior year, the free float remained at 100% as per January 18, 2019. Based on our top 25 shareholders, growth investors are again clearly 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):

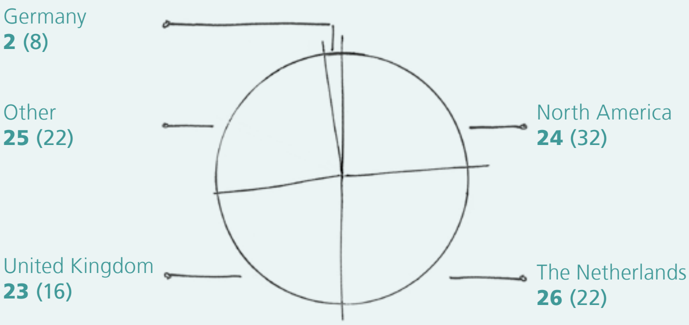
Company	Share in%	Date of Notification
NN Group N.V.	5.20	September 17, 2014
Stichting Pensioenfonds ABP	5.10	July 30, 2015
BNP Paribas Investment Partners S.A.	5.07	December 16, 2016

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

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

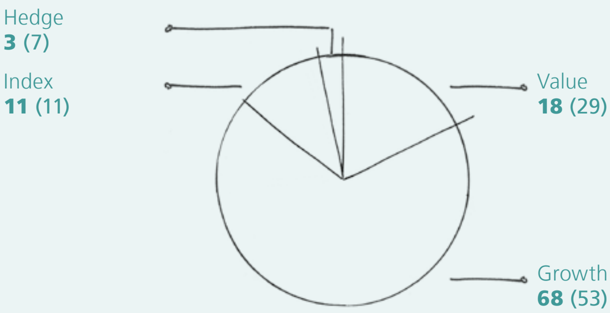
Shareholder Structure: Top 25 Investors by Region

in % (prior year)



Shareholder Structure: Top 25 Investors by Investment Style

in % (prior year)



GERRESHEIMER BOND

The bond launched on May 19, 2011 (ISIN XS0626028566) was redeemed at maturity on May 21, 2018 at a redemption price of 100%. Totaling an issue size of EUR 300.0m, the bond paid a coupon of 5% p.a.

GERRESHEIMER RATING

Gerresheimer AG's ratings remained unaltered with Moody's Baa3, outlook negative rating confirmed in April and Standard & Poor's BBB-, outlook stable rating in May 2018, thus maintaining our investment grade status. As Gerresheimer AG is no longer required to have a public rating following the bond redemption in May 2018, Gerresheimer AG canceled the agreements with the two rating agencies Moody's and Standard & Poor's in summer 2018.

Rating

Corporate rating as of May 31, 2018	**Standard & Poor's:** BBB-, outlook stable **Moody's:** Baa3, outlook negative

INVESTOR RELATIONS: DIALOG WITH THE CAPITAL MARKETS

Many institutional investors and analysts again took the opportunity for personal dialog with the Management Board and Investor Relations 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 followup 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 and www.gerresheimer.com/en/investor-relations/presentations.

In line with our corporate philosophy, we will sustain our ongoing, dependable, transparent dialog with the capital markets 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

April 11, 2019	Interim Report 1st Quarter 2019
June 6, 2019	Annual General Meeting 2019
July 11, 2019	Interim Report 2nd Quarter 2019
October 10, 2019	Interim Report 3rd Quarter 2019

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THE FINANCIAL YEAR 2018 AT A GLANCE

- Revenue and adjusted EBITDA targets attained
  - Revenues at constant exchange rates up 4.3% on the financial year 2017 to EUR 1,406.7m
  - 3.4% organic revenue growth
  - Reported revenues increased by 1.4% year-on-year to EUR 1,367.7m
  - Despite higher costs of, notably, energy and resins, and excluding the negative effects relating to the exemption from electricity network charges and to measurement of the Triveni put option and of the Advanced Technologies Division, adjusted EBITDA at constant exchange rates, at EUR 307.5m, was maintained at its strong prior-year level
  - Reported adjusted EBITDA at EUR 298.6m

- July 2018 acquisition of Sensile Medical successfully integrated and Advanced Technologies Division established

- Strong adjusted net income after non-controlling interests at EUR 178.0m (prior year: EUR 127.5m), mainly due to positive impact of US tax reform

- Further increase in proposed dividend to EUR 1.15 per share (prior year: EUR 1.10 per share)

- Rigorous focus on profitable growth
  - Guidance for 2019: Revenues at constant exchange rates expected to be in a range of around EUR 1.4bn to EUR 1.45bn, against a comparative figure of EUR 1,359.7m for the financial year 2018; adjusted EBITDA at constant exchange rates expected to be approximately EUR 295m (plus or minus EUR 5m), compared with EUR 289.1m in the financial year 2018. In addition, in the financial year 2019, other operating income of approximately EUR 90m arises from the derecognition of contingent consideration from the acquisition of Sensile Medical due to the termination of a customer for a project to develop a micro pump for the treatment of heart diseases
  - Large inhaler order for Europe secured with major international pharma producer and Gerresheimer named main supplier of prefillable syringes for one of the largest heparin producers; this will result in higher capital expenditure in the financial years 2019 and 2020

- New, experienced Chief Executive Officer Dietmar Siemssen taking up office on November 1, 2018. Dr. Bernd Metzner to become Chief Financial Officer by July 1, 2019 at the latest and thus completes the Management Board again

THE GERRESHEIMER GROUP

BUSINESS ACTIVITIES

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

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 2018, the Group had 46 locations in Europe, North and South America and Asia, with 9,890 employees worldwide. This represents a 1.4% increase in our workforce compared with November 30, 2017.

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. Since the acquisition of Sensile Medical, our business model is organized in the three reporting and operating divisions Plastics & Devices, Primary Packaging Glass, and Advanced Technologies.

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

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

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

PRIMARY PACKAGING GLASS

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

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

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

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

ADVANCED TECHNOLOGIES

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

BRANCH OFFICES

Gerresheimer AG and the subsidiaries included in the Consolidated Financial Statements do not have any branch offices.

GROUP STRATEGY AND OBJECTIVES

Healthcare demand is growing worldwide. The main drivers are six global megatrends (see under "Megatrends", page 102):

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

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

OUR VISION AND MISSION

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

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

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

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

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

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

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

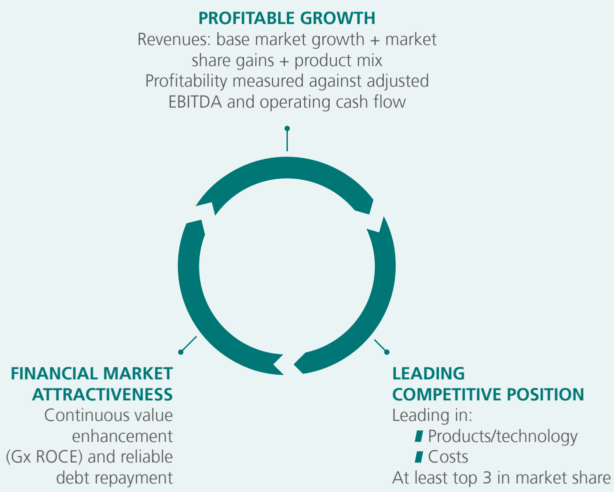
Decades in the business of making glass and plastic packaging give us very valuable expertise that we deploy to the benefit of our customers and supplement with further training. We standardize our production systems and processes across operating locations, ensure knowledge transfer between teams and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

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

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

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

OUR STRATEGIC GOALS



1. Profitable growth

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

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

2. Leading competitive position

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

3. Financial market attractiveness

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

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

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

The Management Board discussed the specific objectives for the coming financial year as well as the long-term strategic direction with the managers of the business units and presented them in numerous meetings with employees and customers. The course set for the coming years was also discussed with and adopted by the Supervisory Board as part of the annual operational and strategic planning. Further details can be found in the Outlook section beginning on page 99 et seq. of this Group Management Report.

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

CONTROL SYSTEM

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

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

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

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

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

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

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

BUSINESS ENVIRONMENT

OVERALL ECONOMIC CONDITIONS

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

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

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

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

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

SECTORAL DEVELOPMENT

According to IQVIA[3], volume growth on the global pharma market was just 0.3% in 2018. On this basis, IQVIA calculates an average annual growth rate of 1.7% for the years 2014 to 2018, with 3% growth in the period 2011 to 2016 as against 6% in the period 2006 to 2011. This calculated average annual growth rate of 1.7% for the years 2014 to 2018 is expected to play out with 3.9% in the pharmerging markets[4], 0.2% in developed markets and -1.8% in the remaining markets.

[1] International Monetary Fund: World Economic Outlook, October 2018.
[2] Federal Ministry for Economic Affairs and Energy: Monthly report, December 2018.
[3] IQVIA Institute, January 9, 2019.
[4] For a definition of pharmerging markets (emerging markets), please see Note (8) of the Notes to the Consolidated Financial Statements.

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

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

Overall, the pharma sector is considered to be one of the most crisis-resistant industries. Despite the recent weakness, it continues to benefit from long-term growth drivers such as demographic change and the increase in life expectancy, which combine to create rising demand for healthcare. Widespread diseases such as diabetes, asthma, dementia, cancer and allergies also boost demand for healthcare. This is reflected in the megatrends relevant to Gerresheimer: rise in chronic diseases and aging population, rapid growth in generics, growing healthcare provision in emerging markets, stricter regulatory requirements, new drugs (especially in biosimilars and biotech), and the growing trend toward self-medication (see under “Megatrends”, page 102).

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

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

DEVELOPMENT ON THE CURRENCY MARKETS

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

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

Other currencies that entail translation effects on translation into euros—the Group reporting currency—for our quarterly and annual financial statements showed a mixed picture in the reporting period. Currencies of various emerging economies, in particular, depreciated. 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 US dollar exchange rate assumed for budgeting purposes for the financial year 2018 was 1.12 US dollars to the euro. The reporting date and average exchange rates of major currencies for the Gerresheimer Group in the financial year 2018 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 an impact on the Gerresheimer Group's results of operations. Accordingly, we make use of the special compensation rule for electricity cost-intensive companies under section 64 of the German Renewable Energy Act (EEG). In addition, the Group extensively hedges against increases in energy (electricity and gas) prices in order to absorb rising energy costs. Gas prices in the Europe market rose by about 30% on average during the financial year 2018. This had a negative impact on results of operations of the Primary Packaging Glass Division notably in the second half of the financial year 2018, amounting to around EUR 5m compared with the prior year.

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

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

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

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

CHANGES IN THE REGULATORY ENVIRONMENT

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

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

DEVELOPMENT OF THE BUSINESS

EFFECT OF ECONOMIC CONDITIONS ON BUSINESS PERFORMANCE

Business with the pharma and healthcare industry is especially important to the Gerresheimer Group as such business accounts for 82% of total revenues.

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

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

ATTAINMENT OF GUIDANCE IN THE FINANCIAL YEAR 2018

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

Development of published guidance during the financial year 2018

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

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

Sensile Medical

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

MANAGEMENT BOARD REVIEW OF BUSINESS PERFORMANCE

The Gerresheimer Group performed in line with its own expectations in the financial year 2018. Especially due to the very strong fourth quarter, revenues at constant exchange rates rose by 4.3% from EUR 1,348.3m to EUR 1,406.7m in the financial year under review. Reported revenues—after exchange rate changes and acquisitions—were up 1.4%, at EUR 1,367.7m in the financial year under review. Our revenues increased organically—adjusted for exchange rate effects, acquisitions and divestments—by 3.4% compared with the prior year. As Gerresheimer supplies leading pharma companies, we are notably also dependent on the development of the market served by the pharma industry, which saw volume growth of 0.3% on the global pharma market according to IQVIA. On this basis, we grew faster than the market in 2018. Adjusted EBITDA at constant exchange rates was EUR 308.0m in the financial year 2018 compared with EUR 310.8m in the prior year. However, three one-off effects compared with the prior year have to be taken into account here. Firstly, we recognized an expense of EUR 1.4m in the financial year 2018 due to the European Commission's decision on the exemption from electricity network charges granted to large electricity-consuming enterprises in 2012 and 2013. Secondly, final fair value measurement of the put option for acquisition of the remaining 25% of shares in Triveni Polymers Private Ltd. (New Delhi/India) resulted in recognition of an expense of EUR 1.1m in the financial year 2018 compared with income of EUR 3.6m in the financial year 2017. And thirdly, at constant exchange rates, adjusted EBITDA for the Advanced Technologies Division is EUR 3.0m for the financial year 2018. Excluding these three one-off effects, adjusted EBITDA at constant exchange rates would have been EUR 307.5m in the financial year under review and thus at the same level as in the prior year. Reported adjusted EBITDA in the financial year under review amounts to EUR 298.6m. Excluding the expense relating to the exemption from electricity network charges as well as the final fair value measurement of the Triveni put option and the Advanced Technologies Division, adjusted EBITDA would be EUR 298.1m, with an adjusted EBITDA margin of 22.0%. Net income, at EUR 131.1m in the financial year 2018, was significantly up on the EUR 103.1m prior-year figure. Adjusted net income was EUR 180.3m, compared with EUR 130.0m in the prior-year period, which was a good result overall. In the financial year under review, both net income and adjusted net income include the positive effects from the remeasurement of deferred taxes of our US subsidiaries included in the Consolidated Financial Statements due to the US tax reform signed on December 22, 2017, amounting to EUR 44.8m, as well as deferred tax income at a German subsidiary resulting from the future usability of loss carryforwards recognized prior to the establishment of the consolidated tax group in the amount of EUR 8.7m.

REVENUE PERFORMANCE

Especially due to the very strong fourth quarter, revenues at constant exchange rates increased by 4.3% or EUR 58.4m from EUR 1,348.3m in the financial year 2017 to EUR 1,406.7m in the financial year 2018. Within this, we generated revenues of EUR 12.9m in the Advanced Technologies Division since its establishment as a result of the acquisition of Sensile Medical in July 2018. In the financial year 2018, our revenues thus increased organically—adjusted for exchange rate effects, acquisitions and divestments and therefore excluding the Advanced Technologies Division—by 3.4% compared with the prior year. Reported revenues were up 1.4% on the prior year at EUR 1,367.7m in the financial year under review.

	at constant exchange rates			as reported		
in EUR m	**2018**	2017	Change in %[1]	**2018**	2017	Change in %[1]
Revenues						
Plastics & Devices	777.9	757.2	2.7	751.3	757.2	-0.8
Primary Packaging Glass	617.6	592.0	4.3	605.2	592.0	2.2
Advanced Technologies	12.9	–	–	12.9	–	–
Subtotal	**1,408.4**	**1,349.2**	**4.4**	**1,369.4**	**1,349.2**	**1.5**
Intra-Group revenues	-1.7	-0.9	84.6	-1.7	-0.9	84.6
Total revenues	**1,406.7**	**1,348.3**	**4.3**	**1,367.7**	**1,348.3**	**1.4**

[1] Change calculated on a EUR k basis.

Revenues at constant exchange rates in the Plastics & Devices Division rose by EUR 20.7m from EUR 757.2m in the prior year to EUR 777.9m in the financial year 2018. This corresponds to revenue growth at constant exchange rates of 2.7%, which is also in line with the organic revenue growth. Alongside healthy demand for plastic vials for prescription drugs in the US, we also saw good organic growth rates for plastic vials in India and South America. However, revenues in this business unit increased only slightly in Europe. Syringe sales were also slightly up on the prior year. The Medical Plastic Systems Business Unit registered only marginal growth, largely due to the loss of a major inhaler customer. In contrast, our inhaler project in Peachtree City (Georgia/USA) performed very well. The performance of the engineering and tooling business in the financial year 2018 remained stable compared with the prior year, as we had expected. However, mainly due to the trend in the US dollar, the Brazilian real and the Indian rupee—all of which fell significantly on average in the financial year under review—reported revenues were slightly down on the prior year. The Plastics & Devices Division thus generated reported revenues of EUR 751.3m in the financial year 2018. This figure was 0.8% or EUR 5.9m lower than the EUR 757.2m generated in the financial year 2017.

In the Primary Packaging Glass Division, revenues at constant exchange rates rose by 4.3% or EUR 25.6m from EUR 592.0m in the financial year 2017 to EUR 617.6m. Within this, the Moulded Glass Business Unit delivered very positive growth rates, driven in particular by the strong demand in our cosmetics business. In the Tubular Glass Business Unit, the US business registered a strong year-on-year recovery. The Europe business also grew compared with the prior year. Reported revenues increased by 2.2% in the Primary Packaging Glass Division from EUR 592.0m in the financial year 2017 to EUR 605.2m in the financial year under review.

Revenues at constant exchange rates in the Advanced Technologies Division amounted to EUR 12.9m in the financial year 2018 and exclusively related to development revenues at Sensile Medical, which was acquired in July 2018. At the end of September 2018, a wearable micro pump from Sensile Medical received EU certification for the European market. A European pharma company obtained CE certification for the pump, which is specially designed for the treatment of Parkinson’s disease, and is bringing it to market.

REVENUES BY ECONOMIC REGION

We generate the vast majority of revenues outside Germany. International revenues came to EUR 1,063.2m or 77.7% of total revenues in the financial year 2018 (prior year: EUR 1,035.2m or 76.8%). Europe and the Americas remain Gerresheimer's most important geographical sales regions. A further ongoing focus is on revenues in emerging markets as a growth region.

IQVIA did not modify its definition of emerging markets in the financial year 2018. As before, 22 countries are defined as emerging markets. According to the current definition employed by IQVIA, 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.

	as reported		as reported	
	2018		2017	
	in EUR m	in %	in EUR m	in %
Europe[1]	**459.7**	**33.6**	428.9	31.8
Germany	**304.5**	**22.3**	313.1	23.2
Americas[1]	**374.8**	**27.4**	373.7	27.7
Emerging markets	**206.8**	**15.1**	206.5	15.3
Other	**21.9**	**1.6**	26.1	1.9
Total revenues	**1,367.7**		**1,348.3**	

[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 rose by EUR 30.8m or 7.2% to EUR 459.7m. This increase is mainly attributable to the higher revenues in France, Italy, the Netherlands and Spain. Revenues in these countries were some 15% higher than in the prior year. The proportion of revenues attributable to the Europe region increased slightly in the financial year under review to 33.6%, as against 31.8% in the prior year. Counter to this development, revenues in Germany fell by EUR 8.6m or 2.7% from EUR 313.1m in the prior year to EUR 304.5m in the financial year under review due to postponed deliveries in the Europe region. The proportion of revenues generated here declined slightly from 23.2% in the prior year to 22.3% in the financial year 2018.

In the Americas region, revenues went up by 0.3%, from EUR 373.7m to EUR 374.8m in the financial year 2018. The increase in this region was primarily attributable to our inhaler project in Peachtree City (Georgia/USA). However, the performance of the US dollar, which weakened significantly against the euro compared with the prior year, had a negative impact in the region. With a 27.4% share of total revenues (prior year: 27.7%), the Americas region remains an important market for the Gerresheimer Group. Due to the presence of global pharma companies and the country's demographic potential, the USA in particular will remain a core region for our business activities.

Revenues in the emerging markets rose slightly from EUR 206.5m in the prior year to EUR 206.8m in the financial year 2018. In India, we were able to record a very sharp year-on-year rise despite the currency's depreciation. The performance of Brazil and Argentina had a counteracting effect, particularly due to the development of their respective currencies. Overall, emerging market revenues contributed 15.1% (prior year: 15.3%) to total Group revenues in the financial year 2018.

RESULTS OF OPERATIONS

Adjusted EBITDA at constant exchange rates was EUR 308.0m in the financial year 2018 compared with EUR 310.8m in the prior year. However, three one-off effects compared with the prior year have to be taken into account here. Firstly, we recognized an expense of EUR 1.4m in the financial year 2018 due to the European Commission's decision on the exemption from electricity network charges granted to large electricity-consuming enterprises in 2012 and 2013. Secondly, final fair value measurement of the put option for acquisition of the remaining 25% of shares in Triveni Polymers Private Ltd. (New Delhi/ India) resulted in recognition of an expense of EUR 1.1m in the financial year 2018 compared with income of EUR 3.6m in the financial year 2017. And thirdly, adjusted EBITDA for the Advanced Technologies Division is EUR 3.0m for the financial year 2018. Excluding these three effects, adjusted EBITDA at constant exchange rates would have been EUR 307.5m in the financial year under review, and thus slightly higher than the prior-year figure of EUR 307.2m. Exchange rate effects of EUR 9.4m had a considerable impact on adjusted EBITDA in the financial year 2018. Adjusted EBITDA after exchange rate effects came to EUR 298.6m in the financial year 2018, compared with EUR 310.8m in the prior year. The adjusted EBITDA margin in the financial year under review was thus 21.8%. Excluding the expense relating to the exemption from electricity network charges (for further information, please see Note (13) of the Notes to the Consolidated Financial Statements) as well as the final fair value measurement of the Triveni put option and the Advanced Technologies Division, adjusted EBITDA would be EUR 298.1m with an adjusted EBITDA margin of 22.0%, which is as expected below the prior-year level of 22.8% not taking into account the effect of the fair value measurement of the Triveni put option.

	at constant exchange rates			as reported				
in EUR m	**2018**	2017	Change in % [1]	**2018**	2017	Change in % [1]	**Margin in % 2018**	Margin in % 2017
Adjusted EBITDA								
Plastics & Devices	210.9	215.2	-2.0	203.0	215.2	-5.7	27.0	28.4
Primary Packaging Glass	116.2	116.0	0.3	114.7	116.0	-1.1	19.0	19.6
Advanced Technologies	3.0	–	–	3.0	–	–	23.0	–
Subtotal	**330.1**	**331.2**	**-0.3**	**320.7**	**331.2**	**-3.2**	**–**	**–**
Head office/consolidation	-22.1	-20.4	8.7	-22.1	-20.4	8.7	–	–
Total adjusted EBITDA	**308.0**	**310.8**	**-0.9**	**298.6**	**310.8**	**-3.9**	**21.8**	**23.1**

[1] Change calculated on a EUR k basis.

In the Plastics & Devices Division, we generated adjusted EBITDA at constant exchange rates of EUR 210.9m in the financial year 2018, compared with EUR 215.2m in the prior year. It should be noted, however, that final fair value measurement of the put option for acquisition of the remaining 25% of shares in Triveni Polymers Private Ltd. (New Delhi/India) resulted in recognition of an expense of EUR 1.1m in the financial year 2018. In contrast, income of EUR 3.6m was recognized as a result of the fair value measurement of the put option in the prior year. Excluding this effect, adjusted EBITDA at constant exchange rates would be slightly up on the prior-year figure of EUR 211.6m at EUR 212.0m. Adjusted EBITDA includes a compensation payment of EUR 9.0m from an inhaler customer who ceased to place orders with the Gerresheimer plant in Kuessnacht (Switzerland) because his inhaler business fell short of his expectations. Termination negotiations with the customer were concluded in the third quarter 2018. Overall, we received total compensation that roughly corresponded to the affected plant's contribution in the financial year 2018. Compensation was paid in full in the fourth quarter 2018. As already communicated, the revenues of around EUR 8m generated in the financial year 2018 and the resulting adjusted EBITDA of roughly EUR 3m, as well as the compensation of EUR 9.0m mentioned above, are non-recurring and should therefore not be taken into account for future periods. We have begun relocation talks with other customers of our Kuessnacht plant and expect, as planned, to be able to close the plant at the end of 2019. Adjusted EBITDA was adversely affected to the tune of around EUR 5m by higher costs for resins, which we can only partly pass on to customers with a time lag of several months. We also had higher expenditure in connection with our new Gx® Solutions targeting the emerging biotech sector, which has mostly been allocated to the Plastics & Devices Division. In addition, we incurred slightly higher expenses due to the rapid build-up of capacity for our new inhaler project in Horsovsky Tyn (Czech Republic), which is to deliver the first products to the customer as soon as the fourth quarter 2020. Unadjusted for exchange rate effects, adjusted EBITDA in the Plastics & Devices Division went down from EUR 215.2m in the financial year 2017 to EUR 203.0m in the year under review. The adjusted EBITDA margin thus amounted to 27.0% after 28.4% in the financial year 2017.

Adjusted EBITDA at constant exchange rates in the Primary Packaging Glass Division increased from EUR 116.0m in the prior year to EUR 116.2m in the financial year 2018. It is important to note in this connection, however, that we have recognized an expense of EUR 1.4m in the financial year 2018 due to the European Commission's decision on the exemption from network charges granted to large electricity-consuming enterprises in 2012 and 2013 (for further information, please see Note (13) of the Notes to the Consolidated Financial Statements). Without this effect, adjusted EBITDA at constant exchange rates would have totaled EUR 117.6m, EUR 1.6m higher than in the prior year. This is accounted for by the positive revenue performance in the Primary Packaging Glass Division, notably due to the positive trend in our North American business in the Tubular Glass Business Unit. Despite the positive revenue trend, adjusted EBITDA in the Moulded Glass Business Unit has been negatively impacted relative to the prior year by a substantial rise in energy prices. These energy costs were around EUR 5m higher than in the prior year and thus adversely affected adjusted EBITDA in the financial year under review. Unadjusted for exchange rates, adjusted EBITDA in the Primary Packaging Glass Division went down slightly in the financial year 2018 from EUR 116.0m to EUR 114.7m. Excluding the negative effect resulting from the exemption from electricity network charges, adjusted EBITDA would have been EUR 116.1m. The adjusted EBITDA margin thus amounted to 19.0% after 19.6% in the financial year 2017.

Adjusted EBITDA at constant exchange rates generated by our Advanced Technologies Division since its establishment in July 2018 amounted to EUR 3.0m, slightly exceeding our expectations. This division currently consists solely of Sensile Medical and exclusively comprises development revenues.

The head office expenses and consolidation item comes to EUR 22.1m, a slight increase of EUR 1.7m on the prior year, and relates mainly to salary adjustments for the employees concerned.

The table below shows the reconciliation of adjusted EBITDA to net income:

in EUR m	2018	2017	Change
Adjusted EBITDA	**298.6**	**310.8**	**-12.2**
Depreciation	-96.5[1]	-91.3	-5.2
Adjusted EBITA	**202.1**	**219.5**	**-17.4**
Acquisition Sensile Medical	-1.6	–	-1.6
Refinancing	–	-0.3	0.3
Portfolio optimization	-14.5	-2.7	-11.8
One-off income and expenses[2]	-5.9	-2.2	-3.7
Total of one-off items	**-22.0**	**-5.2**	**-16.8**
Amortization of fair value adjustments[3]	-40.6	-33.5	-7.1
Results of operations	**139.5**	**180.8**	**-41.3**
Net finance expense	-32.3	-35.3	3.0
Income taxes	23.9	-42.4	66.3
Net income	**131.1**	**103.1**	**28.0**

[1] Including EUR 1.8m 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 which are not reportable as "restructuring expenses" according to 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; Gerresheimer Zaragoza and Gerresheimer Sao Paulo in January 2008; Vedat in March 2011; Neutral Glass in April 2012; Triveni in December 2012; Centor in September 2015, and Sensile Medical in July 2018.

Adjusted EBITA amounted to EUR 202.1m (prior year: EUR 219.5m) based on adjusted EBITDA of EUR 298.6m (prior year: EUR 310.8m) less depreciation of EUR 96.5m (prior year: EUR 91.3m). This is reconciled to the results of operations (EUR 139.5m; prior year: EUR 180.8m) by adding one-off items totaling EUR 22.0m (prior year: EUR 5.2m) and amortization of fair value adjustments in the amount of EUR 40.6m (prior year: EUR 33.5m). One-off items mainly relate to portfolio optimization and other one-off income and expenses.

Portfolio optimization amounted to EUR 14.5m in the financial year 2018, compared with EUR 2.7m in the prior year. In the financial year under review, the figure was pushed up by expenses related to the closure of our plant in Kuessnacht (Switzerland), which was already communicated in the second quarter 2018, and the planned staffing adjustments as part of the reorganization of the Plastics & Devices Division. This reorganization was carried out based on the strategic decision to expand capacities in Eastern Europe and relocate production to these regions. We have also initiated a reorganization of the Primary Packaging Glass Division. This relates largely to a major capital expenditure project through which we intend to increase our investments in machinery required for automation and, therefore, staffing adjustments over the coming financial years. Additionally, we plan to pool and expand our purchasing capacities in this division. For further details, please see Note (12) and (13) of the Notes to the Consolidated Financial Statements.

One-off income and expenses of EUR 5.9m (prior year: EUR 2.2m) in the financial year under review were largely attributable to changes in the Management Board of Gerresheimer AG. The figure primarily relates to expenses associated with the unexpected departure of the former Chief Executive Officer from the Management Board of Gerresheimer AG for personal reasons, which we already communicated in the first quarter 2018. We also recognized expenses related to the departure of two further Management Board members in the financial year 2019 (see also the Remuneration Report and Note (38) of the Notes to the Consolidated Financial Statements).

Amortization of fair value adjustments rose by EUR 7.1m from EUR 33.5m to EUR 40.6m in the financial year 2018. This increase is attributable to the acquisition of Sensile Medical in July 2018.

NET FINANCE EXPENSES

Largely due to the refinancing carried out in September 2017 by means of a EUR 250.0m promissory loans and the EUR 300.0m bond redeemed in May 2018, the net finance expense for the financial year 2018 was lower than the prior-year figure (EUR -35.3m) at EUR -32.3m and thus, as expected, showed an improvement on the prior year. This improvement is the net outcome of EUR 5.3m lower interest expenses, a EUR 2.0m reduction in interest income and a EUR 0.3m rise in other finance expenses that was mainly due to larger exchange rate differences.

INCOME TAXES

The income taxes item for the financial year 2018 shows tax income of EUR 23.9m compared with a tax expense of EUR 42.4m in the prior year. This income is largely due to the remeasurement of deferred taxes of our US subsidiaries included in the Consolidated Financial Statements due to the US tax reform signed on December 22, 2017, amounting to EUR 44.8m, as well as deferred tax income at a German subsidiary resulting from the future usability of loss carryforwards recognized prior to the establishment of the consolidated tax group of EUR 8.7m. Without these two positive one-off effects in the amount of EUR 53.5m, the item would have shown an income tax expense of EUR 29.6m. This would have resulted in a comparable tax rate of 27.6% for the financial year 2018, which is in line with our expectation of around 28%, compared with a tax rate of 29.2% for the financial year 2017.

NET INCOME AND ADJUSTED NET INCOME

The Gerresheimer Group generated net income of EUR 131.1m in the period December 1, 2017 to November 30, 2018. This represents a considerable increase of EUR 28.0m on the prior-year figure.

in EUR m	2018	2017	Change
Net income	**131.1**	**103.1**	**28.0**
Acquisition Sensile Medical	-1.6	–	-1.6
Related tax effect	0.5	–	0.5
Refinancing	–	-0.3	0.3
Related tax effect	–	0.1	-0.1
Portfolio optimization	-14.5	-2.7	-11.8
Related tax effect	3.5	1.1	2.4
One-off income and expenses	-5.9	-2.2	-3.7
Related tax effect	1.7	0.6	1.1
Amortization of fair value adjustments	-40.6	-33.5	-7.1
Related tax effect	9.3	11.7	-2.4
One-off effects in the net finance expense	-1.8	-0.6	-1.2
Related tax effect	0.5	0.2	0.3
Tax special effects	–	-1.1	1.1
Related interest effect	-0.3	-0.2	-0.1
Adjusted net income	**180.3**	**130.0**	**50.3**
Attributable to non-controlling interests	**2.2**	**2.2**	**–**
Amortization of fair value adjustments	-0.2	-0.5	0.3
Related tax effect	0.1	0.2	-0.1
Adjusted net income attributable to non-controlling interests	**2.3**	**2.5**	**-0.2**
Adjusted net income after non-controlling interests	**178.0**	**127.5**	**50.5**
Adjusted earnings per share in EUR after non-controlling interests	**5.67**	**4.06**	**1.61**

Adjusted net income (defined as net income before non-cash amortization of fair value adjustments, non-recurring effects of restructuring expenses, portfolio adjustments, the balance of one-off income and expenses—including significant non-cash expenses—and related tax effects) was EUR 180.3m in the financial year 2018, compared with EUR 130.0m in the prior year. The adjusted net income after non-controlling interests amounted to EUR 178.0m in the period December 1, 2017 to November 30, 2018, as against EUR 127.5m in the financial year 2017. Accordingly, adjusted earnings per share after non-controlling interests came to EUR 5.67 in the financial year 2018 (prior year: EUR 4.06).

One-off effects included in net finance expense consist of EUR 1.8m in expenses due to the early refinancing of the bond redeemed in May 2018. This included the use of the funds from the promissory loans issued in September 2017 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 guaranteed 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 1.4m. 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 beginning of the financial year to the redemption of the bond in May 2018.

INCOME STATEMENT: KEY ITEMS

in EUR m	2018	in % of revenues	2017	in % of revenues
Revenues	**1,367.7**		**1,348.3**	
Cost of sales	-967.6	-70.7	-934.4	-69.3
Selling expenses	-168.2	-12.3	-168.1	-12.5
Administrative expenses	-91.1	-6.7	-87.5	-6.5
Restructuring expenses	-11.3	-0.8	-2.6	-0.2
Other operating expenses and income	10.0	0.7	25.1	1.9
Results of operations	**139.5**	**10.2**	**180.8**	**13.4**
Net finance expense[1]	-32.3	-2.4	-35.3	-2.6
Income tax	23.9	1.7	-42.4	-3.1
Net income	**131.1**	**9.6**	**103.1**	**7.6**
Attributable to non-controlling interests	2.2		2.2	
Attributable to equity holders of the parent	**128.9**		**100.9**	

[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.

FUNCTION COSTS

The 3.6% increase in cost of sales to EUR 967.6m (prior year: EUR 934.4m) was mainly due to the higher cost of materials. In addition, energy prices and the cost of resins also increased significantly in the financial year 2018. Energy costs were up by around EUR 6m on the prior year, with the Primary Packaging Glass Division accounting for around EUR 5m of this figure. Furthermore, the amortization of fair value adjustments included in the cost of sales increased significantly compared with the prior year due to the technologies acquired through the acquisition of Sensile Medical. Personnel expenses, in contrast, only increased very moderately compared with the prior year. As a percentage of revenues, cost of sales increased by 1.4 percentage points. This slight increase in the cost of sales was offset by a slight decline of 0.2 percentage points in selling expenses as a percentage of revenues. In absolute terms, selling expenses remained at their prior-year level. Administrative expenses as a percentage of revenues remained virtually unchanged compared with the financial year 2017.

Net other operating income and expenses came to EUR 10.0m, compared with EUR 25.1m in the prior-year period. This decline is mainly attributable to one-off expenses of EUR 11.0m (prior year: EUR 2.9m), which in the financial year under review largely related to changes in the Management Board of Gerresheimer AG and the announced closure of our plant in Kuessnacht (Switzerland). In addition, the final fair value measurement of the put option for acquisition of the remaining 25% of shares in Triveni Polymers Private Ltd. (New Delhi/India) resulted in recognition of an expense of EUR 1.1m compared with income of EUR 3.6m in the financial year 2017. Moreover, an expense of EUR 1.4m was recognized in this item in the financial year under review due to the European Commission's decision on the exemption from network charges granted to large electricity-consuming enterprises in 2012 and 2013.

RESEARCH AND DEVELOPMENT COSTS

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

We manufacture specialized products—primary pharma packaging—that come into direct contact with pharmaceuticals and that patients use in everyday life to take their medication. Our primary packaging and drug delivery devices are 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 2.9m (prior year: EUR 3.5m) was spent on research and development in the financial year under review. We also capitalized a further EUR 1.3m of development costs in the financial year 2018 (prior year: EUR 3.6m). 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 "Innovation, research and development".

PROPOSAL FOR APPROPRIATION OF RETAINED EARNINGS (PROPOSED DIVIDEND)

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

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. ROCE is defined 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 Consolidated Financial Statements (as the average of the reporting date amounts for the prior year and the year under review), Gx ROCE was 10.7% in 2018 and 12.9% in 2017.

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 Consolidated Financial Statements (as the average of the reporting date amounts for the prior year and the year under review), Gx RONOA was 24.9% in the financial year 2018 and 27.3% 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

Both performance indicators were negatively impacted in the short term by the acquisition of Sensile Medical, in particular, with a significantly more positive contribution—especially to adjusted EBITA—expected in the coming financial years.

NET ASSETS

BALANCE SHEET

The Gerresheimer Group's net assets changed as follows in the financial year 2018:

Assets in EUR m	**Nov. 30, 2018**	Nov. 30, 2017	Change in %[1]
Intangible assets, property, plant, equipment and investment property	2,131.0	1,709.5	24.7
Investment accounted for using the equity method	0.3	0.3	17.9
Other non-current assets	27.8	19.1	45.3
Non-current assets	**2,159.1**	**1,728.9**	**24.9**
Inventories	171.5	148.4	15.6
Trade receivables	273.5	242.7	12.7
Other current assets	126.8	324.1	-60.9
Current assets	**571.8**	**715.2**	**-20.0**
Total assets	**2,730.9**	**2,444.1**	**11.7**

Equity and Liabilities in EUR m	**Nov. 30, 2018**	Nov. 30, 2017	Change in %[1]
Equity and non-controlling interests	**890.1**	**789.5**	**12.7**
Non-current provisions	152.5	155.3	-1.8
Financial liabilities	751.4	681.3	10.3
Other non-current liabilities	168.5	144.6	16.5
Non-current liabilities	**1,072.4**	**981.2**	**9.3**
Financial liabilities	389.7	337.7	15.4
Trade payables	207.3	176.3	17.6
Other current provisions and liabilities	171.4	159.4	7.5
Current liabilities	**768.4**	**673.4**	**14.1**
Total equity and liabilities	**2,730.9**	**2,444.1**	**11.7**

[1] Change calculated on a EUR k basis.

Total assets in the Gerresheimer Group rose by a significant EUR 286.8m or 11.7% year on year to EUR 2,730.9m as of November 30, 2018. This rise was mainly influenced by the acquisition of Sensile Medical and the associated assets and liabilities.

BALANCE SHEET STRUCTURE AND RATIOS

Non-current assets increased significantly to EUR 2,159.1m (prior year: EUR 1,728.9m). This corresponds to growth of EUR 430.2m or 24.9%. Compared with the prior year, non-current assets increased to 79.1% of total assets (prior year: 70.7%). Current assets amounted to EUR 571.8m as of the reporting date, down 20.0% on the prior-year figure (EUR 715.2m). They thus account for 20.9% of total assets (prior year: 29.3%). The assets side of the balance sheet showed a significant increase in intangible assets, notably due to the acquisition of Sensile Medical and, in the opposite direction, a significant decrease in cash and cash equivalents. On the equity and liabilities side of the balance sheet, equity was up significantly compared with the figure as of November 30, 2017. At the same time, both current and non-current financial liabilities increased as a result of the acquisition of Sensile Medical.

NON-CURRENT ASSETS

Intangible assets, property, plant and equipment and investment property amounted to EUR 2,131.0m as of the reporting date (prior year: EUR 1,709.5m). This change is mostly attributable to a sharp EUR 404.5m rise in intangible assets from EUR 1,101.2m as of November 30, 2017 to EUR 1,505.7m as of the reporting date, mainly due to the acquisition of Sensile Medical. Within this, technology notably went up by EUR 384.6m. This increase comprises EUR 394.9m from the addition of the technology as of the acquisition date of Sensile Medical less EUR 10.3m in amortization of fair value adjustments. Goodwill increased by EUR 5.0m due to the acquisition of Sensile Medical and by a further EUR 8.8m due to exchange rate changes. During the fourth quarter 2018, goodwill again changed slightly as a result of the net working capital and net debt adjustments agreed with the seller. Customer relationships decreased by EUR 16.3m, comprising EUR 30.0m in amortization of fair value adjustments versus a EUR 13.7m increase from exchange rate changes. Property, plant and equipment amounted to EUR 620.7m as of the November 30, 2018 reporting date, compared with EUR 602.6m as of the prior-year reporting date. The change mostly relates to capital expenditure on property, plant and equipment in the amount of EUR 109.5m, less depreciation in the amount of EUR 90.4m and impairment losses of EUR 1.8m. Other non-current assets went up from EUR 19.1m as of the prior-year reporting date to EUR 27.8m as of November 30, 2018. This increase is primarily attributable to the rise in deferred tax assets from EUR 11.0m as of November 30, 2017 to EUR 19.5m as of the reporting date.

CURRENT ASSETS

Current assets amounted to EUR 571.8m as of the November 30, 2018 reporting date and were thus a significant EUR 143.4m below the EUR 715.2m recorded as of the prior-year reporting date. This is mainly due to significantly lower cash and cash equivalents on account of the bond redemption in May 2018. In contrast, inventories rose by 15.6% and trade receivables by 12.7% relative to the prior-year reporting date. As of the reporting date, inventories amounted to EUR 171.5m (prior year: EUR 148.4m) and trade receivables to EUR 273.5m (prior year: EUR 242.7m). Inventories and trade receivables made up 16.3% of total assets as of the reporting date, compared with 16.0% as of the prior-year reporting date.

EQUITY

Gerresheimer Group equity, including non-controlling interests, rose by EUR 100.6m to EUR 890.1m. The increase reflects the positive net income, which more than offset the profit distributions of EUR 34.5m to Gerresheimer AG shareholders and EUR 1.7m to non-controlling interests. Exchange differences also increased equity by EUR 3.6m. The equity ratio was 32.6% as of November 30, 2018, compared with 32.3% as of the end of the financial year 2017.

NON-CURRENT LIABILITIES

Non-current liabilities were up EUR 91.2m on the prior-year reporting date at EUR 1,072.4m (prior year: EUR 981.2m). The main factor here was the increase in financial liabilities relating to the still outstanding long-term purchase price components from the Sensile Medical acquisition. Deferred tax liabilities were also up on the prior-year reporting date. However, this reflects opposing factors: On the one hand, deferred tax liabilities rose sharply due to the acquisition of Sensile Medical, while, on the other, deferred tax liabilities declined as a result of the US tax reform signed in late December 2017.

CURRENT LIABILITIES

Current liabilities totaled EUR 768.4m as of the reporting date, representing an increase of 14.1% or EUR 95.0m on the prior-year reporting date. They thus make up 28.1% of total equity and liabilities (prior year: 27.5%). This mainly reflects larger drawings on the revolving credit facility and the still outstanding short-term purchase price components related to the acquisition of Sensile Medical. However, current liabilities were reduced by the EUR 300.0m bond redemption at maturity in May 2018. Trade payables were up EUR 31.0m on the prior-year reporting date, at EUR 207.3m as of November 30, 2018.

NET WORKING CAPITAL

As of November 30, 2018, the Gerresheimer Group's net working capital stood at EUR 202.7m, up EUR 17.0m compared with the November 30, 2017 figure.

in EUR m	Nov. 30, 2018	Nov. 30, 2017
Inventories	171.5	148.4
Trade receivables	273.5	242.7
Trade payables	207.4[1)]	176.3
Prepayments received	34.9	29.1
Net working capital	**202.7**	**185.7**

[1)] Including EUR 0.1m in non-current trade payables.

The gain in net working capital compared with November 30, 2017 mainly reflects the rise in trade receivables and inventories, particularly due to the strong fourth quarter 2018. This was partly offset by the increase in trade payables and an increase in prepayments received. At constant exchange rates, the increase in net working capital in the financial year 2018 came to EUR 17.6m, compared with a decline of EUR 10.3m in the financial year 2017.

As a percentage of revenues in the last twelve months, average net working capital came to 17.3% as of November 30, 2018. As of the reporting date, net working capital as a percentage of revenues amounted to 14.0% excluding the Advanced Technologies Division, compared with 13.8% in the prior year. Including the Advanced Technologies Division, net working capital as a percentage of revenues would be 14.8%.

OFF-BALANCE-SHEET ARRANGEMENTS

There were operating lease obligations totaling EUR 37.9m as of the reporting date (prior year: EUR 39.8m). 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 Consolidated Financial Statements 2018 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

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

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

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

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

FINANCING INSTRUMENTS

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

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

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

The EUR 300.0m bond launched on May 19, 2011 with a 5.0% p.a. coupon was redeemed in full on May 21, 2018.

As a result of the bond redemption and the financing of the first purchase price installment for the acquisition of Sensile Medical in July 2018, we again drew on the revolving credit facility.

Our foreign subsidiaries also have finance in the shape of approved bilateral borrowings, including bank overdrafts, in an amount equivalent to EUR 19.9m.

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, 2018**	Nov. 30, 2017
Financial debt		
Syndicated facilities		
Revolving credit facility (since June 15, 2015)[1]	264.4	–
Total syndicated facilities	**264.4**	**–**
Senior notes – euro bond	–	300.0
Promissory loans – November 2015	425.0	425.0
Promissory loans – September 2017	250.0	250.0
Local borrowings incl. bank overdrafts[1]	19.9	16.7
Finance lease liabilities	7.7	8.0
Total financial debt	**967.0**	**999.7**
Cash and cash equivalents	80.6	287.0
Net financial debt	**886.4**	**712.7**

[1] The exchange rates used for the translation of US dollar loans to euros were as follows: as of November 30, 2018: EUR 1.00/USD 1.1359; as of November 30, 2017: EUR 1.00/USD 1.1849.

Net financial debt increased year on year and amounted to EUR 886.4m as of November 30, 2018, compared with EUR 712.7m as of the prior-year reporting date. Adjusted EBITDA leverage in accordance with the credit line agreement as of November 30, 2018 was 3.1x as of the reporting date (prior year: 2.3x). This is considerably higher than as of the prior-year reporting date due to the acquisition of Sensile Medical.

The revolving credit facility (with a facility amount of EUR 450.0m) was drawn by EUR 264.4m as of November 30, 2018 (prior year: EUR 0.0m). Consequently, EUR 185.6m was available to us under the revolving credit facility as of November 30, 2018 for capital expenditure, acquisitions and other operational requirements.

ACQUISITIONS AND DIVESTMENTS

In July 2018, Gerresheimer signed an agreement to acquire around 99.89% of the capital shares and voting rights in Sensile Medical (Olten/Switzerland). The share purchase was carried out with effect from June 30, 2018 and the company has therefore been included in the Consolidated Financial Statements of Gerresheimer AG from that date. Sensile Medical is a leading company in the field of micro pump technology combined with drug delivery devices featuring electronic and connected capabilities for medical applications. With this acquisition, Gerresheimer has extended its business model in the direction of an original equipment manufacturer (OEM) for drug delivery platforms with digital and electronic capabilities for pharmaceutical and biopharmaceutical customers. Sensile Medical is involved with pharma companies at an earlier phase of drug and therapy development. The Company holds a large number of patents and is remunerated by the pharma companies it partners with on attainment of specified milestones in the development phase and by way of royalties after product launch. It generates additional revenue from the sale of devices, where the products can be manufactured either by external producers or by Gerresheimer's Medical Systems Business Unit. As a result, Sensile Medical has little capital expenditure and low net working capital. Following the net working capital and net debt adjustments in the fourth quarter 2018, the discounted purchase price totals EUR 334.6m.

In addition, Gerresheimer exercised the call option to acquire the 25% of shares in Triveni Polymers Private Ltd. (New Delhi/India) held by third parties, which it had held since the company was acquired on December 20, 2012. At the time of the acquisition, a put option was also agreed with the sellers, allowing them to tender the same shares for sale to Gerresheimer. Due to the exercise of the call option by Gerresheimer, the put option has now expired. The purchase price of EUR 15.6m for the remaining shares was paid in the fourth quarter 2018.

ANALYSIS OF CAPITAL EXPENDITURE

Gerresheimer undertook capital expenditure on property, plant and equipment and intangible assets as follows in the financial year 2018:

in EUR m	**2018**	2017	Change in %[1]
Plastics & Devices	64.7	70.9	-8.7
Primary Packaging Glass	47.8	41.3	15.6
Advanced Technolgies	0.5	–	–
Head Office	1.7	6.4	-72.1
Total capital expenditure[2]	**114.7**	**118.6**	**-3.2**

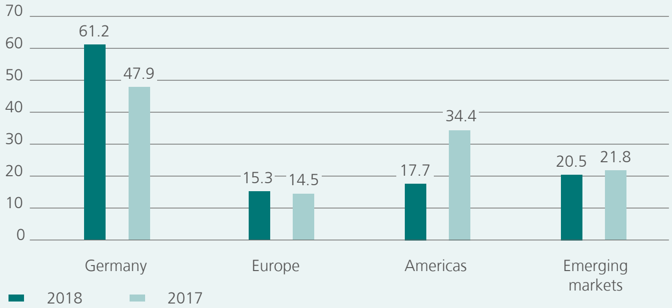
[1] Change calculated on a EUR k basis.
[2] Including additions to finance leases in the amount of EUR 0.1m (prior year: EUR 2.1m), which are a non-cash item.

As in the prior year, the Plastics & Devices Division accounted for the lion's share of capital expenditure. The main focus of this expenditure was the expansion of our inhaler production in the US and the Czech Republic. A further focus was on expanding the product portfolio and creating additional production capacities.

Capital expenditure in the Primary Packaging Glass Division mainly related to furnace repairs in the US and Germany, production plant modernization and automation, and expansion of finishing capabilities at one of our cosmetics plants. As in prior years, we also invested in molds and tools.

Capital expenditure by region

in EUR m



From a regional perspective, 53.3% of capital expenditure in the financial year 2018 was accounted for by Germany (prior year: 40.4%), 17.8% by the emerging markets (prior year: 18.4%), 15.5% by the Americas (prior year: 29.0%) and 13.4% by the Europe region (prior year: 12.2%).

Capital expenditure in Germany primarily related to the onward development of the product portfolio and the expansion of production capacities in the Plastics & Devices Division. In addition, in the Primary Packaging Glass Division, a prepayment was made for the scheduled furnace repair in Essen (Germany), and finishing capacities were expanded. In the Europe region, capital expenditure mainly targeted the expansion of inhaler production in the Czech Republic and production capacities in the Plastics & Devices Division. Capital expenditure in the Americas region primarily related to the furnace repair in Chicago Heights (Illinois/USA) in the Primary Packaging Glass Division, as well as the expansion of inhaler production in Peachtree City (Georgia/USA) in the Plastics & Devices Division. Furthermore, plant automation and modernization as well as the development of production processes in the Primary Packaging Glass Division were a focus at global level.

OPERATING CASH FLOW

in EUR m	**2018**	2017
Adjusted EBITDA	**298.6**	**310.8**
Change in net working capital	-17.6	10.3
Capital expenditure	-114.6	-116.5
Operating cash flow	**166.4**	**204.6**
Net interest paid	-28.9	-24.0
Net taxes paid	-37.0	-49.7
Pension benefits paid	-11.9	-12.3
Other	-29.6	-12.9
Free cash flow before acquisitions/divestments	**59.0**	**105.7**
Acquisitions/divestments	-172.5	1.4
Financing activity	-95.4	60.5
Changes in financial resources	**-208.9**	**167.6**

At EUR 166.4m, operating cash flow was down EUR 38.2m on the prior-year figure of EUR 204.6m. This decline is largely due to the change in net working capital, which rose considerably year on year due to the very strong fourth quarter 2018. The operating cash flow margin—operating cash flow as a percentage of revenues each at constant exchange rates—was 12.3% in the financial year 2018.

CASH FLOW STATEMENT

in EUR m	2018	2017
Cash flow from operating activities	173.4	219.2
Cash flow from investing activities	-286.9	-112.1
Cash flow from financing activities	-95.4	60.5
Changes in financial resources	**-208.9**	**167.6**
Effect of exchange rate changes on financial resources	-0.8	-3.7
Financial resources at the beginning of the period	271.6	107.7
Financial resources at the end of the period	61.9	271.6

Cash flow from operating activities decreased by 20.8% to EUR 173.4m in the financial year 2018. This change is due in part to the lower net income before income taxes in the financial year under review compared with the prior year. In addition, net working capital rose considerably as against the prior-year reporting date—due in large part to the very strong fourth quarter 2018—and led to capital being tied up, which negatively impacted the cash flow from operating activities. This was partly offset by significantly lower income tax payments in the year under review compared with the prior-year period.

The EUR 286.9m net cash outflow from investing activities is significantly larger than the EUR 112.1m prior-year figure. This is mainly attributable to the EUR 172.5m paid to acquire Sensile Medical. We invested EUR 114.6m in intangible assets and property, plant and equipment in the financial year compared with EUR 116.5m in the prior year. In addition, there were proceeds from asset disposals totaling EUR 0.3m in the period December 1, 2017 to November 30, 2018, as against EUR 3.1m in the prior-year period.

The net cash outflow from financing activities amounted to EUR 95.4m in the reporting year (prior year: net cash inflow of EUR 60.5m) and is attributable to the bond redemption in May 2018 and, with a counteracting effect, the larger drawing on the revolving credit facility in connection with the acquisition of Sensile Medical. The Company also paid EUR 15.6m to acquire the remaining 25% of shares in Triveni Polymers Private Ltd. (New Delhi/India). Distributions to third parties amounted to EUR 36.3m in the financial year 2018 as against EUR 34.9m in the prior year.

The Gerresheimer Group had EUR 61.9m in financial resources as of November 30, 2018 (prior year: EUR 271.6m). 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 EUR 264.4m as of the November 30, 2018 reporting date. The remaining amount is available to Gerresheimer for purposes such as capital expenditure, acquisitions and other operational requirements.

MANAGEMENT BOARD'S OVERALL ASSESSMENT OF THE BUSINESS SITUATION

We are satisfied with the 4.3% increase in revenues at constant exchange rates to EUR 1,406.7m for the financial year 2018. Adjusted EBITDA at constant exchange rates was influenced by three one-off effects in the financial year under review. Firstly, we recognized an expense of EUR 1.4m in the financial year 2018 due to the European Commission's decision on the exemption from electricity network charges granted to large electricity-consuming enterprises in 2012 and 2013. Secondly, final fair value measurement of the put option for acquisition of the remaining 25% of shares in Triveni Polymers Private Ltd. (New Delhi/India) resulted in recognition of an expense of EUR 1.1m in the financial year 2018 compared with income of EUR 3.6m in the financial year 2017. And thirdly, adjusted EBITDA for the Advanced Technologies Division is EUR 3.0m for the financial year 2018. Excluding these three one-off effects, adjusted EBITDA at constant exchange rates would have been EUR 307.5m in the financial year under review, and thus slightly higher than the prior-year figure of EUR 307.2m. Adjusted net income after non-controlling interests came to EUR 178.0m in the financial year, significantly exceeding the prior-year figure of EUR 127.5m. Adjusted net income after non-controlling interests was primarily influenced by income taxes and one-off effects. The positive effect related to income taxes is largely due to the remeasurement of deferred taxes of our US subsidiaries included in the Consolidated Financial Statements due to the US tax reform signed on December 22, 2017, amounting to EUR 44.8m, as well as deferred tax income at a German subsidiary resulting from the future usability of loss carryforwards recognized prior to the establishment of the consolidated tax group of EUR 8.7m.

At EUR 114.7m, capital expenditure was 3.2% down on the prior year. Operating cash flow, at EUR 166.4m, was below the prior-year figure of EUR 204.6m, mainly due to the rise in net working capital. At 3.1x, 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, 2018—was well above the prior-year figure of 2.3x due to the acquisition of Sensile Medical. Our net asset position remains very solid. Equity and non-current liabilities provided 90.9% coverage of non-current assets (prior year: 97.6%). The equity ratio increased from 32.3% as of the prior-year reporting date to 32.6% as of November 30, 2018.

NON-FINANCIAL GROUP DECLARATION PURSUANT TO SECTION 315b HGB

CORPORATE RESPONSIBILITY AND SUSTAINABILITY AT GERRESHEIMER

Since 2010, Gerresheimer has formalized, communicated and implemented its position on corporate responsibility and sustainability across the Group in its "Corporate Responsibility" guideline. This guideline has been continuously updated and was last revised in May 2018. The principles of sustainability and corporate responsibility are part of our corporate philosophy, which is firmly rooted in our vision, our mission 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.

We also address new requirements, such as those introduced by the German CSR Directive Implementation Act (CSR-RUG), through internal standards. The required information on environmental, social and employee matters, on respect for human rights and combating corruption and bribery is provided in full in the following non-financial Group declaration. Only the measurement of our CO_2e emissions, water consumption and waste levels was previously based on the Carbon Disclosure Project's (CDP's) submission deadline, which differed from our financial year. The data is collected globally for the CDP in the spring for the previous year. Consequently, up to now the data reviewed and published by the CDP was always one financial year behind in the non-financial Group declaration in our Group Management Report. This is also the case in the current Annual Report, meaning that the CO_2e emissions, water consumption and waste figures for the financial year 2017 are presented. The measurement process will be completely overhauled for the coming financial year, bringing it into line with our financial year going forward.

Furthermore, the themes and details reported on are guided by the requirements of the Global Reporting Initiative (GRI), the internationally recognized sustainability reporting organization. In the year under review, the framework was thus in place, although the GRI "Core" Standard was not yet fully satisfied. We intend to achieve this over the medium term.

The Supervisory Board of Gerresheimer AG appointed Deloitte GmbH Wirtschaftsprüfungsgesellschaft to perform a limited assurance review of the conformity of the non-financial Group declaration with the CSR-RUG. Deloitte reported its results to the Supervisory Board of Gerresheimer AG at the latter's meeting on February 13, 2019.

The information provided in the non-financial Group declaration relates both to Gerresheimer AG and its direct and indirect subsidiaries and associates, including Sensile Medical, which was acquired in July 2018.

Please see the "Report on Opportunities and Risks" for information on material non-financial risks in accordance with the CSR-RUG requirements.

Further information about our vision, mission and corporate values is provided on our website at www.gerresheimer.com/en/company/vision-mission-values. Information about corporate responsibility at Gerresheimer is provided at www.gerresheimer.com/en/company/corporate-social-responsibility.

STRATEGIC ANALYSIS, MATERIALITY AND TARGETS

Sustainability is important to us, in every sense of the word. In accordance with our business model (for further details, see "The Gerresheimer Group"), the main focus of our activities 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 therefore have the highest 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 corporate responsibility 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 evaluate our sustainability and corporate social responsibility strategy and its implementation. We also engage in ongoing dialog with our investors about our sustainability strategy.

To improve the effectiveness of our existing sustainability strategy, we introduced a systematic process in the financial year 2017 to record and prioritize the demands placed on us by external and internal stakeholders using the recognized materiality analysis methodology, which we continued to apply in the financial year 2018. The following key inputs reflecting the requirements of our internal and external stakeholders are factored in:

1. The areas of focus of many of our pharma and cosmetics customers, which either individually audit us with regard to sustainability or have the audit carried out by recognized CSR audit agencies such as EcoVadis or Ecodesk, as well as direct discussions with customers.
2. Investor and analyst surveys on aspects of sustainability and input from discussions conducted with capital market players by our Management Board or by Investor Relations.
3. General public opinion and policy guidelines, particularly from the EU and the US, but also local policy and local public opinion.
4. The Company perspective based on input from the Management Board as well as from operational and human resources management.
5. Employee views based in particular on the employee survey conducted in the financial year 2018.

The following materiality matrix shows the economic, ecological and social themes we identified and prioritized through the process described. A theme positioned in the top right triangle is highly relevant for our external stakeholders and from our own perspective. In the same way, the triangle at the intersection of the two axes represents the themes with the least relevance for our stakeholders and ourselves.

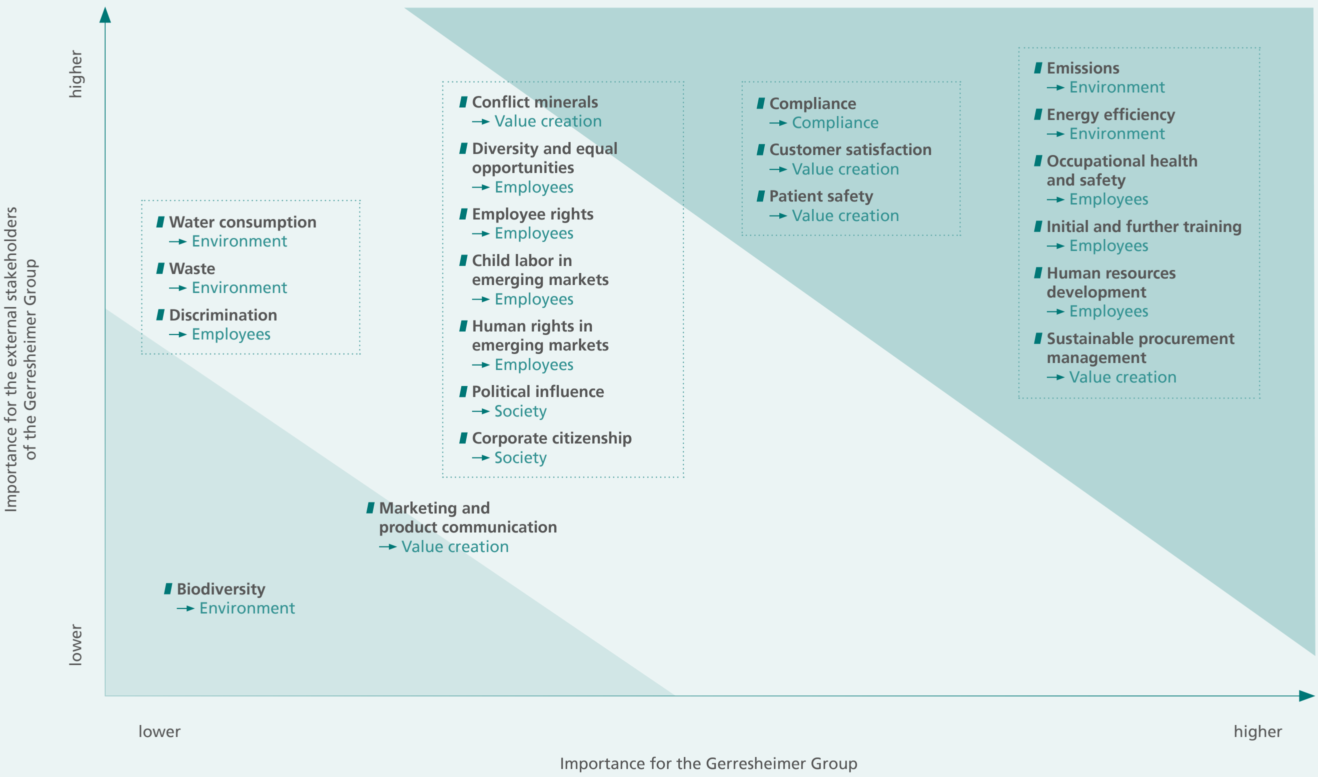
The themes are marked accordingly and split into five areas of focus. These are the core themes of our sustainability reporting. The following sections center on the core themes mentioned here.

The five core themes of our sustainability reporting:

› Responsible value creation
› Responsibility toward the environment
› Responsibility toward our employees
› Responsibility toward society
› Responsibility for compliance

Materiality matrix

Ranking of economic, ecological and social aspects by their relevance to our business activities



The top right-hand corner of the chart shows that the themes of energy efficiency and emissions, as well as occupational health and safety, are particularly important in our industry. Looking at the aspects with medium relevance, a high proportion are key themes examined by external audit agencies such as EcoVadis.

In this financial year, we achieved "Silver" level in the annual EcoVadis assessment for the first time. We scored 46 out of a possible 100 points, putting us above the average of 42.4 points for all companies audited by EcoVadis. In the relevant pharma supplier and medical technology sector, Gerresheimer is among the top 25% of the companies audited by EcoVadis.

RESPONSIBILITIES, RULES AND PROCESSES, CONTROLS

The Management Board of Gerresheimer AG adopted the revised CSR strategy and assigned the corresponding responsibilities in May 2018. The Group Senior Director Communication and Marketing was given responsibility for implementing the CSR strategy. Consequently, he reports to the Management Board several times a year on the progress of CSR strategy implementation.

Given that achievement of our sustainability targets and compliance with sustainability rules are part of our everyday business processes as well as among the responsibilities carried out as a matter of course by management and all employees, no separate incentive system 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.

Continuous improvement of all operating activities at Gerresheimer is an integral part of the Gerresheimer Management System (GMS). The fundamental sustainability targets and processes are defined in the Gerresheimer Management System. 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 department heads. Our sustainability targets are monitored and audited as part of the regular GMS evaluations of plants and locations and the audits of suppliers.

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." The Gerresheimer Management System represents one of the paths to attaining that vision. GMS has been used to set Group-wide standards as well as to define methods and tools to sustainably implement continuous process improvement at every link in the value chain while establishing lean, resource-light production as well as rigorous quality and customer focus.

GMS is therefore the overarching management system which enables us to implement our CSR strategy and CSR targets—along with many other operational themes—in the form of operational measures. The four system components of GMS—employee systems, material systems, quality systems, and methods and tools—create the framework and provide the standards and tools required to embed the relevant aspects defined by the CSR-RUG in our production locations and implement specific measures.

Our plants break down strategic 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 prioritized for each location and implemented accordingly. As employees play a key role in implementation, the GMS training is subject to ongoing development.

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 (GMS Performance Evaluation), we regularly measure and evaluate the implementation status and maturity of the standards set.

The GMS performance evaluation process is defined at Gerresheimer Group and plant level. A detailed description of the process and the schedules to be followed is provided in the "GMS Performance Evaluation Guideline" document. Each plant is required to carry out a self-assessment at least once a year as part of the GMS Self Performance Evaluation. The concept of the Self Performance Evaluation is to ensure a higher level of acceptance and individual responsibility at the plants. Based on a priorities model, external GMS performance evaluations are also conducted at selected plants each year with the participation of the global Business Excellence department and GMS auditors from other locations.

All GMS performance evaluations are carried out by trained GMS auditors. Each external GMS Performance Evaluation is planned and headed up by a GMS Lead Auditor. To this end, as of November 30, 2018, 126 employees have been trained as GMS auditors and are actively involved in the long-term implementation of the system as part of the evaluation process. These company-trained auditors are linked up in a network and provide an outstanding basis for individual responsibility within the plants, sharing solutions between plants and divisions as well as for intra-Group expert consultation.

The evaluation is conducted based on a standardized catalog of 287 questions and clearly defined assessment stages, ensuring that the current implementation status is objectively evaluated. As part of the evaluations, quality processes, Human Resources processes and the core elements of the Gerresheimer sustainability strategy enshrined in the GMS, including "Corporate responsibility" and the "Principles of responsible supply chain management", are taken into account, alongside process optimization tools, waste elimination and continuous improvement.

Based on their evaluations, recommendations are drawn up and action plans devised for each location to ensure selective, ongoing improvement.

Following on from the publication and roll-out of the new generation of the Gerresheimer Management System—GMS 3.0—in the financial year 2017, the new generation of the GMS evaluation system—GMS Performance Evaluation 3.0—was finalized and launched in the financial year 2018. The new version of the evaluation system adds the evaluation components "objectives and scope" and "expected conduct" to the already existing "method" and "results" components. In addition, the questions themselves and the evaluation criteria were reviewed and amended. These fundamental changes to the system content were carried out by an international team of experts from throughout the Group. The evaluation system was also migrated to a new digital platform. In addition to performing evaluations, documenting any variance and recommendations as well as developing and tracking action plans, the program also enables all locations to benchmark themselves against other plants. Overall, this leads to improved transparency regarding the respective status and further progress of the system as a whole.

Sixty-five participants from eleven 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.

Enterprise-wide learning by linking experts and sharing successful solutions within and between locations is a key goal of GMS. In order to promote and facilitate this collaboration, GMS experts worldwide work and communicate using our new social collaboration platform and discuss current themes and solutions in web meetings, GMS round tables, at least once a quarter.

RESPONSIBLE VALUE CREATION

PROCUREMENT

In the financial year under review, the Gerresheimer Group's cost of materials (including raw materials, consumables and supplies, energy costs, packaging materials and purchased services) was EUR 517.5m (prior year: EUR 489.2m). The procurement rate—the cost of procuring materials as a percentage of revenues—thus stood at 37.8%, above the prior-year rate of 36.3%. 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. When selecting strategic and important suppliers, we look for those 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). 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). 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. Of our strategic suppliers, 186 (22%) have also agreed in writing to comply with these principles. Since the Gerresheimer Principles for Responsible Supply Chain Management represent a key factor in agreeing and formulating our requirements for our suppliers, we plan to increase this percentage even further in the coming financial year. In addition, we intend to further enhance understanding of sustainability in the supply chain by providing training to employees in procurement in the next financial year.

Our selection process requirements for new suppliers and the continuous review of supplier performance are set out in the "Supplier quality procedures" section of the Gerresheimer Management System and are thus applicable for all locations worldwide. At the start of this process, suppliers undergo a standard classification procedure to ensure that notably our strategic suppliers act in accordance with our quality and sustainability requirements. Strategic suppliers are suppliers from whom we obtain materials or services that are used directly in our products during processing, or that could have a material influence on the quality of the end product. As of November 30, 2018, we had defined 836 strategic suppliers worldwide, from whom we procured around half of our total procurement volume during the financial year.

New suppliers are subject to a qualification process before they are approved to supply materials or services. In addition to providing information by responding to a questionnaire, the qualification process for strategic suppliers involves an on-site audit. Around 70% of our locations already include environmental and social requirements in this qualification process. To ensure a sustainable quality level in procurement and the continuous improvement of supplier performance, all strategic suppliers undergo an annual performance review, and supplier audits are carried out at regular intervals. Environmental and social evaluation criteria likewise form part of this annual review.

Our "Gerresheimer Principles for Responsible Supply Chain Management" also specify that a supply contract will be terminated with immediate effect if it is determined that a supplier willfully conducts, practices or endorses (i.e. internally or through sub-contractors) one or more of the actions for which standard definitions are provided below:

- Deliberate falsification of information required by the procurement function
- Use of forced or slave labor or penal labor
- Use of child labor
- Inhumane treatment of employees or acceptance of sexual abuse, physical punishment or physical coercion of employees
- Knowingly supporting corruption, extortion, fraud, bribery or other criminal activities
- Deliberate and repeated massive violations of environmental protection and occupational health and safety that endanger employees and/or society.

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 requires the use of 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 "Operational Risks").

The production of plastic primary pharmaceutical packaging and of complex drug delivery systems like insulin pens and inhalers requires energy and above all special resins 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 resins 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 resin and energy prices change so as to minimize the risk of price changes in these basic products.

Where we use or purchase minerals such as tin, tungsten, tantalum or gold (so-called "conflict minerals") or their derivatives to produce or finish our products, the supplier in question must provide certificates demonstrating that these raw materials have been properly obtained. In this way, we have proof that our suppliers have not obtained the raw materials from countries that finance armed conflict and contribute to human rights violations by mining and trading in them. This is clearly specified in both our corporate responsibility guideline and our procurement code, and we are very careful to ensure we meet this obligation.

We use tungsten and tin in the production process at some of our plants, while gold is used as a finishing material. Tin is a component of tin chloride, which our molded glass plants use for the surface finishing of glass containers in order to improve the quality of the glass. Our cosmetic glass plants in Tettau (Germany) and Momignies (Belgium) use gold to decorate flacons and pots. At the request of customers, our Mexican plant in Queretaro uses gold enamel paint to finish cosmetic ampoules. The Queretaro plant also produces syringes, for which a tungsten pin is used to form the cone. This similarly applies to our German syringe plant in Buende.

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. Whatever form the production processes in the two divisions Plastics & Devices and Primary Packaging Glass, the principles of the Gerresheimer Management System (see "Business Excellence") and the requirements of the Gerresheimer quality initiative (see "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. In particular 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. It also has a positive impact on energy consumption and thus on CO_2 equivalent (CO_2e) emissions (see "Our responsibility toward the environment").

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 machinery upgrades in the US and Mexico in 2016, the focus in 2017 and 2018 was on Europe and Asia, and we were already able to start producing and shipping products made with the new machine generation in China in the financial year under review.

MARKETING AND SALES

At our 38 production plants worldwide, we produce more than 15bn injection vials, ampoules, cartridges, containers for liquid and solid medicines, insulin pens, pen and micro pump systems, inhalers, syringes and cosmetic containers each year. Our packaging comes into direct contact with the medication or cosmetic product and is therefore also referred to as primary packaging.

Our customers are mostly companies in the global pharma and healthcare and cosmetics industries, with 82% of our revenues being generated in the pharma and healthcare sector. We not only supply customized packaging, but also provide pharma companies with cost-effective and flexible solutions. One example of this is the prefilled disposable syringes, which significantly reduces the time needed to prepare the injection and avoid dosage errors. As a syringe manufacturer, we include the full pretreatment of syringes in our service. This includes washing and siliconization of the glass body, mounting and protecting cannulas, and responsibility for sterilization. The pharmacists' expense is reduced to filling and adding plunger heads and plunger rods. We often work together with packaging and process specialists on the customer side at the early stages of development in order to establish a high-quality, optimally harmonized overall concept for the medication, packaging and system design.

Although we do not sell directly to patients or end users, these individuals generally come into contact with our products. The primary functions of our packaging solutions are to protect the medication or other filling contents, to improve delivery and ease of use as well as to ensure accurate dosage. In many cases, packaging is an integral system component, without which many drugs would be less user-friendly and cost-effective. 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 high quality at every link in the value chain, from the raw materials producers to delivery of orders.

We supply our customers in the pharma and cosmetics industries either directly or through wholesalers. Furthermore, our US subsidiary Centor markets its products to pharmacies. In addition to our own high standards with regard to quality and sustainability, we are, as a supplier to the pharma and cosmetics industries, also subject to these companies' stringent requirements. As such, we are regularly reviewed by our customers in supplier audits and we must comply with customer-specific requirements. Moreover, participating and achieving particular results in the Carbon Disclosure Project is a prerequisite for having a supplier relationship with certain customers. More information about this can be found under "Climate-relevant Emissions" in this Group Management Report.

Creating customer loyalty and gaining new customers are at the heart of our marketing and sales strategy. To this end, our sales staff maintain ongoing contact with existing customers and develop new customer relationships. Talking directly with our customers is just as important as our participation in numerous trade fairs in Europe, the Americas and Asia. We keep our customers and potential customers regularly informed, for example, through newsletters, catalogs and brochures as well as on a constant basis through details of our products and services provided on our website.

We regularly conduct global surveys with the aid of a respected market research institute to gauge customer satisfaction among both current and potential customers. Our aim in this is to gain a more in-depth understanding of customer needs, and thus to enhance customer satisfaction and 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 US 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 satisfied 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 continuous 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.

OUR RESPONSIBILITY TOWARD THE ENVIRONMENT

We strongly believe that acting in a manner that is responsible and environmentally aware will enhance our results over the medium and long term. Our continued aim is to use our raw materials and resources as efficiently as possible, and to avoid producing materials that are damaging to health or the environment. Environmental protection and the threat of climate change are our impetus for continuously improving our energy, consumption and emissions management; this is enshrined accordingly in our Gerresheimer Management System. GMS provides our subsidiaries with standard methods and tools to ensure and continuously develop low-waste and low-emission processes along the entire value chain. In this way, we implement our environmental targets in all plants. We strictly adhere to prevailing environmental regulations worldwide.

As a manufacturing enterprise that uses large amounts of energy to produce its products, especially for the manufacture of glass containers, our responsibility toward the environment has for many years centered on efficient energy consumption and the avoidance of emissions, particularly CO_2e emissions. Consequently, since the financial year 2008, we have set a CO_2e emissions target, which is verified through our participation in one of the world's largest environmental initiatives, the Carbon Disclosure Project (CDP). We also publish the targets set and their achievement. As a key element of our CSR strategy, achievement of our CO_2e emissions targets as part of our participation in the CDP is also reviewed annually by the Management Board.

Energy efficiency and emission avoidance play a major part in environmental protection. In parallel with this, we develop environmentally friendly products using both glass and plastic, which we offer to our customers.

The measurement of our CO_2e emissions, water consumption and waste levels was previously based on the CDP's submission deadline, which differed from our financial year. The data is collected globally for the CDP in the spring for the previous year. Consequently, up to now the data reviewed and published by the CDP was always one financial year behind in the non-financial Group declaration in our Group Management Report. This is also the case in the current Annual Report, meaning that the CO_2e emissions, water consumption and waste figures for the financial year 2017 are presented. The measurement process will be completely overhauled for the coming financial year, bringing it into line with our financial year going forward.

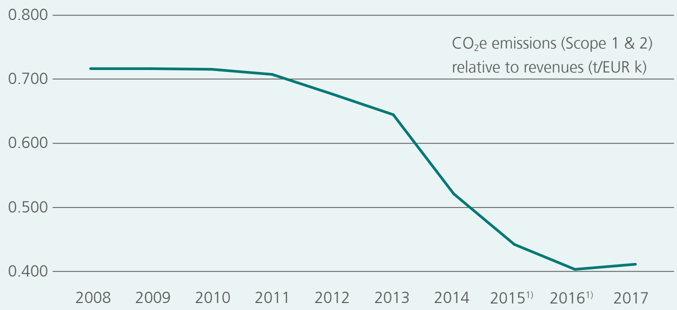
We use the operational control approach to consolidate our greenhouse gas emissions. We solely report on our production locations, including the adjacent office buildings, and the Head office in Duesseldorf; this also applies to our figures for water consumption and waste. Further information on the emission factors and the methods used are published annually as part of our participation in the CDP.

CLIMATE-RELEVANT EMISSIONS

We measure, analyze and manage our CO_2e 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_2e emissions.

Our key environment strategy target is to reduce the ratio of Scope 1 and Scope 2 emissions to revenues. This means that our revenues are to grow faster in the future than the unavoidable Scope 1 and Scope 2 CO_2e emissions produced in revenue generation, so that we achieve a significant improvement by 2023. Having met this target in seven consecutive financial years, we failed to achieve it for the first time in the financial year 2017. Although our Scope 1 and Scope 2 emissions were reduced by a further 0.2%, the relatively marked reticence of our major pharma customers led to a 2.0% decline in revenues, meaning that the ratio of emissions to revenues increased slightly for the first time.

Ratio of emissions to revenues



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

In the financial year 2017, our direct greenhouse gas emissions (Scope 1) totaled 258,527 tons of CO_2e, while location-based indirect energy-related greenhouse gases (Scope 2) came to 295,164 tons of CO_2e. Applying the market-based approach, the Scope 2 emissions amounted to 304,016 tons of CO_2e. Compared with the financial year 2016, we were able to reduce our Scope 1 and Scope 2 emissions by a total of 1,198 tons of CO_2e in the financial year 2017.

A large proportion of our Scope 1 and Scope 2 emissions can be traced back to our fuel and electricity consumption and the energy consumed for heating and cooling. In the financial year 2017, energy consumption from non-renewable sources such as natural gas, liquid natural gas, diesel and light fuel oil (Scope 1) amounted to 3,620 terajoules (2016: 3,574 terajoules, 2015: 3,570 terajoules). In addition, electricity and heating (Scope 2) totaling 2,226 terajoules was used (2016: 2,238 terajoules, 2015: 2,305 terajoules). Accounting for around a third and around half, respectively, of all emissions, combustibles and purchased electricity were the largest sources of Scope 1 and Scope 2 emissions.

We have measured some of the upstream and downstream indirect greenhouse gas emissions (Scope 3) in the value chain since the financial year 2015. These include emissions from the purchase of the raw materials resin and glass tubing, as well as emissions from upstream power generation. We were also able to report significant emission reductions in this area, where we are able to exercise only limited influence.

Our results at a glance:

Carbon Disclosure Project 2008 to 2017

	2008	2009	2010	2011	2012	2013	2014	2015[1]	2016[1]	**2017**
CO_2e emissions (Scope 1 & 2) in tons (t)	760,076	716,702	733,576	775,372	825,235	817,097	672,624	567,451	554,889	**553,691**
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	**1,348.3**
CO_2e emissions (Scope 1 & 2) relative to revenues (t/EUR k)	0.717	0.717	0.716	0.708	0.677	0.645	0.521	0.442	0.403	**0.411**
CO_2e emissions (Scope 3) in tons (t)[2]								419,620	408,196	**401,084**

[1] Excluding the Life Science Research Division (sold as of October 31, 2016).
[2] Statistics collected since the financial year 2015.

We have launched further optimization measures within the context of the 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. This also applies to the emission figures provided to the CDP for the financial year 2017.

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

VEHICLE FLEET

Our global vehicle fleet consists of 300 vehicles. Environmental aspects are also a factor 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. 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. 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.

ENVIRONMENTAL PROTECTION IN PRODUCTION

Glass melting operations in particular require the use of a lot of energy. This is why we overhaul and repair the Group's energy-intensive equipment, such as the furnaces in our molded glass plants, as required. 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 furnace upgrades. Major renovation work was carried out at our plant in Kosamba (India) in 2018. The change from an open gas-fired system for the working end and two feeders to a closed electric heating system has reduced the energy used per ton of glass by almost one-fifth and significantly increased efficiency. At the same time, the improved chemical and thermal homogeneity of the melted glass has improved the quality of the pharmaceutical products manufactured. A smaller-scale furnace overhaul was also carried out at our US plant in Chicago Heights (Illinois/USA) in 2018. Significant reductions in energy consumption and CO_2e emissions per ton of melted glass were also recorded at our cosmetic glass plant in Momignies (Belgium), in 2018 mainly due to the overhaul of a furnace in 2017. Next year, we will make further major advances in the area of energy efficiency at our German plant in Essen thanks to a new flint glass furnace: The furnace that dates back to 2007 is to be replaced by a modern state-of-the-art furnace.

A new higher-performance decoration center, which focuses on UV printing, went into operation at our cosmetic glass plant in Tettau (Germany) in the financial year 2018. Although the new decoration center has considerably higher capacity, the number of firing and drying kilns has been reduced from three to two, thereby also lowering emissions. We have also developed new protective packaging for glass flacon necks together with a customer at our Tettau plant. In addition to normal cardboard packaging, in the past a film was used to protect the vial necks from dust. The new coated cardboard, which provides the same level of hygiene as the film, means that the film material and a mechanical unpacking task are no longer required. The coated cardboard is fully recyclable without dissolving the coating.

In Haarby (Denmark) and Boleslawiec (Poland), the replacement of compressors significantly reduced the energy required for the injection molding process. In Vaerloese (Denmark) and Pfreimd (Germany), the refrigeration units and air-conditioning systems have used only environmentally friendly coolants since 2018. By packaging vials according to a regular packing pattern instead of loosely in plastic bags, we have been able to fit at least 20% more vials in each cardboard package at the Haarby plant and thus saved on plastic bags, cardboard and transport.

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. At our plant in Buende (Germany), a combined heat and power (CHP) plant helps reduce primary energy consumption and CO_2e emissions. The CHP plant is a cogeneration system producing electricity and heat on a decentralized basis.

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. Completely changing over to LED technology saved around 80 MWh at each of our plastic plants in Kundli and Haarby in 2018. In many cases, 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 nobody is there.

Certification of our production plants is hugely important to us as a means of documenting our environmental progress. 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.

Thirteen of our 38 production locations have been certified for state-of-the-art environmental management and responsible use of natural resources in accordance with ISO 14001. Of these locations, twelve underwent re-certification under this standard in the reporting year. Due to the more rigorous standards, continuous improvement of energy performance must be demonstrated. The target for the next financial year is to receive ISO 14001 certification for the three German molded glass locations that have not yet achieved this.

The development of an effective energy management system to ensure we make the most of opportunities to reduce energy consumption and further improve energy efficiency is also a priority for us. So far, eleven of our 46 Gerresheimer locations have received the corresponding ISO 50001 certification. In 2018, five of these locations were re-certified in accordance with ISO 50001.

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 environmental protection, occupational health and safety, fire prevention 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 recently introduced software, with requirements and targets for saving energy and cutting CO_2e emissions. Employees have online access to the relevant modules and are required to immediately report, document and track the elimination of any environmental damage. Suppliers and other visitors receive training via an online link and must demonstrate that they have participated. All employees and visitors are required to contribute to achievement of the corresponding targets.

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 (Germany), for example, is a member of the Ökoprofit 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 and founded the industry-wide "Rennsteig-Energie" network, of which our cosmetic glass plant in Tettau (Germany) is a member. Each individual company aims to leverage new energy saving potential through regular exchanges within the network, as well as uniform targets and audits.

ENVIRONMENTALLY FRIENDLY PRODUCTS AND USE OF NATURAL RESOURCES

Avoiding, properly recycling and correctly disposing of plastic waste is a crucial environmental target, with the pollution of the oceans currently at the heart of the environmental debate. By using materials in a way that conserves resources, avoiding waste and developing new sustainable products, Gerresheimer is working toward this global target. There are also regulatory restrictions, such as the use of prescribed resins and approval requirements, particularly for primary pharma packaging. Gerresheimer has presented its first corresponding product innovations and is promoting them to its pharma and cosmetics customers.

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 (PE) or polyethylene terephthalate (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.

At the request of a major cosmetics customer, in 2018 we developed an innovative plastic bottle for a hair care product made from 100% natural ingredients, with minimal plastic use and an indentation in the base that allows it to be stacked. This enables more efficient transport packaging, which in turn leads to lower CO_2e emissions. The environmentally-friendly concept extends to the bottle being able to be refilled three times at the hairdresser in order to reduce waste volumes and energy consumption.

Our US subsidiary Centor supplies pharmacies with recyclable plastic containers to package prescription drugs. Centor also produces oval bottles and vials from fully recyclable PET. Available in various sizes, these are used by pharmacies to fill and package liquid medicines. Furthermore, Centor does not use additional plastic bags when sending small numbers of closures and containers for tablets. 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. In spite of the restrictions mentioned, our cosmetic glass plant in Momignies (Belgium) increased the proportion of cullet in 2018, thereby reducing energy consumption.

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 molding process to glass tubing producers who then use this to make new borosilicate glass tubes. As a result of a project to increase the collection rate of borosilicate glass cullet, which was successfully implemented by the Morganton (North Carolina/USA) production location in 2017, cullet volumes at this plant were increased by 50% in 2018, as in 2017.

WATER CONSUMPTION AND WASTE

Like CO_2e emissions, the figures published for water and waste relate to the financial year 2017 (as explained above). These statistics were collected in the financial year 2017 for the first time.

Our water consumption amounted to 825,435 cubic meters in the financial year 2017. Regionally, Europe accounted for the largest share of water consumption. The Primary Packaging Glass Division accounted for the biggest share of total consumption. Of the total volume in 2017, 69% came from the municipal water supply or other public or private water companies. Other sources were groundwater (24%) and surface water (7%).

Water is mainly used in glass production to cool down waste and clean cullet or finished products. For example, acid-etched glass packaging must be cleaned after it is taken out of the acid bath. The use of fresh water can be reduced here by using water treatment systems. Consequently, the cosmetic glass plant in Tettau (Germany) installed a new circulatory system in the financial year 2017 to reduce water consumption levels in the future.

Water is used to cool the machinery and compressors used in the production of plastic packaging. The intensity of use here primarily depends on the type of plastic used. For example, PET resin is melted at higher temperatures, which means that more water needs to be used for cooling than when polyethylene or polypropylene are used.

Waste prevention plays an important role at all our plants. We collected data on the volume of waste for the first time in the reporting year. Since the German locations must report their waste volumes externally and reporting processes have already been implemented, we are initially only reporting the waste volumes of our German locations. In the financial year 2017, this totaled 26,957 tons of waste, of which 1,933 tons were hazardous waste.

OUR RESPONSIBILITY TOWARD THE EMPLOYEES

Our employees are the bedrock of our business success. Their passion, willingness to take on responsibility and motivation pave the way for attainment of our long-term goals. This conviction is embodied in our vision and in our guideline on corporate responsibility. Our global human resources strategy provides the framework for the numerous activities and arrangements in place at our locations and is consequently a key strategic success factor.

As a global Group operating in a dynamic environment, we aim to provide our workforce with ongoing development opportunities, protect their health, ensure their safety in the workplace and promote diversity. Our decentralized human resources functions embrace the diverse cultures and beliefs across our workforce at all locations, in 15 different countries. Gerresheimer's corporate values—integrity, responsibility, excellence, teamwork and innovation—guide our future-oriented actions.

Human resources systems form a major part of the Gerresheimer Management System, which ensures implementation of the global human resources strategy in our operating units. They establish Group-wide standards, methods and instruments for employee development, leadership and participation. Occupational health and safety systems are a key element here, especially at our manufacturing locations.

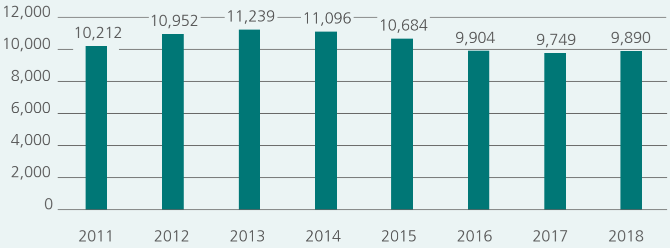
Thanks to a wide variety of factors, including our open corporate culture and diverse employee development activities, Gerresheimer was named by Focus magazine as a "top national employer" in Germany in 2018 for the fourth time, having previously received the honor in 2014, 2016 and 2017.

WORKFORCE STRUCTURE

The Gerresheimer Group had 9,890 employees as of the end of the financial year 2018 (prior year: 9,749). This represents an increase of 1.4% on the 2017 financial year-end.

Gerresheimer Group employees

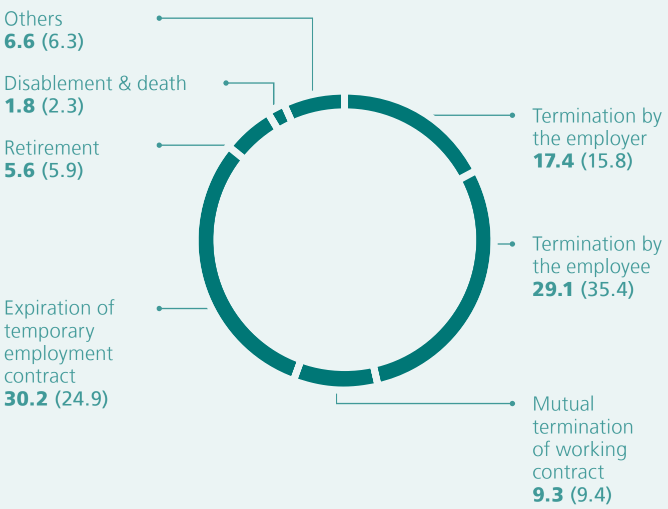
Number



In 2018, 2,248 employees left the Company (prior year: 1,716 employees). The main reasons for departure 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. The average length of service is 11.6 years (prior year: 11.6 years).

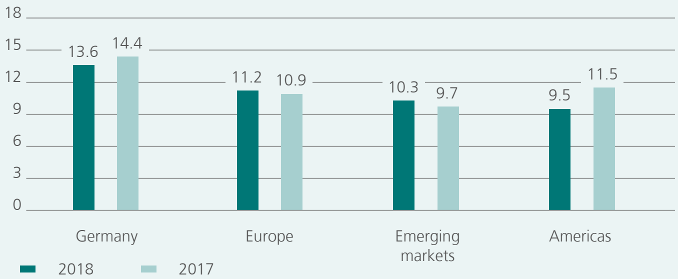
Reasons for leaving the Group

In % (prior year)



Average length of service by region

In years

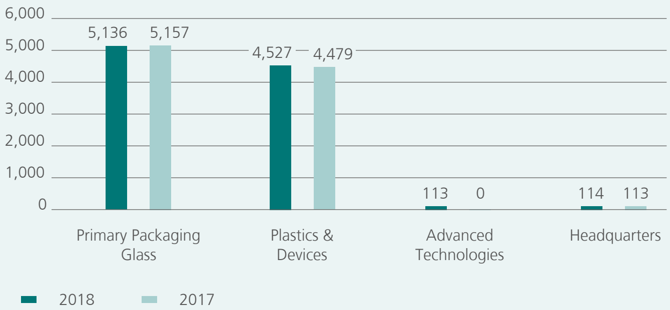


EMPLOYEES BY DIVISION

The Primary Packaging Glass Division had 5,136 employees as of the end of the financial year 2018 (prior year: 5,157). This corresponds to a slight reduction of 0.4%. By contrast, the number of employees in the Plastics & Devices Division increased slightly (by 1.1%) to 4,527 as of the 2018 financial year-end (prior year: 4,479). Our new Advanced Technologies Division has 113 employees. There were 114 employees working at headquarters as of the financial year-end (prior-year: 113 employees). Gerresheimer AG had 97 employees as of the reporting date (prior year: 98 employees).

Employees by division

Number



EMPLOYEES BY REGION

We produce in the regions where our customers and markets are located: in 38 plants on four continents, with 1,882 employees in Europe (prior year: 1,858), 1,128 in the Americas (prior year: 1,024) and 3,361 in emerging economies (prior year: 3,482). As a company with a long tradition in our home market, we continue to have a large footprint in Germany. At the end of the financial year, we had 3,519 employees at ten locations across the country (prior year: 3,385).

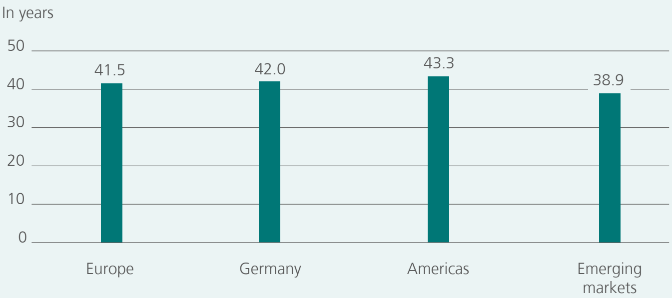
Employees by region

Number

EMPLOYEES BY AGE

The average age of the Gerresheimer workforce is 41.3 years (prior year: 41.5 years). Among female employees the average age is 41.7, while among male employees it is 41.1. The highest average age is at our American locations, at 43.3 years. In contrast, the average age of our employees in emerging markets is below 40.

Average age of workforce by region

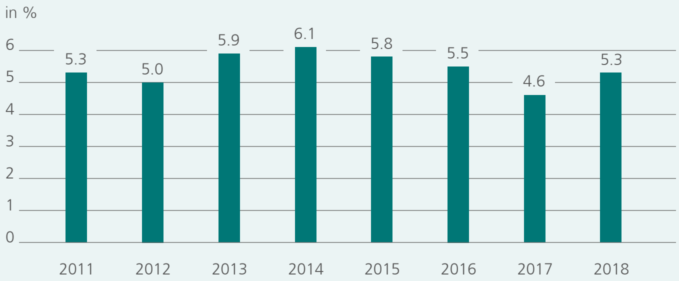


APPRENTICESHIPS, CAREER ENTRY AND EMPLOYEE DEVELOPMENT

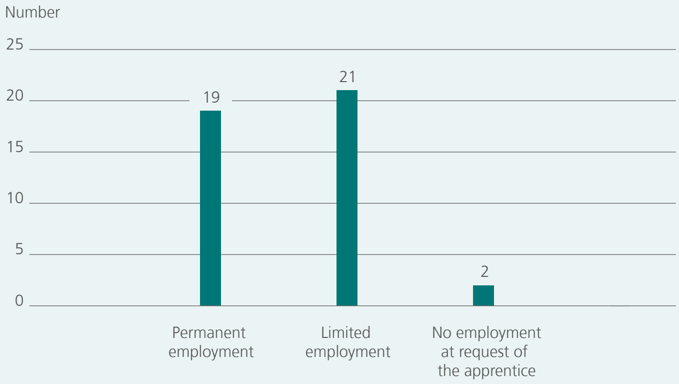
In line with our values-driven corporate policies and against the backdrop of demographic change, we see vocational training as part of our corporate social responsibility. Specific training requirements are taken into account in each business unit. Our training programs prepare young employees for their future responsibilities. In 2018, we offered a total of 15 training occupations in Germany, ranging from mechatronics fitter to combined training as foreign language correspondent and industrial clerk. As of November 30, 2018, Gerresheimer employed 188 trainees (prior year: 155 trainees) in Germany. The training rate in Germany was 5.3% (prior year: 4.6%), which is slightly above the 5.2% industry average. We took on 95.2% of the 42 trainees who completed their training with us in the financial year 2018 (prior year: 65.0%). The financial year 2018 also saw the launch of our training program with three trainees at our location in Peachtree City (Georgia/USA) in collaboration with a regional college. For several years now, we have additionally provided training modeled on the German dual training system at our plant in Horsovsky Tyn (Czech Republic).

Many of our plants use the national "Girls' & Boys' Day" in Germany or open days to provide information about training opportunities and co-op education programs. This creates an opportunity for interested school students and high-school graduates to talk to current trainees and employees. Locations in our Medical Systems Business Unit also take part in the SET (Schüler entdecken Technik = schoolchildren discover technology) project, which aims to get schoolchildren interested in technology from an early age.

Training rate



Subsequent employment of trainees and students



In addition, we offer ten co-op education programs, such as a Bachelor of Engineering with an industrial engineering major. We employed 31 co-op students in Germany in 2018 (prior year: 28 students). These programs provide a balanced combination of theory and practice. A graduate at our Regensburg (Germany) plant was conferred the "Best Masters Graduate" Bavarian culture award. The German Association of Plastics Converters (GKV) also once again awarded a stipend to a trainee and a co-op student at Gerresheimer Regensburg GmbH. Including the 2018 stipend winners, a total of 13 trainees and co-op students have received stipends at Gerresheimer Regensburg GmbH since 2001.

The first three trainees in our "GxGo!" trainee program successfully completed the program in the financial year 2018. All three were taken on in their respective units. The second iteration of the global trainee program starts in the financial year 2019.

For the attainment of our human resources goals and to secure our long-term success—and in addition to our training programs—we constantly invest in the professional, methodological and personal development of our workforce. In this connection, we always aim for compatibility between our corporate goals and individual career aspirations. To this end, we offer coaching, training and development programs worldwide. Furthermore, employees in management positions are able to take part in custom-tailored development programs in order to prepare them for the current and future challenges of their roles. For executive management, we provide our "Leadership Powered by Values" program, a five-module, long-term, mandatory management training course based around our five values of integrity, responsibility, excellence, teamwork and innovation. Employees from production ("Leading Blue") and non-production areas ("Leading White") can take part in management training tailored to their specific needs. As part of our ongoing leadership training for executive management, and in parallel to "Leadership Powered by Values", we also continued the "Leadership Journey", where we focus on a different value selected each year. The selected value in 2018 was "trust". In the financial year 2017, to address both the ever-higher demands placed on employees and people's own needs in terms of work-life balance, we developed "one Life", a module for employees of all units worldwide. Additionally, the "Quarterback Program", a custom-tailored "train-the-trainer program" for management development, has been developed and rolled out in one business unit in order to meet the particular needs of that unit. The value focused on in that program during 2018 was "teamwork".

A total of 194,075 hours of further training were provided in the financial year 2018, corresponding to 19.6 hours per employee. The Americas accounted for 36.5% of training hours, followed by Germany with 36.4%, the rest of Europe with 14.3% and emerging markets with 12.8%.

Appraisal interviews were held for a total of 4,980 employees in the financial year 2018, representing 50.4% of all employees. As a rule, an appraisal interview between employee and superior takes place once a year and covers the employee's performance in the preceding financial year, targets for the financial year ahead and any development measures.

Looking ahead, 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 continues to support the ongoing global rollout of a manufacturing execution system (MES) in the Primary Packaging Glass Division. HR Development aims here to clearly present the nature of the changes and to work with plants to develop a change architecture.

Another priority in change management is supporting the refinement of leadership structures in production and the resulting consequences. The purpose of this project is to further enhance work quality, product quality and productivity. It aims to create and implement a framework for work excellence and high product quality. Building on organizational and potential analysis, the next step is to develop a target organizational structure and specify the new job requirements profiles. The plants also work closely with HR development during implementation of the new target structures and beyond in order to permanently establish the changes.

DIVERSITY AND CORPORATE CULTURE

Gerresheimer fosters a culture of diverse beliefs, experiences and cultural backgrounds, as is expressly embodied in our guideline on corporate responsibility. Our 9,890 employees work in 15 different countries. The diversity of these countries and cultures is also reflected within Gerresheimer. An open and respectful corporate culture and the mix of different nationalities, genders, education biographies, life experience and age groups 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 realize 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 qualification and without regard to ethnic heritage, gender, religion, sexual identity or any disability.

Gerresheimer's employees in the financial year 2018 come from a total of 58 nations and 64.4% of them work outside of Germany. Female employees make up 32.5% of the workforce (prior year: 33.3%). Owing to the sometimes physically demanding nature of blue-collar work, there is unfortunately only a relatively small number of female applicants for such positions. The proportion of women in the first two levels of management was 22.5% (prior year: 18.8%), thus marking an increase on the prior year (see under "Stipulation of targets to promote the participation of women in management positions in accordance with sections 76 (4), 96, and 111 (5) AktG").

As a globally operating Company, we also rely on an international management team. As of November 30, 2018, 42% of the top two levels of management were citizens of countries other than Germany. A total of twelve nations are represented in our executive management.

Despite its decentralized organizational structure, Gerresheimer fosters a sense of solidarity across national borders and throughout its divisions, plants and departments. We held the fourth consecutive One Gerresheimer Week in our plants worldwide during the year under review. The focus of One Gerresheimer Week in June 2018 was on "teamwork", one of our five core values. All sites worldwide demonstrated the versatile and passionate ways in which the value "teamwork" can be put into practice. They also organized a large number of creative activities, ranging from quality workshops to sports and recycling programs. Many of these were charitable activities, such as blood drives, and once again numerous money donations were collected for a good cause.

The seventeenth Gerresheimer soccer "world cup" also took place in June 2018. Eleven teams from various locations met in Tettau (Germany), for an action-packed tournament. At the same time, another lineup of impassioned teams faced off in women's beach volleyball games.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

We attach great importance to the health and safety of our workforce. In addition to our overall Group target of zero occupational accidents, there are also plant-level and departmental occupational health and safety targets that vary according to the business orientation of each unit. One example of occupational health and safety in action is the "STOP program" at Centor (Ohio/USA) and in Queretaro (Mexico). There, one performance indicator is the number of employee safe behavior observations collected on observation cards. At our Essen (Germany) location, target attainment in occupational health and safety is measured by the number of five-minute safety briefings. Recommendations for occupational health and safety measures are incorporated in the Gerresheimer Management System.

We implement preventive measures to prevent potential accidents and health hazards. In this regard, the human resources activities support our plants in optimum, ongoing compliance with legally required standards as well as in preventing occupational accidents. Regular training ensures that employees at our locations have the necessary qualifications and up-to-date expertise so that the number of accidents continues to fall. A total of 198 employees around the world are members of formal occupational safety committees that verify and ensure compliance with standards and safety regulations. Action plans developed in safety audits also address the changing requirements for workplaces resulting from digitalization. The global rate of occupational accidents per million hours worked was 15.6 (prior year: 15.8), marking a further decrease by 0.2. The number of occupational accidents was 228 (prior year: 183). Out of those 228 occupational accidents, 63 related to female employees and 165 to male employees. Most such accidents occurred in Germany (95), followed by the rest of Europe (58), the Americas (40) and emerging markets (35). Four occupational accidents required a significant halt to production (prior year: one accident). In total, occupational accidents resulted in 3,618 days' absence (prior year: 4,844 days), representing a reduction of 1,226 days. With the measures we implement, we aim to continue further reducing the number of accidents. We had zero fatal occupational accidents in the financial year 2018 (prior year: zero). Due to the nature of their employment, 206 employees have a high risk of job-related illnesses.

To maintain the health of our workforce throughout their working lives and beyond, we offer a broad spectrum of measures at many plants to keep employees physically and mentally fit. These include a "Take Your Bike to Work" day and ergonomically designed workplaces.

EMPLOYEE RIGHTS AND WORKING CONDITIONS

We are fully committed to respecting, supporting and transparently reporting on human rights within our remit. This commitment is enshrined in our guideline on corporate responsibility. Our Gerresheimer Management System ensures that the subject matter, importance and application of our corporate responsibility guideline are communicated to employees at all plants. Plant managers are required to establish a process to ensure compliance with the principles set out in the guideline. We had no cases of human rights violations anywhere in the world in the financial year 2018.

Under our own standards, local laws and international conventions such as those of the International Labor Organization, child and forced labor are likewise prohibited at Gerresheimer across the globe. Freedom of assembly is ensured for our employees under collective bargaining and other agreements.

Workplace codetermination is institutionally established at Gerresheimer by means of the Group Works Council, which looks after the interests of our employees. The Group Works Council comprises 15 employees (prior year: 14)—three women and twelve men (prior year: three women and eleven men). As in the prior year, six employee representatives—two women and four men—are members of the Supervisory Board of Gerresheimer AG.

Recruitment at Gerresheimer is done in accordance with the statutory requirements and legal framework applicable in the country concerned. Gerresheimer embraces a working environment in which all employees, irrespective of nationality, origin, religion, gender, age, disability or sexual orientation, are held in equally high regard and enjoy the same opportunities. No cases of discrimination were reported in the financial year 2018.

With arrangements 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. A total of 298 employees in Europe (including Germany) were employed part-time in the financial year 2018, corresponding to 5.5% of the workforce.

Gerresheimer employees have the option of taking parental leave, including in countries where there is no statutory provision for doing so. A total of 206 employees made use of this option in the financial year 2018. The financial year 2018 saw 86.4% return to employment from parental leave.

A global employee survey was carried out for the third time during the financial year 2018. Employees were asked in late September about a range of topics, including working conditions, their area of employment, development opportunities, teamwork and their working relationship with direct superiors, workflows and workplace atmosphere. Overall employee satisfaction showed a minor improvement over the last survey in 2015.

The survey findings were analyzed during the reporting year and presented to the Management Board at the beginning of November. In a multilevel process, all findings were presented at global management, business unit, plant and department levels. Focus issues were specified at all levels and workshops held to discuss and expand on them. Measures are being developed and implemented to address the deficits identified. The implementation process commenced during the reporting year and will continue in the financial year 2019.

With regard to remuneration, too, we attach great importance to providing nationally and internationally competitive pay and to not having any pay differential between women and men. We back this up by benchmarking against external companies and with objective job grading in areas such as executive management. Job grading is carried out uniformly throughout the Group using the internationally recognized Kienbaum method. Additionally, many of our employees are subject to binding pay scales under collective agreements, which rule out gender-specific pay differentials for equivalent work.

Our remuneration policy provides for a variable element in addition to fixed pay. We had 1,078 bonus-eligible employees in the financial year 2018. For our global executive management, we also have a midterm incentive relating to the past three financial years. In the financial year 2018, 56 executive management employees received midterm incentives (prior year: 52).

Gerresheimer provides employees at many locations with additional benefits on top of financial remuneration components. These include subsidized meals, subsidized public transport and group accident insurance.

OUR RESPONSIBILITY TOWARD SOCIETY

We strongly believe that we can deliver better results in the medium to long term if we make not only economic but also social concerns the yardstick of our actions. Accordingly, we have set ourselves the goal of engaging in open dialog with diverse social groups beyond our corporate boundaries. We have enshrined this responsibility to society in our corporate responsibility guideline.

Our Gerresheimer Management System ensures that this guideline is communicated and complied with across all plants. As a local business and employer in many different countries around the world, we also owe a certain responsibility to the cities and regions in which we operate. Many of our plants and employees therefore commit to local initiatives and support local charities with campaigns and donations. The wide variety of activities and fundraisers forming part of the One Gerresheimer Week we hold each year are a prime example of our corporate social responsibility in action.

COMMUNITY

As an important global partner to the pharmaceutical industry, we aim to contribute to society not only with our products, but also with our social activities. Our efforts here have two main thrusts:

› Young people in education and training
› Improving health and well-being.

Focus on education and training

Our plant in Kundli (India) is patron to numerous schools in the region, investing in new buildings, dining halls, bathrooms and the like. Similarly, our plants in Horsovsky Tyn (Czech Republic), Boleslawiec (Poland) and Tettau (Germany) support local schools in many and varied ways.

A large number of German plants also take part in the Girls' Day initiative, an annual event in Germany geared to enabling young women to find out more about technical professions. A further case in point is the creation of co-op education programs at our Czech plant in Horsovsky Tyn. Our Medical Systems Business Unit supports the University of Applied Sciences in Amberg-Weiden in many ways and collaborates with the university on a co-op education program in medical engineering. In Tettau, Germany, our plant is part of a regional innovation network that collaborates with Coburg University of Applied Sciences, among others. For example, the innovation network supported the development and provision of the new ZukunftsDesign master's program at the university.

Focus on improving health and well-being

Our plants likewise engage in diverse activities in this focus area. In Kundli (India), for instance, our plant supports a local dialysis center. Our plant in Kosamba (India) enhanced the link between the neighboring residential district and local infrastructure in 2018 by repairing an old road. By building a water filtration plant, we have been able to provide numerous residents of this neighborhood—including many children—with access to clean drinking water. In Shuangfeng (China), our plant provided support in 2018 for a local charity, Danyang, which aims to improve healthcare as well as assist the training of disabled and disadvantaged people in the region.

Since 2012, our plant in Tettau (Germany) has served as a founding member of a regional intergenerational project in order to specifically foster social skills among our trainees. In 2018, this project received the German Demography Excellence Award, which was presented for the tenth time to commercial flagship projects that address and develop innovative solutions surrounding the issue of demographic change.

Gerresheimer Regensburg has a special commitment to helping children with chronic illnesses and disabilities, and donates to related local facilities. The plant in Vaerloese (Denmark) organizes workforce activities and donates to a Danish cancer initiative; similar activities are carried out by our plant in Zaragoza (Spain). Gerresheimer subsidiary Sensile Medical, which was acquired in July 2018, supports a local initiative on cardiovascular disease in Olten (Switzerland).

In Duesseldorf, the location of our Head Office, we funded an exhibition on the history of the glassworks in the district of Gerresheim, where Gerresheimer was first established with the construction of the first glassworks in 1864.

As part of One Gerresheimer Week, numerous other Gerresheimer locations collected donations in cash and in kind for charities and projects in their regions.

POLITICAL INFLUENCE

The Gerresheimer Group does not exercise political influence beyond the scope of customary industry association activities. Gerresheimer has no offices for political communication in Berlin, Brussels or other cities. Nor does Gerresheimer make 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 clearly regulated. Substantial donations require corresponding approval and are subject to the Group's strict compliance regulations.

Since 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. However, as an enterprise we have no influence over the corresponding legislative process and instead work to establish a joint position on such issues through our involvement in relevant industry associations.

Our main industry association memberships comprise membership of the Federal Association of the German Glass Industry (BV Glas) (for glass locations in Germany) and the European Container Glass Federation (FEVE). Gerresheimer is also a member of relevant employer associations.

OUR RESPONSIBILITY FOR ETHICAL BUSINESS CONDUCT AND CONFORMITY WITH THE LAW

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 under 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.

The purpose of the CMS is to assure legally compliant conduct by all Gerresheimer Group employees worldwide. This serves to prevent criminal offenses such as fraud, embezzlement and corruption as well as to ensure compliance with corporate guidelines and directives. The CMS thus safeguards the value of the Company on a lasting basis and reduces liability risk and the risk of fines.

No judicial or official proceedings in connection with focal issues under the CMS were initiated or conducted against Gerresheimer in the financial year 2018.

COMPLIANCE ORGANIZATION

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

Responsibilities of the Chief Executive Officer 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 and action taken, 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; the Compliance Officer also serves as the 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.

COMPLIANCE PROGRAM

Gerresheimer's Compliance Program is intended to support our employees in correctly applying laws and company guidelines and to protect them against infringements. 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 currently 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. This 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.

QUALITY MANAGEMENT

We aspire to high standards of quality across all products and processes. In attaining our self-imposed quality requirements and targets, an important part is played by our Gerresheimer Management System, which is mandatory for all of our plants worldwide. A key element of the quality management systems required under the GMS is ISO certification for our plants and compliance with further quality standards.

In a Group-wide quality initiative launched in 2011, we 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. In addition to our own quality targets, we also develop other, customer-specific quality agreements.

Gerresheimer continued the "Quality in Everything" global quality campaign for all employees through 2018. Launched in 2017, the campaign aims to increase each employee's awareness of their personal responsibility for quality in its many facets. The quality campaign has been rolled out in all plants via a range of communications measures, including newsletters, posters, flyers, videos and an activity day. The successful campaign will also be continued in the financial year 2019.

As part of our product responsibility, 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 (such as 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 Pharmacopoeia (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".

The Gerresheimer quality key performance indicators (KPIs) constitute an essential component of our quality systems. These KPIs enable us to measure our compliance with quality targets. A total of eight quality KPIs have been specified that all plants are required to monitor.

One KPI, for example, is Right First Time (RFT), which measures the percentage of zero-defect products coming off the production line. That allows us to see how efficient our production process is, including in-process controls. Internal Rejects (IR) shows what proportion of our products fail in-house quality control. This shows us the stability and reliability of our production process. Using another KPI, On Time In Full (OTIF), we measure order fulfillment quality in product shipments to customers. It is our metric for delivery reliability. FA is short for First Acceptance and indicates the percentage of product batches that customers accept on arrival; ideally, of course, this will be 100%. The opposite is true of the Customer Complaint Rate (CCR), which we naturally seek to minimize.

Complaint Response in Time (CRIT) tracks the proportion of complaint tickets processed and closed within 21 calendar days. A somewhat more complex KPI is Cost of Non-Quality (CNQ). By cost of non-quality we mean the total direct and indirect cost we incur due to defects. It thus quantifies the current quality level in financial terms. Finally, the Gerresheimer quality KPIs are rounded out by CAPA Overdue. This indicates the percentage of corrective action/preventive action (CAPA) tasks that are past due.

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 locations have ISO 9001 quality management systems certification. Twenty of our 38 plants are certified to ISO 15378 as meeting the special requirements for the manufacture of pharmaceutical primary packaging materials. Twelve of our 38 production locations possess ISO 13485 certification, which stipulates the requirements for a comprehensive management system for the design and manufacture of medicinal products. In addition, 13 of our 38 production locations have ISO 14001 certification for environmental management and twelve of our 46 locations 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 as well as 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).

INNOVATION, RESEARCH AND DEVELOPMENT

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

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

ENGINEERING

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

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

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

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

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

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

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

PRODUCT INNOVATIONS

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

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

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

Many new drugs—above all biotech and oncology drugs—set the bar even higher for primary pharma packaging. We are developing an extensive portfolio of new and improved products for this fast-growing market. The Gx RTF® ClearJect® syringe is a perfect complement to the broad portfolio of prefillable Gx RTF® glass syringes. It combines the existing syringe portfolio made from cyclic olefin polymer (COP)—a high-performance plastic—with the ready-to-fill concept featured on Gerresheimer's prefillable glass syringes. The first product in the new line, a 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 during processing for additives such as tungsten or adhesive for the cannula. This makes the Gx RTF® ClearJect® syringe especially well-suited to drugs with exacting requirements.

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

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

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

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

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

Under the BioPack name, we have launched an extensive portfolio of plastic packaging for drugs and cosmetics made from biomaterial in place of conventional polyethylene (PE) or polyethylene terephthalate (PET). Innovation and environmental protection go hand in hand. As a case in point, Gerresheimer has developed a plastic container for a major cosmetics customer that can be produced with less plastic due to a novel shape and easily stacked thanks to an indentation in the base. This saves space and CO_2e emissions during shipment. The container is also refillable. Both of these product innovations are described in more detail under "Environmentally friendly products and use of natural resources".

CUSTOMER-SPECIFIC DEVELOPMENT

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

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

REMUNERATION REPORT

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

MANAGEMENT BOARD REMUNERATION

STRUCTURE OF REMUNERATION

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

NON-PERFORMANCE-BASED REMUNERATION

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

PERFORMANCE-BASED REMUNERATION

Short-term variable cash remuneration

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

Long-term variable cash remuneration

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

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

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

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

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

Under the previous arrangements, members were granted a specific number of stock appreciation rights (phantom stocks), according to the share price, for each year of service on the Management Board. Each stock appreciation right entitled the holder to a payment based on the change in the share price, subject to a performance threshold: At the exercise date, this dictated that the Company's share price must exceed the initial price for the relevant tranche by at least 12% or must have increased by a larger percentage than the MDAX. It was possible to exercise stock appreciation rights during a 16-month exercise period following a four-year waiting period. The payment amount was equal to the absolute increase in the share price between the issue date of the stock appreciation rights and the exercise date. However, the payment amount for each tranche was capped at 25% of the initial price of all stock appreciation rights in the same tranche. At the time of termination of the Management Board contract, all exercisable stock appreciation rights, all entitlements resulting from stock appreciation rights already granted but yet to mature and all entitlements to the issue of further stock appreciation rights expired without substitution or compensation. If the day on which the holder's employment contract ended was after the first anniversary of the issue date of stock appreciation rights in a tranche already issued, but before the exercise date for that tranche, the stock appreciation rights in that tranche remained unaffected. The foregoing now only applies to tranche 9 for Mr. Beaujean and tranches 9 and 10 for Mr. Schütte.

Pension benefits

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

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

Under the new arrangements, the amount to be furnished by the Company for new Management Board members' pensions is to be determined as 20% of the fixed salary plus 20% of the short-term variable cash remuneration attained. New Management Board members may choose from three options as to how this amount is used: (1) 20% of the fixed salary paid into an insurance policy and 20% of the short-term variable cash remuneration paid into an investment; (2) 20% of the fixed salary paid into an insurance policy and 20% of the short-term variable cash remuneration paid out for personal pension provision; (3) 20% of the fixed salary and 20% of the short-term variable cash remuneration paid out for personal pension provision. This new form of pension plan relates to two active members of the Management Board—Mr. Siemssen and Dr. Burkhardt—both of whom have elected the above option (3).

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

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

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

Termination benefits

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

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

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

MANAGEMENT BOARD REMUNERATION IN THE FINANCIAL YEAR

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

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

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

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

[1] Because Mr. Siemssen took up his duties as of November 1, 2018, he is guaranteed pro rata temporis short-term variable cash remuneration and long-term variable cash remuneration for the financial year 2018 based on assumed target achievement of 100%.
[2] In connection with his unexpected departure from the Management Board of Gerresheimer AG for personal reasons, Dr. Fischer received an amount of EUR 4,020k.

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

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

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

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

Long-term share-price-based variable cash remuneration

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

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 from the grant date over the corresponding period or until the member of the Management Board leaves the Company. Details of outstanding phantom stocks are provided below in accordance with IFRS 2:

Phantom stocks share-based IFRS:

		Rainer Beaujean	Andreas Schütte
Portion of total expenses in EUR k	2018	233	273
	2017	433	369
Fair value in EUR k	2018	497	712
	2017	1,072	1,223
Number of phantom stocks	2018	55,000	100,000
	2017	110,000	150,000

Phantom stocks value-based IFRS:

		Dietmar Siemssen from November 1, 2018	Dr. Christian Fischer to February 5, 2018	Rainer Beaujean	Andreas Schütte	Dr. Lukas Burkhardt from January 1, 2018
Portion of total expenses in EUR k	2018	19	–	550	471	138
	2017	–	101	111	208	–
Fair value in EUR k	2018	1,598	–	1,038	690	958
	2017	–	2,125	998	1,716	–

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		Rainer Beaujean	Andreas Schütte
Present value	2018	2,213	3,365
	2017	1,846	2,960

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

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

in EUR k	**2018**	2017
Fixed remuneration	6,157	2,154
Non-cash remuneration	52	65
Total short-term non-performance-based remuneration	**6,209**	**2,219**
Short-term variable cash remuneration	664	1,009
Total short-term variable remuneration	**6,873**	**3,228**
Long-term variable cash remuneration	1,638	2,663
Phantom stocks vested in the financial year	1,684	1,781
Pension expenses	924	1,200
Total long-term remuneration	**4,246**	**5,644**
Total	**11,119**	**8,872**

REMUNERATION OF THE SUPERVISORY BOARD

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

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

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

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

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

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

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

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

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

DISCLOSURES PURSUANT TO SECTION 315a (1) HGB AND EXPLANATORY REPORT

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

Structure of subscribed capital

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

Restrictions on voting rights or on the transfer of securities

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

Shareholdings exceeding 10% of voting rights

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

Shares carrying special rights with regard to control

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

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

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

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

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

In accordance with section 84 of the German Stock Corporation Act (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 General Meeting withdraws its confidence in the member concerned.

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

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

Authority of the Management Board to issue or buy back shares

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

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

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

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

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

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

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

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

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

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

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

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

Compensation agreements for the event of a takeover bid

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

CORPORATE GOVERNANCE STATEMENT

The declaration on corporate governance under sections 315d and 289f of the German Commercial Code (Handelsgesetzbuch/HGB) is part of the Group Management Report. However, in accordance with section 317 (2) sentence 6 HGB, 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 6, 2018:

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

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

Gerresheimer AG will in 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 competencies of the Supervisory Board members. We do not consider it to be meaningful to set a regular limit for length of membership of the Supervisory Board as the expert knowledge of experienced Supervisory Board members should be available to the company."

INFORMATION ON CORPORATE GOVERNANCE PRACTICES

RISK MANAGEMENT SYSTEM

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

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

CORPORATE RESPONSIBILITY

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

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

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

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

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

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

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

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

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

DIVERSITY POLICY FOR THE MANAGEMENT BOARD AND SUPERVISORY BOARD

DIVERSITY POLICY FOR THE MANAGEMENT BOARD

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

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

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

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

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

DIVERSITY POLICY FOR THE SUPERVISORY BOARD

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

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

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

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

REPORT ON OPPORTUNITIES AND RISKS

UNIFORM GROUP-WIDE MANAGEMENT OF OPPORTUNITIES AND RISKS

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

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

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

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

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

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

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

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

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

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

INTERNAL CONTROL SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Consolidated Financial Statements of the Gerresheimer Group are prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as adopted by the European Union and with the supplementary requirements applicable under section 315e (1) of the German Commercial Code (Handelsgesetzbuch/HGB). The 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, 2018.

We prepare the Consolidated Financial Statements in a multistage process using recognized consolidation systems. The audited, preconsolidated financial statements of the subgroups 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. Continuously updated to reflect changes to the IFRSs, the guidelines are available on the Gerresheimer intranet to all employees at subsidiaries. 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 produced in the system along with information relevant to the cash flow statement, the statement of changes in equity, the notes and the management report. Effective maintenance of the system is provided 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 2018 year-end audit, the auditors examined our early warning system in accordance with section 317 (4) HGB in conjunction with section 91 (2) AktG and confirmed its compliance.

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

Existing risks are discussed in detail in the following.

BUSINESS STRATEGY RISKS

RISKS FROM ACQUISITIONS

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

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

RISKS FROM PRODUCT LAUNCHES

Potential impacts:

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

Countermeasures:

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

EXTERNAL AND INDUSTRY-SPECIFIC RISKS

CUSTOMER MARKET RISK

Potential impacts:

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

Countermeasures:

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

MACROECONOMIC RISKS

Potential impacts:

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

Countermeasures:

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

RISKS OF CHANGE IN THE REGULATORY ENVIRONMENT

Potential impacts:

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

Countermeasures:

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

RISKS FROM THE FUTURE DEVELOPMENT OF STATE HEALTHCARE SYSTEMS

Potential impacts:

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

Countermeasures:

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

TAX RISKS

Potential impacts:

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

Countermeasures:

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

OPERATIONAL RISKS

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

PRODUCTION RISKS

Potential impacts:

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

Countermeasures:

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

PRODUCT LIABILITY RISKS

Potential impacts:

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

Countermeasures:

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

RISKS FROM ENERGY AND RAW MATERIAL PRICES

Potential impacts:

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

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

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

HUMAN RESOURCES RISKS

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

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

IT RISKS

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

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

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

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

LEGAL RISKS

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

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

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

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

FINANCIAL RISKS

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

CURRENCY AND INTEREST RATE RISK

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

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

CREDIT RISK

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

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

LIQUIDITY RISK

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

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

A more 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".

RISKS RELATING TO THE CSR DIRECTIVE IMPLEMENTATION ACT

Risks to be reported on separately in connection with the aspects addressed in the non-financial Group declaration as defined in the CSR Directive Implementation Act should, in our understanding, be rated in terms of probability of occurrence at least as highly probable and in terms of potential financial implications as significant. No such risks were identified in the reporting year.

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

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

EVENTS AFTER THE BALANCE SHEET DATE

After November 30, 2018, a customer of Sensile Medical terminated a project without substantive reasons. According to the contract, purchase price components in the amount of approximately EUR 90m will not be paid out by Gerresheimer to the former shareholders of Sensile Medical. The derecognition of the accounted liability will result in a positive effect on adjusted EBITDA in the first quarter 2019 as well as a reduction of debt at the end of the financial year 2019. Other than that, Gerresheimer Group expects only little impact on revenues and adjusted EBITDA from the loss of this project. Possible effects on the recoverability of the goodwill and the technologies are currently being analyzed. Regardless of the outcome of the analysis, this will not have material impacts on adjusted EBITDA.

Beyond that there were no further subsequent events after November 30, 2018 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 following statements on the future business performance of the Gerresheimer Group and of Gerresheimer AG, and the assumptions about the economic development of the market and industry deemed significant for this purpose, are based on our assessments, which we consider realistic at the present time based on the information we have available. Those assessments are subject to uncertainty, however, and entail the unavoidable risk that actual performance may vary in direction or magnitude from the projected performance.

DEVELOPMENT OF THE ECONOMIC ENVIRONMENT

GLOBAL AND REGIONAL ECONOMIC DEVELOPMENT[5)]

Expected growth in gross domestic product

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

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

The IMF[6)] forecasts global economic growth of 3.7% in 2019, the same rate as is expected for 2018. This corresponds to a 0.2 percentage point downgrade from the July forecast and, alongside US duties on Chinese imports, is attributable to corrections in a number of regions where growth was weaker than expected in the first half of the year.

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

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

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

MARKET AND BUSINESS OPPORTUNITIES FOR THE GERRESHEIMER GROUP

PROSPECTS FOR THE FINANCIAL YEAR 2019 AND SUBSEQUENT YEARS

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

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

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

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

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

Gerresheimer operates in large and attractive markets

	COSMETIC GLASS	PHARMA GLASS[1]	PHARMA PLASTIC	SYRINGES	DRUG DELIVERY SYSTEMS
ESTIMATED MARKET SIZE 2017[2] (in EUR bn)	~ 1.8	~ 2.2	~ 5.8	~ 0.9	~ 4.0
MARKET GROWTH CAGR '17–'22[2] (in %)	LOW SINGLE DIGIT			MID SINGLE DIGIT	

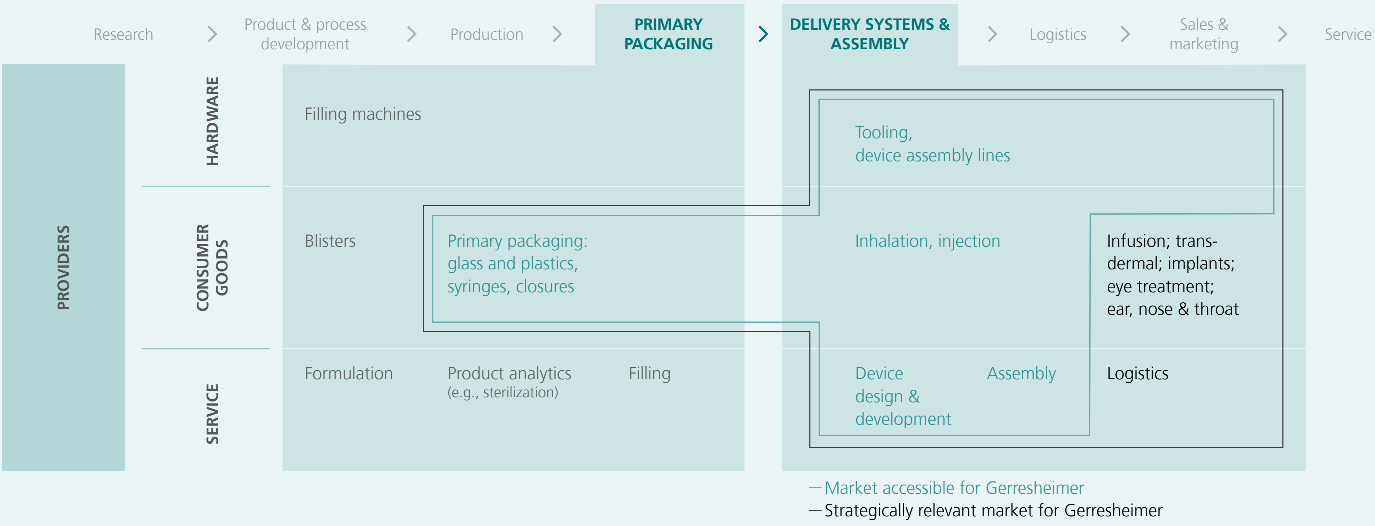
[1] Tubular glass and molded glass.
[2] Strategically relevant markets, Gerresheimer estimates.

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

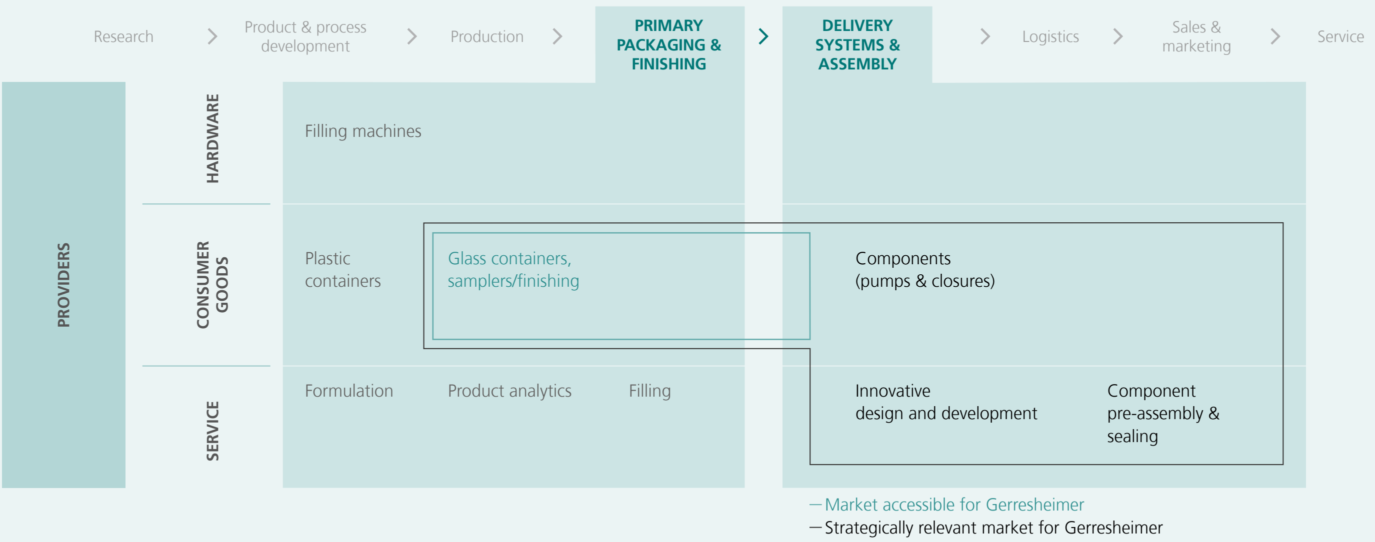
At the same time, the requirements placed on primary pharma packaging are changing. Biotech-based drugs need special primary packaging that meets high quality standards with regard to drug compatibility. Consumer safety is also more and more a key factor, especially with self-medication becoming increasingly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

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

Gerresheimer positioning in the pharma value chain



Gerresheimer positioning in the cosmetics value chain



MEGATRENDS

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

Megatrends

RISE IN CHRONIC DISEASES AND AGING POPULATION

Daily medicinal drug consumption growing

RAPID GROWTH IN GENERICS

Growing market

GROWING HEALTHCARE PROVISION IN EMERGING MARKETS

More people with access to healthcare

STRICTER REGULATORY REQUIREMENTS

Need for “high-quality” solutions

NEW DRUGS, ESPECIALLY IN BIOSIMILARS AND BIOTECH

Demand for innovative solutions

GROWING TREND TOWARD SELF-MEDICATION

Focus on quality and convenience

1. RISE IN CHRONIC DISEASES AND AGING POPULATION

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

2. RAPID GROWTH IN GENERICS

IQVIA projects average volume growth in generics of 2.9% a year for the years 2019 to 2023.[8)] Generics revenues will show strong growth notably in pharmerging markets, as medicines become affordable for many patients once patent protection no longer applies. In traditional markets further along the development cycle, too, drug licensing and control authorities as well as health insurance funds place emphasis on good outcomes in cost-benefit analysis, in many cases leading to generic drugs being approved and increasingly also prescribed. This is a favorable trend for us, as the selling price of a drug is a secondary concern from our perspective. What counts most for us is volume growth, and so the growth of the generic drugs market drives our revenues and hence net income.

3. GROWING HEALTHCARE PROVISION IN EMERGING MARKETS

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

4. STRICTER REGULATORY REQUIREMENTS

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

5. NEW DRUGS, ESPECIALLY IN BIOSIMILARS AND BIOTECH

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

6. GROWING TREND TOWARD SELF-MEDICATION

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

7) IDF: Diabetes Atlas, 8th Edition, 2017.
8) IQVIA Institute, January 9, 2019.

EXPECTED 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

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

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

PRIMARY PACKAGING GLASS

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

ADVANCED TECHNOLOGIES

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

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

EXPECTED FINANCIAL SITUATION AND LIQUIDITY

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

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

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

DIVIDEND POLICY

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

OVERALL OUTLOOK ASSESSMENT

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

OVERALL GROUP

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

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

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

Outlook for the financial year 2019:
Based on our current visibility, we expect consolidated revenues for the financial year 2019 to be in a range of around EUR 1.4bn to EUR 1.45bn, against a comparative figure of EUR 1,359.7m for the financial year 2018.[9] Attainment of the upper end of our forecast will also decisively depend on the performance of our new Advanced Technologies Division. We expect adjusted EBITDA to be approximately EUR 295m (plus or minus EUR 5m), versus a comparative figure for adjusted EBITDA of EUR 289.1m[10] in the financial year 2018. Aside from low margins on development orders for the new Advanced Technologies Division, this is notably due to the Plastics & Devices Division, which is causing a temporary decrease in the Group adjusted EBITDA margin due to higher revenues in the low-margin engineering and tooling business, newly awarded large orders and increased expenditure for relocation, employee training and production start-up/ramp-up. In addition, in the financial year 2019, other operating income of approximately EUR 90m[11] arises from the derecognition of contingent consideration from the acquisition of Sensile Medical. This results from a customer's announcement after the balance sheet date that he will not continue a project with Sensile Medical. Gerresheimer hedged this risk economically by agreeing to a contingent purchase price.

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

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

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

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

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

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

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

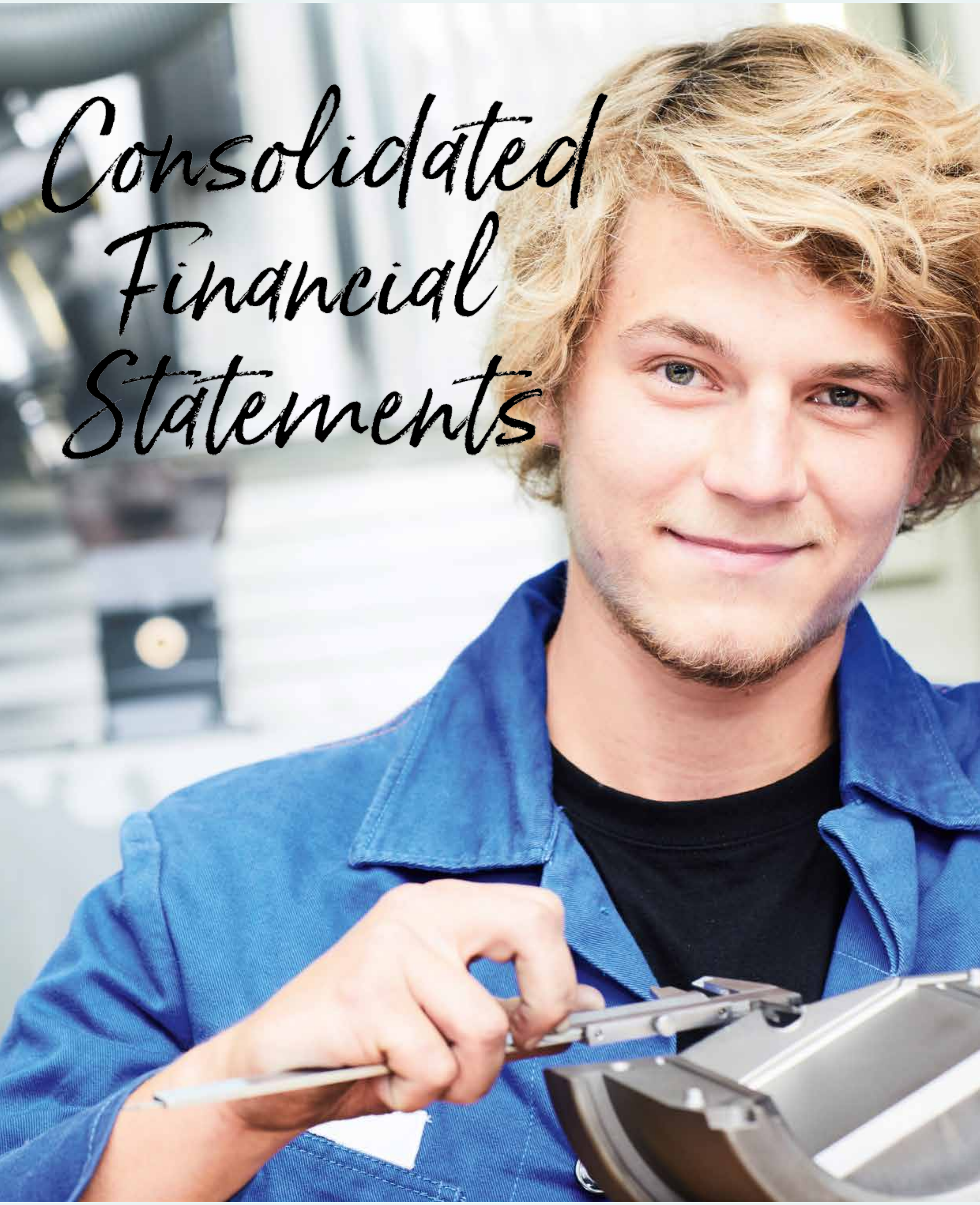
The growth in the financial years 2021 and 2022 requires additional capital expenditure for immediate capacity expansion which, on our indicative estimates, will raise capital expenditure as a percentage of revenues at constant exchange rates by up to 4 percentage points in the financial years 2019 and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

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

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

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

Consolidated Financial Statements



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CONSOLIDATED INCOME STATEMENT

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

in EUR k	Notes	2018	2017
Revenues	(8)	1,367,730	1,348,255
Cost of sales	(9)	-967,599	-934,415
Gross profit		**400,131**	**413,840**
Selling and administrative expenses	(10)	-259,405	-255,569
Other operating income	(11)	29,996	33,640
Restructuring expenses	(12)	-11,274	-2,558
Other operating expenses	(13)	-20,023	-8,650
Share of profit or loss of associated companies	(20)	34	93
Results of operations		**139,459**	**180,796**
Interest income	(14)	2,437	4,362
Interest expense	(14)	-29,746	-34,995
Other financial expenses	(14)	-4,953	-4,675
Net finance expense		**-32,262**	**-35,308**
Net income before income taxes		107,197	145,488
Income taxes	(15)	23,931	-42,436
Net income		**131,128**	**103,052**
Attributable to equity holders of the parent		128,965	100,887
Attributable to non-controlling interests		2,163	2,165
Diluted and non-diluted earnings per share (in EUR)	(16)	**4.11**	**3.21**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

in EUR k	Notes	2018	2017
Net income		**131,128**	**103,052**
Results from the revaluation of defined benefit plans	(28)	5,362	4,990
Income taxes		-1,050	-1,458
Other comprehensive income that will not be reclassified subsequently to profit or loss		**4,312**	**3,532**
Changes in the fair value of available-for-sale financial assets		-1	51
Income taxes		–	-15
Other comprehensive income from financial instruments		**-1**	**36**
Currency translation		3,557	-45,449
Other comprehensive income from currency translation		**3,557**	**-45,449**
Other comprehensive income that will be reclassified to profit or loss when specific conditions are met		**3,556**	**-45,413**
Other comprehensive income		**7,868**	**-41,881**
Total comprehensive income		**138,996**	**61,171**
Attributable to equity holders of the parent		137,158	59,876
Attributable to non-controlling interests		1,838	1,295

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

CONSOLIDATED BALANCE SHEET

As of November 30, 2018

ASSETS

in EUR k	Notes	Nov. 30, 2018	Nov. 30, 2017
Non-current assets			
Intangible assets	(18)	1,505,679	1,101,229
Property, plant and equipment	(19)	620,728	602,577
Investment property	(19)	4,611	5,732
Investments accounted for using the equity method	(20)	297	252
Income tax receivables		1,692	1,394
Other financial assets	(21)	3,683	5,077
Other receivables	(22)	2,871	1,594
Deferred tax assets	(23)	19,495	11,030
		2,159,056	**1,728,885**
Current assets			
Inventories	(24)	171,490	148,362
Trade receivables	(25)	273,531	242,684
Income tax receivables		5,462	2,522
Other financial assets	(21)	18,025	17,020
Other receivables	(22)	21,825	17,588
Cash and cash equivalents	(26)	80,570	287,036
Non-current assets and disposal groups held for sale	(19)	955	–
		571,858	**715,212**
Total assets		**2,730,914**	**2,444,097**

EQUITY AND LIABILITIES

in EUR k	Notes	Nov. 30, 2018	Nov. 30, 2017
Equity			
Subscribed capital	(27)	31,400	31,400
Capital reserve	(27)	513,827	513,827
IAS 39 reserve	(6)	-6	-5
Currency translation reserve	(27)	-67,139	-71,021
Retained earnings	(27)	394,578	278,862
Equity attributable to equity holders of the parent		**872,660**	**753,063**
Non-controlling interests	(27)	17,473	36,462
		890,133	**789,525**
Non-current liabilities			
Deferred tax liabilities	(23)	167,862	143,539
Provisions for pensions and similar obligations	(28)	141,583	145,104
Other provisions	(30)	10,945	10,190
Trade payables	(31)	120	–
Other financial liabilities	(31)	751,417	681,304
Other liabilities	(32)	503	1,092
		1,072,430	**981,229**
Current liabilities			
Provisions for pensions and similar obligations	(28)	13,943	13,580
Other provisions	(30)	44,951	35,214
Trade payables	(31)	207,282	176,303
Other financial liabilities	(31)	389,683	337,667
Income tax liabilities		4,873	9,387
Other liabilities	(32)	107,619	101,192
		768,351	**673,343**
		1,840,781	**1,654,572**
Total equity and liabilities		**2,730,914**	**2,444,097**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

			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, 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/December 1, 2017	**31,400**	**513,827**	**-5**	**-71,021**	**278,862**	**753,063**	**36,462**	**789,525**
Net income	–	–	–	–	128,965	128,965	2,163	131,128
Other comprehensive income	–	–	-1	3,882	4,312	8,193	-325	7,868
Total comprehensive income	**–**	**–**	**-1**	**3,882**	**133,277**	**137,158**	**1,838**	**138,996**
Acquisition of a subsidiary with non-controlling interests	–	–	–	–	–	–	357	357
Acquisition of non-controlling interests without change of control	–	–	–	–	16,979	16,979	-19,438	-2,459
Distribution	–	–	–	–	-34,540	-34,540	-1,746	-36,286
As of November 30, 2018	**31,400**	**513,827**	**-6**	**-67,139**	**394,578**	**872,660**	**17,473**	**890,133**

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

CONSOLIDATED CASH FLOW STATEMENT

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

in EUR k	Notes	2018	2017
Net income		131,128	103,052
Income taxes	(15)	-23,931	42,436
Amortization of intangible assets	(18)	44,797	35,952
Depreciation/impairment losses of property, plant and equipment	(19)	92,264	88,899
Share of profit or loss of associated companies and other investment income	(20)	-200	-93
Change in other provisions		8,123	-15,965
Change in provisions for pensions and similar obligations		-11,485	-8,892
Gain (-)/loss (+) on the disposal of non-current assets/liabilities		272	-1,435
Net finance expense	(14)	32,262	35,308
Interests paid		-29,929	-25,673
Interests received		983	1,682
Income taxes paid		-40,620	-52,235
Income taxes received		3,652	2,551
Change in inventories		-23,575	3,519
Change in trade receivables and other assets		-27,488	-24,315
Change in trade payables and other liabilities		19,362	9,468
Other non-cash expenses/income		-2,143	24,904
Cash flow from operating activities		**173,472**	**219,163**
Cash received from disposals of non-current assets		279	3,094
Cash paid for capital expenditure			
in intangible assets		-5,063	-19,655
in property, plant and equipment		-109,501	-96,864
in financial assets		-162	–
Cash received in connection with divestments, net of cash paid	(7)	–	1,356
Cash paid for the acquisition of subsidiaries, net of cash received	(7)	-172,489	–
Cash flow from investing activities		**-286,936**	**-112,069**
Acquisition of non-controlling interests	(7)	-15,631	–
Distributions to third parties		-36,317	-34,889
Distributions from third parties		166	168
Raising of loans		390,270	288,049
Repayment of loans		-433,213	-192,196
Cash paid for finance lease		-682	-597
Cash flow from financing activities		**-95,407**	**60,535**
Changes in financial resources		**-208,871**	**167,629**
Effect of exchange rate changes on financial resources		-788	-3,776
Financial resources at the beginning of the period		271,595	107,742
Financial resources at the end of the period		**61,936**	**271,595**
Components of the financial resources			
Cash and cash equivalents	(26)	80,570	287,036
Bank overdrafts		-18,634	-15,440
Financial resources at the end of the period		**61,936**	**271,596**

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

(1) General Information

The Gerresheimer Group is a leading international manufacturer of high-quality specialty glass and plastic products for the global pharma and healthcare 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, 2018 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 315e 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 at the Duesseldorf District Court (Amtsgericht—HRB 56040).

Gerresheimer AG shares are listed on the regulated market in the Prime Standard segment of the Frankfurt Stock Exchange under the stock symbol GXI and ISIN DE000A0LD6E6. Gerresheimer has been included in the MDAX since December 22, 2008.

The accounting principles are consistent with the prior year, except for the following revised standards, which were adopted for the first time.

› Amendments to IAS 7, Disclosure Initiative
› Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses
› Annual Improvements to IFRSs, 2014 – 2016 Cycle: The amendments to IFRS 12 are to be applied for the first time for financial years beginning on or after January 1, 2017

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 and interpretations, 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 2, Classification and Measurement of Share-based Payment Transactions, effective date January 1, 2018
› Amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, effective date January 1, 2018
› Amendments to IFRS 9, Prepayment Features with Negative Compensation, effective date January 1, 2019
› Amendments to IAS 40, Transfers of Investment Property, effective date January 1, 2018
› IFRIC 22, Foreign Currency Transactions and Advance Consideration, effective date January 1, 2018
› IFRIC 23, Uncertainty over Income Tax Treatments, effective date January 1, 2019
› Annual Improvements to IFRSs, 2014 – 2016 Cycle: The amendments to IFRS 1 and IAS 28 are to be applied for the first time for financial years beginning on or after January 1, 2018

The new standard **IFRS 9** "Financial Instruments", which replaces the previous IAS 39 "Financial Instruments: Recognition and Measurement", introduces a new classification model and new measurement requirements as well as a new impairment model for financial assets. Furthermore, the general hedge accounting requirements have been revised. With regard to financial liabilities, on the other hand, IFRS 9 largely retains the previous requirements unaltered.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Gerresheimer will apply the provisions for the first time for the financial year 2019. As permitted under the transitional provisions in IFRS 9, Gerresheimer has opted not to restate prior-year figures.

For financial assets, IFRS 9 contains a new classification and measurement approach that reflects the business model for managing the assets and the characteristics of their contractual cash flows. Assessment of these conditions results in three principal classification categories for financial assets: measured at amortized cost, at fair value through profit or loss (FVTPL), and at fair value through other comprehensive income (FVOCI). The standard eliminates the previous IAS 39 categories: held-to-maturity, loans and receivables and available-for-sale. Unconsolidated investments were previously measured at cost. Under IFRS 9, they now have to be measured at fair value. The carrying amount of such investments as of November 30, 2018 was EUR 400k. Due to the minor significance of these investments, Gerresheimer expects that the effects of the transition to IFRS 9 will be negligible.

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward looking "expected credit loss" (ECL) model. Under IFRS 9, loss allowances are recognized either on the basis of the expected credit loss within twelve months of the reporting date or over the lifetime of the asset. Financial assets are measured over the lifetime of the asset if, as of the reporting date, the credit risk on the underlying asset has significantly increased since initial recognition. This requires considerable judgment about how changes in economic factors affect ECLs. The new impairment model will apply to financial assets measured at amortized cost or at fair value through other comprehensive income (FVOCI), except for investments in equity instruments, and to contract assets. There are exceptions for trade receivables and for contract assets recognized under IFRS 15. If such items do not have a material financing component, all expected losses must be taken into account on initial recognition. Where they do have a material financing component, the entity can elect to recognize full lifetime expected losses. Gerresheimer holds debt instruments almost exclusively in the form of current trade receivables. Transition to the expected credit loss model does not have a material impact here, in part due to the use of credit insurance.

The revised hedge accounting requirements provide for the same three types of hedge accounting as are available under IAS 39. The main changes relate to a broader range of eligible hedged items and hedges, as well as new requirements with regard to hedge effectiveness, and notably the removal of the 80% to 125% effectiveness limit under IAS 39. Gerresheimer expects that all existing hedging relationships will continue to qualify for hedge accounting under IFRS 9.

Analysis of the impact of IFRS 9 on the presentation of the net assets, financial position and results of operations is largely complete; based on current knowledge, the effects of first-time adoption on the allocation of financial instruments to measurement categories and thus on earnings are estimated to be immaterial. IFRS 9 requires retrospective application with regard to classification and measurement, while the revised hedge accounting requirements must normally be applied prospectively. Gerresheimer has opted not to restate prior-year information with regard to the changes in classification and measurement. Transition effects from application of IFRS 9 as of December 1, 2018 are recognized cumulatively in other comprehensive income and the comparative period is presented in accordance with the previous rules.

The new standard **IFRS 15** "Revenue from Contracts with Customers" combines the previous revenue recognition requirements and brings them under a uniform revenue recognition model. It notably replaces IAS 18 "Revenue", IAS 11 "Construction Contracts" and various revenue-related interpretations. IFRS 15 lays down uniform principles applicable to contracts with customers across all industries. The main exceptions include leases, financial instruments and insurance contracts. IFRS 15 introduces a five-step model that determines the amount of revenue recognized and whether revenue is recognized at a point in time or over time. Under IFRS 15, amounts are to be recognized as revenue that the entity expects in consideration for transferring goods or services to a customer. Revenue is recognized when the entity transfers control of goods or services either over time or at a point in time. The standard also includes numerous other detailed requirements and additions to notes disclosures. Initial application is generally required to be retrospective, but various practical expedients are provided as an alternative. Gerresheimer has analyzed the business models of all divisions against the new standard in an implementation project. As an outcome of the case-by-case review of significant contracts, Gerresheimer has implemented guidelines to ensure standardized processes.

No material transition effects are expected with regard to revenue from the sale of products. Most such revenues are currently, and will continue to be, recognized on the basis of international commercial terms (Incoterms). These specify the point in time at which control of goods and the related risks and rewards of ownership transfer to the customer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable, no control of the goods remains and it is not probable that recognized revenue will have to be canceled.

In consignment arrangements, where products and merchandise remain the property of the Gerresheimer Group until withdrawn by the customer, revenue is currently recognized when the customer withdraws the products and merchandise. Under some such arrangements, however, customers obtain control upon delivery of the products and merchandise to the consignment store. There are also agreements with various customers on molds used in the production process, where the customer obtains control on acceptance of each mold. Both of these situations result in revenue being recognized earlier than under the previous rules. The application of IFRS 15 to consignment arrangements and molds, taking into account taxes on profits, will result in an increase in retained earnings by about EUR 0.6m. The impacts of this change on other items in the consolidated financial statements consist of a rise in trade receivables (contract assets) by about EUR 1.5m and a decrease in inventories by about EUR 0.7m.

A further portion of Gerresheimer Group revenues relates to customer-specific construction contracts, which are currently accounted for using the percentage of completion method. In the course of implementing the new requirements under IFRS 15, these contracts were specifically reviewed to determine whether they can continue to be accounted for on a progress basis and therefore meet the new criteria for recognition over time. Contract analysis has shown that transfer of control over time can be verified for construction contracts in the Gerresheimer Group. Due both to the highly customer-specific assets for which Gerresheimer has no alternative use and to the contractual arrangements under which Gerresheimer is legally entitled to consideration for completed performance including a margin, there was no identifiable need to change over to revenue recognition at a point in time.

In addition, changes may arise in the accounting for costs of obtaining contracts. Sales commission cost is thus now no longer taken into account on determining a contract's stage of completion, but is recognized as an asset on inception of contract and in profit or loss in accordance with the transfer of goods and services to the customer. Furthermore, effects are to be expected as a result of presentation changes on the consolidated balance sheet—such as due to the recognition of contract assets and liabilities—and of the additional qualitative and quantitative notes disclosures.

Management does not expect that the application of IFRS 15 will have any material impact on the presentation of the Group's net assets, financial position and results of operations.

IFRS 15 applies for annual periods beginning on or after January 1, 2018, meaning that Gerresheimer will apply the standard from December 1, 2018; that is, from the beginning of the financial year 2019. Gerresheimer has opted for modified retrospective first-time application of the requirements under IFRS 15, which means that the reporting period is presented in accordance with IFRS 15, while the comparative prior-year period is presented in accordance with IAS 11/IAS 18. The cumulative effects of first-time application of the new standard on contracts not yet fully completed as of December 1, 2018 are recognized in retained earnings or other equity items as of December 1, 2018.

The new standard **IFRS 16** "Leases" replaces the previous standard IAS 17 and various interpretations. It introduces a uniform model for identifying leasing arrangements and for accounting by lessees. In the future, lessees are no longer required to distinguish between operating leases and finance leases. Instead, for all leases, lessees will recognize a right-of-use asset—representing the right to use the leased asset—and a corresponding lease liability. Exceptions are made solely for short-term leases with a term of no more than twelve months and leases for assets of low value. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Most leases entered into by Gerresheimer Group companies as lessees in the past have been operating leases. Gerresheimer continued to assess the potential impacts of the new requirements on the consolidated financial statements in a project on the implementation of IFRS 16 during the financial year under review. Recognizing new assets and liabilities for its operating leases will have a material effect on the Gerresheimer Group. This will comprise an increase in the balance sheet total, which will lead to a corresponding reduction in the equity ratio. There will also be a reduction in the minimum operating lease payments previously disclosed under other financial obligations. In addition, with regard to the consolidated income statement, the operating lease expense will be replaced with a depreciation charge for right-of-use assets and interest expense on lease liabilities. This will increase the results of operations. In the cash flow statement, the application of IFRS 16 will tend to lead to an improvement in cash flow from operating activities, as the principal portion of the lease payments is to be classified within cash flow from financing activities. The quantitative effects of IFRS 16 depend on the choice of transition method, the extent to which Gerresheimer applies the practical expedients and the exceptions to the recognition principles, and additional leases entered into prior to first-time application. With rental and operating lease obligations of EUR 37.9m and a balance sheet total of EUR 2,730.9m as of November 30, 2018, the balance sheet total would increase by 1.4% if none of the practical expedients and exceptions were to be applied.

For finance lease contracts where Gerresheimer is the lessee, assets and liabilities are already recognized. In these cases, the application of IFRS 16 will not have any material effect on the consolidated financial statements.

IFRS 16 applies for annual periods beginning on or after January 1, 2019, meaning that Gerresheimer will apply the standard from December 1, 2019; that is, from the beginning of the financial year 2020. Gerresheimer has not yet decided whether it will use potential exemptions. Gerresheimer has opted for modified retrospective first-time application of the requirements under IFRS 16, which means that the reporting period is presented in accordance with IFRS 16, while the comparative prior-year period is presented in accordance with IAS 17. The analysis of the impact of IFRS 16 on the presentation of the net assets, financial position and results of operations is not yet complete, so that from today's perspective it is not practicable to provide a reasonable estimate of the financial effect. For information on the finance leases as well as rentals and operating leases, please see Note (33).

For the sake of clarity and information value of the consolidated financial statements, certain items are combined in the consolidated balance sheet and the consolidated income statement and presented 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 and in non-controlling interests during the financial year 2018

i) Exercise of call option Triveni Polymers Private Ltd.

On April 9, 2018, Gerresheimer has exercised the call option, which existed since the acquisition of Triveni Polymers Private Ltd. (New Delhi/India) on December 20, 2012, on the 25% stake held by third parties in this company. In the course of the acquisition in 2012 a put option was also agreed upon with the sellers, allowing them to tender their aforementioned stake to Gerresheimer. Due to the exercise of the call option by Gerresheimer the put option has now expired. In this respect, we have derecognized the previously recognized liability for the put option. As a result of exercising the call option, Gerresheimer has gained ownership of the returns associated to the acquired shares already as of April 1, 2018. The transaction has no further impact on assets, liabilities and equity, as these have already been recognized in full in the consolidated balance sheet. Payment of the purchase price for the remaining shares has taken place in the fourth quarter 2018.

ii) Acquisition of Sensile Medical AG

On July 11, 2018, Gerresheimer signed an agreement for the purchase of approximately 99.89% of capital shares and voting rights in Sensile Medical AG (Olten/Switzerland) (hereinafter Sensile Medical). With the transaction already effective as of June 30, 2018, the company is included in the consolidated financial statements of Gerresheimer AG.

Sensile Medical's leading position in micro pump technology combined with drug delivery devices featuring electronic and connected capabilities for medical applications progresses to market readiness in specific customer projects with pharma companies. By means of this acquisition, Gerresheimer expands its business model towards Original Equipment Manufacturer (OEM) for drug delivery hubs with digital and electronic facilities for pharmaceutical and biopharmaceutical companies. By contrast to the contractual manufacturing model in the Medical Systems Business Unit, Sensile Medical is involved at pharma producers in an earlier phase of drug and therapy development. In an already well-advanced collaboration, for example, pharma company Sanofi contributes its many years of experience with insulin and solutions for the treatment of diabetes. A further party to the same joint project is Verily, a subsidiary of the Alphabet Group, with its expertise in integrating microtechnology and digital health technology. Sensile Medical holds a large number of patents and is remunerated by the pharma companies it partners with on attainment of specified milestones in the development phase and by way of royalties after product launch. It generates additional revenue from the sale of devices, where the products can be manufactured either by external producers or by our Medical Systems Business Unit. As a result, the new division has little capital expenditure and low net working capital.

The discounted consideration for the acquisition of the company after net working capital and net debt adjustments in the fourth quarter 2018 amounts to a total of EUR 334,550k and is split as follows:

in EUR k	
Cash	160,601
Fixed purchase price component	24,769
Contingent purchase price components	148,229
Other assumed liabilities	951
Purchase price	**334,550**

Due to its contractual agreement, Gerresheimer is obliged to pay further variable purchase price components which are depending on the achievement of specified contractually agreed milestones up to an undiscounted amount of EUR 149,840k to the former shareholders of Sensile Medical. The total amount becomes due for payment with an amount of EUR 56,190k on June 1, 2019, the amount of EUR 18,730k on July 1, 2019, the amount of EUR 37,460k on January 31, 2020 as well as EUR 37,460k not before December 1, 2020. Consequently, an amount of EUR 148,229k was recognized as contingent consideration, which corresponds to the fair value as of the acquisition date; non-current contingent purchase price components have been discounted according to the payment scheme. As of November 30, 2018 the fair value of the discounted contingent purchase price components amounts to EUR 148,531k. Based on our current knowledge we expect the full achievement of all contractually agreed milestones.

The first purchase price component was paid on July 17, 2018 in the amount of EUR 160,601k. Moreover, Gerresheimer repaid bank loans of Sensile Medical to a bank and certain shareholders in the amount of EUR 12,692k; these bank loans were replaced by loans of a Group company. The fixed purchase price after net working capital and net debt adjustments in the amount of EUR 24,769k was paid on December 17, 2018.

Acquisition-related costs amounted to EUR 1,628k as of November 30, 2018 and are recognized in the consolidated income statement within other operating expenses.

The acquisition was accounted for using the acquisition method on the basis of the fair values of the identified assets and liabilities. Existing non-controlling interests were recognized at fair value of the shares in Sensile Medical (full goodwill method). The acquisition of Sensile Medical affected the consolidated balance sheet of Gerresheimer AG at the acquisition date on June 30, 2018 as follows:

ASSETS

in EUR k	June 30, 2018
Non-current assets	
Intangible Assets	425,320
Thereof: Goodwill	*5,014*[1]
Thereof: Technologies	*394,910*
Thereof: Brand names	*3,521*
Thereof: Development costs	*21,875*
Property, plant and equipment	689
Other receivables	19
Deferred tax assets	7,539
	433,567
Current assets	
Trade receivables	9,465
Other receivables	249
Cash and cash equivalents	804
	10,518
Total	**444,085**

EQUITY AND LIABILITIES

in EUR k	June 30, 2018
Non-controlling interests	**357**
Non-current liabilities	
Deferred tax liabilities	75,944
Provisions for pensions and similar obligations	9,520
	85,464
Current liabilities	
Other provisions	733
Trade payables	2,083
Other financial liabilities	11,798
Income tax liabilities	65
Other liabilities	9,035
	23,714
	109,535
Purchase price	**334,550**
Total	**444,085**

[1] Goodwill was adjusted in the fourth quarter 2018 due to the existing contractual agreement on net working capital and net debt adjustments.

EUR 5,014k in goodwill was recognized on the acquisition; this primarily relates to expected earnings potential from the acquisition and the associated expansion of the product portfolio and the company's existing workforce. Due to the acquisition by way of a share deal, there is no tax deductible goodwill. In the course of the purchase price allocation fair value adjustments of EUR 398,431k in intangible assets were recognized. These split into brand names amounting to EUR 3,521k with a useful life of ten years as well as technologies amounting to EUR 394,910k with a useful life of 16 years. The resulting amortization of fair value adjustments are not included in the calculation of adjusted earnings per share. In addition, provisions for pensions and similar obligations in the amount of EUR 9,520k were recognized. Furthermore, deferred tax assets of EUR 7,539k on tax loss carryforwards and on temporary differences in pension provisions as well as deferred tax liabilities in the amount of EUR 75,944k were recognized as a result of the remeasurement. The nominal value of the acquired receivables corresponds to their fair value at the acquisition date, and they are considered to be fully recoverable. In all other respects, the received assets and liabilities were accounted for at their carrying amounts on acquisition.

In its first five months in the Group, Sensile Medical generated revenues of EUR 12,860k, adjusted EBITDA of EUR 2,955k and net income after income taxes of EUR -7,084k. Amortization of fair value adjustments for the period of inclusion into the Group amounts to EUR 10,431k and contrary income from deferred taxes amounting to EUR 2,220k.

If Sensile Medical had been included in the consolidated financial statements from the beginning of the financial year 2018, it would have contributed in a pro forma calculation EUR 27,944k to Group revenues, EUR 2,779k to adjusted EBITDA and EUR -20,348k to net income. The net income would have been mainly influenced by amortization of fair value adjustments amounting to EUR 25,034k and contrary income from deferred taxes amounting to EUR 5,327k. The values prior to inclusion into the Group relate to the values according to local generally accepted accounting principles, taking into account the significant matters arising from the purchase price allocation.

iii) Foundation of Gerresheimer Plastic Packaging (Changzhou) Co., Ltd.

With effective date September 10, 2018, Gerresheimer Plastic Packaging (Changzhou) Co., Ltd. (Changzhou City/China) was newly established. This 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 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.

The full list of shareholdings of Gerresheimer AG as of November 30, 2018 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 Plastic Packaging (Changzhou) Co., Ltd., Changzhou City, Jiangsu (China)	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)	100.00
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
Sensile Medical AG, Olten (Switzerland)	99.89
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.
[2] The Company made use of the exemption offered by section 264b of the German Commercial Code.
[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	November 30, 2018 Proportion of ownership interests and voting rights held by non-controlling interests in %	November 30, 2018 Accumulated non-controlling interests	November 30, 2018 Distributions to non-controlling interests[1]	November 30, 2017 Proportion of ownership interests and voting rights held by non-controlling interests in %	November 30, 2017 Accumulated non-controlling interests	November 30, 2017 Distributions to non-controlling interests[1]
Subsidiary						
Kimble Chase Holding LLC, Vineland, NJ (USA)	49.0	3,495	–	49.0	3,364	–
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd., Danyang, Jiangsu (China)	40.0	8,966	381	40.0	8,595	548
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang) Co. Ltd., Zhenjiang, Jiangsu (China)	40.0	4,659	1,336	40.0	4,857	1,371
Triveni Polymers Private Ltd., New Delhi (India)	–	–	–	25.0	19,642	–

[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	November 30, 2018 Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Net income
Subsidiary						
Kimble Chase Holding LLC, Vineland, NJ (USA)	–	7,159	–	26	–	-29
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd., Danyang, Jiangsu (China)	13,385	13,829	–	4,968	25,599	2,045
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang) Co. Ltd., Zhenjiang, Jiangsu (China)	5,161	9,492	–	2,737	16,514	2,981

in EUR k	November 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	2018 Cash flow from operating activities	2018 Cash flow from investing activities	2018 Cash flow from financing activities	2017 Cash flow from operating activities	2017 Cash flow from investing activities	2017 Cash flow from financing activities
Subsidiary						
Kimble Chase Holding LLC, Vineland, NJ (USA)	-57	–	–	-338	1,356	–
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd., Danyang, Jiangsu (China)	1,560	-2,496	-965	3,805	-1,943	-1,414
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang) Co. Ltd., Zhenjiang, Jiangsu (China)	-398	-1,101	-3,402	5,977	-2,023	-3,514
Triveni Polymers Private Ltd., New Delhi (India)	–	–	–	3,189	-1,141	-24

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 prepare their financial statements as of December 31, and therefore at a different balance sheet date as the consolidated financial statements. The at equity measurement is 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. Temporary differences from consolidation are subject to tax deferrals.

(4) Currency Translation

The Group companies prepare their annual financial statements based on their respective functional currencies. All financial statements with a functional currency other than the reporting currency are translated into the reporting currency of the consolidated financial statements of Gerresheimer AG. 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 differences from currency translation are recognized in other comprehensive income and reported in the currency translation reserve in equity with the exception of exchange differences 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 operation is reclassified into the consolidated income statement.

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

		Closing rate		Average rate	
1 EUR	Currency	**Nov. 30, 2018**	Nov. 30, 2017	**2018**	2017
Argentina	ARS	**42.9161**	20.6670	**31.6806**	18.5051
Brazil	BRL	**4.3843**	3.8668	**4.2536**	3.5972
Switzerland	CHF	**1.1340**	1.1699	**1.1562**	1.1060
China	CNY	**7.8897**	7.8377	**7.8097**	7.5925
Czech Republic	CZK	**25.9570**	25.4910	**25.6524**	26.4608
Denmark	DKK	**7.4622**	7.4417	**7.4507**	7.4383
India	INR	**79.0815**	76.3875	**80.0276**	73.3309
Mexico	MXN	**23.0910**	22.0035	**22.6645**	21.3084
Poland	PLN	**4.2900**	4.1955	**4.2538**	4.2764
Singapore	SGD	**1.5581**	1.5986	**1.5937**	1.5518
United States of America	USD	**1.1359**	1.1849	**1.1834**	1.1200

(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 lives and less any impairment losses. 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 impairment losses. 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 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 carried at cost less depreciation and any impairment losses. 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 the 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 shall 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. The lease liabilities are reported under other financial liabilities. 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 for the consolidated financial statements, 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

Financial assets are 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 the 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 impairment losses.

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 as well as 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 amortized 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 impairment losses can be—among other things—an increased probability that the borrower will enter bankruptcy or other financial re-organization, 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 stage 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.

Revenues from customer-specific development contracts within our new Advanced Technologies Division are equally accounted for using the percentage of completion method. The stage of completion of the development projects, which are mainly affected by the employees' working hours engaged in these projects, is determined based on the hours spent to date in relation to the estimated total project hours (so-called hours to hours method). The application of the proportional part of working hours spent to date in relation to total revenues results in the revenue to be recognized for that period. As soon as project revenue exceeds the value of progress billings, the surplus is accounted for as development project due from customers. These amounts are reported as part of trade receivables. As soon as progress billings exceed project revenue, the surplus is accounted for as development project due to customers as part of other liabilities.

Other receivables

Tax receivables, prepayments made and other non-financial assets are recognized at nominal values less accumulated impairment losses.

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 and disposal groups held for sale

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 cannot 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 less 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) form a tax group for income tax purposes in the financial year 2018. 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 differences 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 the 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 other 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. The stage of completion of the development projects within our new Advanced Technologies Division is determined based on the hours spent to date in relation to the estimated total project hours (so-called hours to hours method). If the stage of completion of a customer-specific contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that are likely to be recoverable.

Contract costs 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 in the consolidated income statement.

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 appraisers. Gerresheimer also uses independent appraisers 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 lower 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 considers 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 (15) and (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 option pricing model (binomial 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 stage of completion. Gerresheimer determines the applicable stage of completion as the ratio of contract costs incurred to expected total contract costs (cost to cost method) respectively in case of customer-specific development projects within our new Advanced Technologies Division according to the ratio of working hours spent in relation to the total estimated working hours (hours to hours method). The main estimates relate to the total contract costs and the contract costs to complete the contract as well as the working hours needed to finish the development projects. 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.

Besides price risks from fluctuations on money and capital markets as well as 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 balance sheet 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. The amounts recognized in other comprehensive income are reclassified to the consolidated income statement in the period 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. The item "Cash received in connection with divestments, net of cash paid" in the prior year 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 reporting period, the item "Cash paid for the acquisition of subsidiaries, net of cash received" includes the purchase price component paid as of the reporting date for the acquisition of Sensile Medical AG (Olten/Switzerland), reduced by the company's cash funds at the date of initial consolidation. Furthermore, the position "Acquisition of non-controlling interests" in the current financial year reflects the purchase of the remaining 25% shareholding in Triveni Polymers Private Ltd. (New Delhi/India). 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 change in liabilities from financing activities is as follows:

		Cash flows		Non-cash changes			
in EUR k	Nov. 30, 2017	Cash inflow	Cash outflow	Currency effects	New Contracts	Fair value changes	**Nov. 30, 2018**
Promissory loans	673,799	–	–	–	–	247	674,046
Bond	299,687	–	-300,000	–	–	313	–
Liabilities to banks	430	390,270	-133,663	7,266	–	333	264,636
Finance lease liabilities	8,004	–	-682	276	149	–	7,747
	981,920	**390,270**	**-434,345**	**7,542**	**149**	**893**	**946,429**

The item "Other financial liabilities" as reported in the consolidated balance sheet comprises liabilities, which are not reported in the cash flow from financing activities in the consolidated cash flow statement.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(8) Revenues

Revenues break down as follows:

in EUR k	2018	2017
By Division		
Plastics & Devices	751,337	757,179
Primary Packaging Glass	605,230	591,994
Advanced Technologies	12,860	–
Segment revenues	**1,369,427**	**1,349,173**
Intra-Group revenues	-1,697	-918
Revenues	**1,367,730**	**1,348,255**

in EUR k	2018	2017
By Region[1]		
Europe	459,685	428,906
Germany	304,500	313,058
Americas	374,806	373,704
Emerging markets	206,841	206,497
Other regions	21,898	26,090
Revenues	**1,367,730**	**1,348,255**

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

IQVIA did not modify its definition of emerging markets in 2018, therefore 22 countries are classified as emerging markets as before. According to the current definition employed by IQVIA, 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 63,778k (prior year: EUR 42,162k) of customer-specific contract revenue recognized. 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 99,045k (prior year: EUR 84,811k) of depreciation, amortization and impairment losses, of which amortization of fair value adjustments from purchase price allocations amount to EUR 10,284k (prior year: EUR 107k). This increase results from the acquisition of Sensile Medical, as technologies in the amount of EUR 394,910k were acquired.

The cost of inventories recognized as an expense during the financial year was EUR 365,587k (prior year: EUR 348,364k).

(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 amongst depreciation and amortization of EUR 32,163k (prior year: EUR 35,226k), of which amortization of fair value adjustments from purchase price allocations amount to EUR 30,323k (prior year: EUR 33,433k), also one-off expenses in the financial year 2018 with respect to changes in the Management Board of Gerresheimer AG in the amount of EUR 412k, which will be adjusted in the calculation of the Adjusted EBITDA.

Administrative expenses comprise personnel and non-personnel expenses for administrative functions, depreciation and amortization amounting to EUR 5,718k (prior year: EUR 4,673k) as well as one-off expenses in the financial year 2018 with respect to changes in the Management Board of Gerresheimer AG in the amount of EUR 401k, which will be adjusted in the calculation of the Adjusted EBITDA.

(11) Other Operating Income

Other operating income break down as follows:

in EUR k	2018	2017
Income from refund claims against third parties and income from transaction service agreements	13,303	4,224
Income from the derecognition of liabilities	5,991	6,088
Income from the reversal of provisions	4,678	9,177
One-off income	1,086	279
Income from sale of scrap	1,071	825
Income from other tax claims	57	2,547
Income from the disposal of intangible assets and property, plant and equipment	30	1,704
Income from the fair value measurement of the put option Triveni	–	3,614
Exchange gains	225	388
Sundry other income	3,555	4,794
Other operating income	**29,996**	**33,640**

Income from refund claims against third parties is mainly due to a one-time, non-recurring compensation payment from an inhaler customer as a result of the loss of this customer for our plant in Kuessnacht (Switzerland), with an amount of EUR 9,000k. The business of the inhaler customer fell short of his expectations, and as a consequence the customer ceased to place orders for our plant in Kuessnacht. We have received total compensation that roughly corresponded to the affected plant's contribution in the financial year 2018. In addition, this item comprises a refund claim of EUR 2,611k from a supplier. This position also includes income from transaction service agreements from completed divestments of EUR 107k.

The income from the derecognition of liabilities in the amount of EUR 5,991k (prior year: EUR 6,088k) results from liabilities, which have been accounted for in prior periods and a claim is no longer probable and the respective rights are no longer enforceable, for example due to limitation in time.

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).

One-off income of the current financial year mainly refers to the reversal of a provision, which was set up for the post-contractual non-compete covenant of a former Chairman of the Management Board of Gerresheimer AG.

Exchange gains and losses from the translation of foreign currency operating receivables and payables and the net gain or loss from the remeasurement of derivative financial instruments used as hedges of operating foreign currency risks are netted and reported in other operating income or other operating expenses. Exchange gains or losses from financing activities are netted and reported on a net basis in the finance expense.

The item "Sundry other income" of the other operating income includes a wide range of single issues of the operating business, such as rental income, income from the release of bad debt allowances and similar income positions.

(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 which relate to measures that do not meet the foregoing definition.

In the reporting period restructuring expenses of EUR 11,274k primarily result from two main issues. On the one hand, it incorporates expenses in connection with the closure of our plant in Kuessnacht (Switzerland) which was announced in the second quarter 2018. Moreover, management has decided within its operational and strategic planning to adjust employee capacities by means of re-organization of the Plastics & Devices Division. This re-organization is based on the strategic decision to increase capacity in Eastern Europe and to transfer production into this region. Restructuring expenses mainly contain expenses for severance payments (see Note (30)).

In the prior financial year, 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 financial year 2018 an amount of EUR 424k was reversed in connection with the resctructuring provision recognized in 2017.

Restructuring expenses and income from the release of restructuring provisions are netted in restructuring expenses.

(13) Other Operating Expenses

Other operating expenses break down as follows:

in EUR k	2018	2017
One-off expenses	11,031	2,899
Research and development	2,919	3,508
Expenses from network charges	1,352	–
Expenses from Supervisory Board remuneration and expense reimbursement	1,193	1,114
Loss from the fair value measurement of the put option Triveni	1,120	–
Loss from the disposal of fixed assets	302	269
Sundry other expenses	2,106	860
Other operating expenses	**20,023**	**8,650**

Significant components of other operating expenses represent one-off expenses of EUR 11,031k (prior year: EUR 2,899k). The one-off expenses in the current financial year in the amount of EUR 5,479k mainly relate to the changes in the Management Board of Gerresheimer AG. This mostly includes expenses in relation to the unexpected departure of the former Chief Executive Officer for personal reasons from the Management Board of Gerresheimer AG, which had already been announced in the first quarter 2018. Beyond that we have recognized expenses in connection with the departure of one other member of the Management Board in the financial year 2019. Furthermore, expenses amounting to EUR 2,420k in relation to the announced closure of our plant in Kuessnacht (Switzerland), which were not classified as restructuring expenses and incorporated in this position. Essentially, this refers to expenses for the production transfer for other customers of this plant. Moreover, this item contains expenses in connection with planned and partially successfully completed acquisition projects of EUR 2,121k (prior year: EUR 881k).

Due to the final fair value measurement of the put option as of May 31, 2018, 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 expenses amount to EUR 1,120k.

In addition, in the third quarter 2018, all large electricity-consuming enterprises that applied for an exemption from the network charges under section 19 paragraph 2 StromNEV in the version of August 4, 2011, including the corresponding subsidiaries of Gerresheimer AG, were obliged by the Federal Network Agency to pay additional network charges for the years 2012 and 2013 in the amount of EUR 1,352k.

Exchange gains and losses from the translation of foreign currency operating receivables and payables and the net gain or loss from remeasurement of derivative financial instruments used as hedges of operating foreign currency risks are netted and reported in other operating income or other operating expenses. Exchange gains or losses from financing activities are netted and reported in the finance expense.

The item "Sundry other expenses" of the other operating expenses includes a wide range of single issues of the operating business, such as fees, other taxes and similar expenses.

(14) Net Finance Expense

in EUR k	2018	2017
Interest income	2,437	4,362
Interest expense	-29,746	-34,995
Other finance expense	-4,953	-4,675
Net finance expense	**-32,262**	**-35,308**
Thereof: Net interest expense on the defined benefit liability	*-2,770*	*-3,043*

Interest expense comprises interest expenses on liabilities to banks, the bond repaid as planned and in full on May 21, 2018, promissory loans, 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 expenses in connection with the put option Triveni (EUR 1,373k; prior year: EUR 1,528k) 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".

(15) Income Taxes

in EUR k	2018	2017
Current income taxes	-30,941	-41,721
Deferred income taxes	54,872	-715
Income taxes	**23,931**	**-42,436**

In the reporting period, income from income taxes of EUR 23,931k were significantly influenced by the revaluation of the recognized deferred taxes of our US subsidiaries included in the consolidated financial statements due to the US tax reform signed on December 22, 2017 of EUR 44,767k as well as deferred tax income at a German subsidiary due to future usability of loss carryforwards recognized prior to the establishment of the consolidated tax group in the amount of EUR 8,732k. Without these two positive one-off effects of EUR 53,499k, there would have been an income tax expense of EUR 29,568k. In the financial year 2018 the Group's tax ratio would thus amount to 27.6% (prior-year period: 29.2%).

Deferred income taxes in connection with items which are recognized in the other comprehensive income result in an decrease of equity by EUR 1,050k (prior year: EUR 1,473k), of which EUR 1,050k (prior year: EUR 1,458k) 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	2018	2017
Net income before income taxes	107,197	145,488
Expected tax expense: 29% (prior year: 29%)	**-31,087**	**-42,192**
Differences:		
Loss carryforwards without deferred tax assets	-2,500	-2,460
Different foreign tax rates	7,238	3,569
Non-deductible expenses	-1,494	-2,995
Tax-free income and tax benefits	-186	1,913
Effects from changes in tax rates	45,630	291
Change in value allowance for deferred tax assets	7,400	-728
Taxes from prior periods	-931	295
Other	-139	-129
Total differences	**55,018**	**-244**
Income taxes	**23,931**	**-42,436**
Tax rate	**-22.3%**	**29.2%**

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 13.0%. 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 34.0% (prior year: 14.1% and 38.0%). Some of the subsidiaries in China benefited from tax privileges in the current financial year under review, 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 in the financial year 2018 are assigned to Gerresheimer AG as fiscal unity parent.

Effective December 1, 2018, two tax groups have been formed for income tax purposes in Germany: A tax group comprising Gerresheimer AG with Gerresheimer Holdings GmbH and another comprising Gerresheimer Group GmbH with the remaining consolidated German subsidiaries. Formation of the tax group with Gerresheimer Group GmbH allows tax loss carryforwards of Gerresheimer Group GmbH to be utilized in subsequent financial years and consequently resulted in a remeasurement of deferred tax assets on such loss carryforwards in the financial year 2018. This had a positive effect on deferred taxes in the financial year 2018 in the amount of EUR 8,732k.

Deferred taxes on tax loss carryforwards

Deferred tax assets in the amount of EUR 75,400k (prior year: EUR 126,759k) were not recognized for tax loss carryforwards at Group companies of Gerresheimer AG, as the tax loss carryforwards are not expected to be utilized in the next five years. This includes corporate tax loss carryforwards of EUR 11k (prior year: EUR 27,892k) and trade tax loss carryforwards of EUR 15,151k (prior year: EUR 47,868k) for domestic subsidiaries.

Deferred tax assets of EUR 9,344k (prior year: EUR 5,421k) were recognized for tax loss carryforwards at foreign Group companies despite losses in the current financial year under review 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.

Temporary loss carryforwards in the amount of EUR 39,170k, which can be used in the period from 2019 to 2025, relate in their entirety to foreign companies.

Deferred tax liabilities in the amount of EUR 34,769k (prior year: EUR 31,703k) 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

Non-diluted 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 2018 and 2017, such that the weighted average number of shares is 31,400,000 in both financial years.

The phantom stock program (see Note (29)) stipulates that Gerresheimer AG has the option of settling the amount to which beneficiaries are entitled to either by issuing shares of Gerresheimer AG or by cash payment when the exercise target is reached. As the Company plans to settle in cash, the program has no dilutive effect. Warrants or conversion rights do not exist. Diluted and non-diluted earnings per share are therefore identical.

in EUR k	2018	2017
Net income	**131,128**	**103,052**
Thereof: Attributable to equity holders of the parent	128,965	100,887
Thereof: Attributable to non-controlling interest	2,163	2,165

in thousand	2018	2017
Average number of issued ordinary shares	31,400	31,400

in EUR	2018	2017
Diluted and non-diluted earnings per share	**4.11**	**3.21**

OTHER INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

(17) Personnel Expenses

Personnel expenses break down as follows:

in EUR k	2018	2017
Wages and salaries	348,401	328,646
Social security and other benefit costs	60,662	58,881
Pension costs	2,118	5,150
Personnel expenses	**411,181**	**392,677**

The Gerresheimer Group had an average of 9,887 employees in the financial year 2018 (prior year: 9,791), comprising 2,424 white-collar employees (prior year: 2,260), 7,251 blue-collar employees (prior year: 7,308) and 212 trainees (prior year: 223).

NOTES TO THE CONSOLIDATED 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, 2018					
Prior year carrying amount	656,783	418,141	6,460	19,845	1,101,229
Change in the consolidated group	5,014	398,431	21,875	–	425,320
Currency translation	8,790	13,302	-6	-2	22,084
Additions	–	–	1,264	3,948	5,212
Disposals	–	–	–	24	24
Reclassifications	–	–	-3,424	79	-3,345
Amortization	–	40,607	1,042	3,148	44,797
Carrying amount	**670,587**	**789,267**	**25,127**	**20,698**	**1,505,679**
Cost	674,437	1,064,735	30,933	47,623	1,817,728
Accumulated amortization and impairment losses	3,850	275,468	5,806	26,925	312,049
Carrying amount	**670,587**	**789,267**	**25,127**	**20,698**	**1,505,679**
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**

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 two companies—have indefinite useful lives, the remaining identifiable assets will be fully amortized by 2035 at maximum.

Goodwill is assigned to the six (prior year: five) cash-generating units as follows:

in EUR k	Nov. 30, 2018	Nov. 30, 2017
Plastics & Devices		
Plastic Packaging	87,882	91,365
Medical Systems	115,468	115,468
Centor	271,517	260,289
Primary Packaging Glass		
Converting	64,386	63,341
Moulded Glass	126,320	126,320
Advanced Technologies		
Sensile Medical	5,014	–
Goodwill	**670,587**	**656,783**

The impairment test on goodwill was carried out in all cash-generating units 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 2019 to 2023 (prior year: 2018 to 2022).

The growth rate used to extrapolate for subsequent years was 1.0%. Gerresheimer determines the recoverable amount as value in use, using cash flow projections budgeted for the years 2019 to 2023. 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 on goodwill of a potential increase to the WACC. The WACC before tax was determined iteratively from the WACC after tax and breaks down as follows for the cash-generating units:

in %	2018	2017
Plastics & Devices		
Plastic Packaging	6.0	6.2
Medical Systems	6.7	6.8
Centor	5.1	5.7
Primary Packaging Glass		
Converting	6.0	6.1
Moulded Glass	6.3	6.3
Advanced Technologies		
Sensile Medical	4.8	–

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 besides the addition in the amount of EUR 5,014k arising from the acquisition of Sensile Medical 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.

Brand names existing as of November 30, 2018 are allocated to the Plastics & Devices Division in the amount of EUR 24,676k (prior year: EUR 25,228k) and to the Advanced Technologies Division in the amount of EUR 3,374k (prior year: EUR 0k). Brand names—with the exception of two companies—have an indefinite useful life and are not amortized. Brand names with an indefinite useful life are recorded with an amount of EUR 21,358k as of November 30, 2018 (prior year: EUR 21,858k) and are fully attributable to the Plastics & Devices Division. The change in book values for brand names with an indefinite useful life results merely from currency effects.

EUR 2,919k (prior year: EUR 3,508k) was spent on research and development in the financial year 2018. The Group has recognized development costs in the amount of EUR 1,264k (prior year: EUR 3,632k).

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, 2018						
Prior-year carrying amount	174,425	316,519	26,389	85,244	602,577	5,732
Change in the consolidated group	–	–	689	–	689	–
Currency translation	-749	-1,335	-278	-423	-2,785	–
Additions	2,281	20,157	5,146	81,917	109,501	–
Disposals	20	393	78	37	528	–
Reclassifications	2,855	53,455	2,604	-55,376	3,538	-166
Depreciation	8,342	73,884	8,173	20	90,419	–
Impairment losses	9	1,654	182	–	1,845	–
Change in non-current assets and disposal groups held for sale	–	–	–	–	–	-955
Carrying amount	**170,441**	**312,865**	**26,117**	**111,305**	**620,728**	**4,611**
Cost	252,724	813,630	91,064	111,421	1,268,839	5,335
Accumulated depreciation and impairment losses	82,283	500,765	64,947	116	648,111	724
Carrying amount	**170,441**	**312,865**	**26,117**	**111,305**	**620,728**	**4,611**
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	566,457	982
Carrying amount	**174,425**	**316,519**	**26,389**	**85,244**	**602,577**	**5,732**

Property, plant and equipment include leased assets in the amount of EUR 8,086k (prior year: EUR 8,503k). As of the end of the reporting period, these comprised plant, warehouse and office land and buildings in the amount of EUR 6,082k (prior year: EUR 6,378k), technical equipment and machinery in the amount of EUR 1,859k (prior year: EUR 1,942k) and other property, plant and equipment in the amount of EUR 145k (prior year: EUR 183k).

Land and buildings owned by the Group with a book value of EUR 1,610k as of November 30, 2018 (prior year: EUR 1,994k) were provided as collateral for the case in which the prior owners of the Group company concerned are not able to comply with their liabilities to the tax authorities. With regard to the collateral provided, there is a full right of recourse to the principle debtor and thus there is no risk for the Gerresheimer Group to be enlisted from these collaterals.

Land not used for operating purposes and classified as investment property in accordance with IAS 40 "Investment property" 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 sources of information, which include 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 28k in the financial year 2018 (prior year: EUR 44k). Expenses of EUR 18k were incurred (prior year: EUR 41k) that are entirely attributable to investment property, which generated rental income during the period.

A property owned by our company in Kuessnacht (Switzerland) with a carrying amount value of EUR 955k as of November 30, 2018, is reported in the consolidated balance sheet as a non-current asset held for sale. At the current time, we assume that this property will be sold within the next twelve months following the closure of the site.

Of the impairment losses, 96.5% (prior year: 100.0%) relate to the Plastics & Devices Division and 3.5% (prior year: 0.0%) to the Primary Packaging Glass Division. Impairment losses are mainly related to the inhaler customer, who ceased to place orders with our plant in Kuessnacht (Switzerland) because his inhaler business fell short of his expectations.

(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. 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, 2018**	Nov. 30, 2017
Assets	**2,827**	1,601
Equity	**971**	1,035
Liabilities	**1,856**	566
Revenues	**2,825**	2,808
Profit or loss	**307**	326

Investments accounted for using the equity method have developed as follows:

in EUR k	**Investments accounted for using the equity method**
As of November 30, 2018	
Prior-year carrying amount	252
Currency translation	11
Share of profit or loss of associated companies	34
Carrying amount	**297**
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**

(21) Financial Assets

Financial assets break down as follows:

in EUR k	**Nov. 30, 2018** Total	Thereof: Current	Thereof: Non-current	Nov. 30, 2017 Total	Thereof: Current	Thereof: Non-current
Fair value of derivative financial instruments	204	204	–	1,037	1,037	–
Investments	400	–	400	228	–	228
Refund claims for pension benefits	3,474	251	3,223	3,762	304	3,458
Refund claims from third parties	10,204	10,204	–	8,546	8,546	–
Other loans	1,630	1,570	60	1,430	39	1,391
Other	5,796	5,796	–	7,094	7,094	–
Other financial assets	**21,708**	**18,025**	**3,683**	**22,097**	**17,020**	**5,077**
Trade receivables	273,531	273,531	–	242,684	242,684	–
Cash and cash equivalents	80,570	80,570	–	287,036	287,036	–
Financial assets	**375,809**	**372,126**	**3,683**	**551,817**	**546,740**	**5,077**

The position "Other" includes mainly bills of exchange and receivables for reimbursement agreements.

At the reporting date, 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.

Due to the planned acquisition of property in Switzerland in the financial year 2019, the tenant loan shown in non-current other loans in the prior year, which can be offset against the purchase price, is included in full in current other loans as of November 30, 2018 in the amount of EUR 1,537k.

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 represents the maximum exposure to credit risk for the Group as a whole. Approximately 24% of trade receivables were covered by credit insurance in the financial year 2018 (prior year: approximately 25%).

The trade receivables include EUR 55,611k (prior year: EUR 24,843k) 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, 2018			Nov. 30, 2017		
in EUR k	**Total**	***Thereof: Current***	***Thereof: Non-current***	Total	*Thereof: Current*	*Thereof: Non-current*
Other tax receivables	13,920	*13,022*	*898*	9,575	*8,684*	*891*
Prepaid assets	5,587	*4,634*	*953*	3,256	*3,220*	*36*
Other assets	5,189	*4,169*	*1,020*	6,351	*5,684*	*667*
Other receivables	**24,696**	***21,825***	***2,871***	**19,182**	***17,588***	***1,594***

The increase in other tax receivables mainly relates to higher value added tax refund claims resulting from various investment projects at the end of the financial year 2018.

The prepaid assets mainly consist of accrued payments made prior to the reporting date for maintenance, tax, personnel and insurance expenses in the next financial year as well as payments made in connection with the extension of a supply agreement with a major customer.

(23) Deferred Taxes

Deferred tax assets break down as follows:

	Nov. 30, 2018		Nov. 30, 2017	
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	10,161	11,709	268	9,972
	10,161	**11,709**	**268**	**9,972**
Temporary differences				
Non-current assets	771	2,069	481	2,783
Inventories	709	–	999	–
Receivables and other assets	138	–	209	–
Provisions for pensions	664	20,862	805	25,211
Other provisions	5,214	1,795	6,899	1,034
Payables and other liabilities	1,853	1,398	2,283	1,535
Cash flow hedge	–	2	–	2
	9,349	**26,126**	**11,676**	**30,565**
	19,510	**37,835**	**11,944**	**40,537**
Offset	-37,850		-41,451	
Deferred tax assets	**19,495**		**11,030**	

Deferred tax liabilities break down as follows:

in EUR k	Nov. 30, 2018 Realization expected within 12 months	Nov. 30, 2018 Realization expected after 12 months	Nov. 30, 2017 Realization expected within 12 months	Nov. 30, 2017 Realization expected after 12 months
Temporary differences				
Non-current assets	8,971	188,781	7,378	170,459
Inventories	2,222	82	2,906	87
Receivables and other assets	2,481	680	1,433	717
Other provisions and liabilities	1,740	755	1,120	890
	15,414	**190,298**	**12,837**	**172,153**
Offset	-37,850		-41,451	
Deferred tax liabilities	**167,862**		**143,539**	

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, 2018	Nov. 30, 2017
Raw materials, consumables and supplies	52,944	49,921
Work in progress	16,078	14,993
Finished goods and merchandise	97,749	81,381
Prepayments made	4,719	2,067
Inventories	**171,490**	**148,362**

Write-downs of inventories totaling EUR 3,978k (prior year: EUR 7,541k) 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 264k (prior year: EUR 839k) in the financial year. These are mainly attributable to the increase of the net realizable value of finished goods and mechandise written down in prior periods.

For further details on the cost of inventories recognized as an expense during the financial year, 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, 2018.

(25) Trade Receivables

Trade receivables break down as follows:

in EUR k	Nov. 30, 2018	Nov. 30, 2017
Trade receivables	275,446	244,541
Less bad debt allowances	1,915	1,857
Net trade receivables	**273,531**	**242,684**

The above-mentioned trade receivables include amounts due from customers from construction contracts:

in EUR k	Nov. 30, 2018	Nov. 30, 2017
Costs incurred and recognized profits	118,611	84,636
Less progress billing	63,000	60,408
Net amount due from customers for contract work	**55,611**	**24,228**
Thereof: Amounts due from customers for contract work	*55,611*	*24,843*
Thereof: Amounts due to customers for contract work (other liabilities)	*–*	*615*

Bad debt allowances are recognized for doubtful receivables. Gerresheimer determines the appropriateness of the bad debt allowances recognized for doubtful receivables on the basis of the age structure of receivables, past experience with regard to the derecognition of receivables, customer credit ratings and changes in payment behavior.

As of the balance sheet date, the age structure of unimpaired trade receivables breaks down as follows:

in EUR k	Nov. 30, 2018	Nov. 30, 2017
Carrying amount	273,531	242,684
General bad debt allowances	884	962
Specific bad debt allowances	1,031	895
Gross carrying amount of receivables for which specific bad debt allowances were recognized	-1,096	-972
Trade receivables not impaired	**274,350**	**243,569**
Thereof as of the balance sheet date		
not past due	*252,392*	*227,581*
past due by up to 30 days	*14,437*	*8,635*
past due by 31 to 60 days	*2,477*	*2,471*
past due by 61 to 90 days	*2,048*	*2,340*
past due by 91 to 120 days	*910*	*1,249*
past due by more than 120 days	*2,086*	*1,293*
	274,350	**243,569**

The gross carrying amount of trade receivables individually determined to be impaired is EUR 1,096k (prior year: EUR 972k). The corresponding bad debt allowance is EUR 1,031k (prior year: EUR 895k). The net carrying amount of trade receivables individually determined to be impaired is therefore EUR 65k (prior year: EUR 77k).

Bad debt allowances developed as follows:

in EUR k	2018	2017
As of December 1	1,857	2,155
Additions	531	335
Utilizations	-120	-128
Reversals	-288	-393
Currency translation	-65	-112
As of November 30	**1,915**	**1,857**

(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, 2018, subscribed capital remains unchanged at EUR 31,400k, and the capital reserve amounts to EUR 513,827k. Thus, the amounts are unchanged from the balance sheet date of the prior year. 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 34,540k was paid out for the financial year 2017. This corresponds to a dividend of EUR 1.10 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 June 6, 2019 to distribute a dividend of EUR 1.15 per share for the financial year 2018 (prior year: EUR 1.10 per share). This corresponds to a dividend payment of EUR 36,110k, which is an increase of 4.5% compared to the prior-year dividend payment. The dividend ratio amounts to 20.3% (prior year: 27.1%) of adjusted net income after non-controlling interests of EUR 177,998k (prior year: EUR 127,459k). 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. We have opted for a dividend payment at the lower end of our dividend policy following the successful completion of the acquisition of Sensile Medical in the current financial year, which will increase the adjusted EBITDA leverage temporarily to over 3.0x. Furthermore, it will be proposed that the residual retained earnings of the Company of EUR 149,777k should be carried forward to new account. As a result, Gerresheimer shareholders benefit from the business success of the Gerresheimer Group.

in EUR	2018	2017
Retained earnings before dividend payment	185,886,668.78	152,607,004.84
Dividend payment	36,110,000.00	34,540,000.00
Carryforward to new account	**149,776,668.78**	**118,067,004.84**

(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 91.3% 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 awards 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 members of the Management Board that were appointed before February 10, 2015 and therefore receive defined benefit plans for retirement cover are generally handled through a pension fund or 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 for the Gerresheimer Group, 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	**2018**	2017
As of December 1	158,684	173,211
Utilizations	-11,857	-12,262
Additions	3,142	6,414
Change in the consolidated group	9,520	–
Impact of revaluation	-5,362	-4,990
Currency translation	1,399	-3,678
Changes in plan surplus recognized in other assets	–	-11
As of November 30	**155,526**	**158,684**
Thereof: Current	*13,943*	*13,580*

Provisions of EUR 116,953k (prior year: EUR 126,813k) were recognized in connection with various pension plans and individual agreements entered into by German Group companies; an amount of EUR 38,573k (prior year: EUR 32,501k) relates to foreign subsidiaries, in particular US Group entities. The provision also includes the obligations of US Group companies to assume the medical expenses of retired employees.

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, 2018**	Nov. 30, 2017	**Nov. 30, 2018**	Nov. 30, 2017
Discount rate	1.58	1.45	1.06 – 8.19	0.80 – 7.15
Increase in salaries	3.25	3.25	0.62 – 6.63	0.50 – 6.55
Increase in pensions	1.00	1.00	–	–
Increase in medical costs	–	–	5.00 – 5.67	5.00 – 6.00

The discount rate is based on the yield on high-quality corporate bonds. The Prof. Dr. Heubeck RT 2018 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, 2018**	Nov. 30, 2017
As of December 1	210,495	227,556
Current service cost	2,530	2,847
Interest expense	4,008	4,188
Employee contributions	714	533
Benefit payments	-17,518	-15,196
Actuarial gains/losses	-7,073	-2,298
Financial assumptions	*-6,777*	*-711*
Demographic assumptions	*341*	*-181*
Experience assumptions	*-637*	*-1,406*
Past service cost	-2,319	–
Change in the consolidated group	27,077	–
Administration costs	361	431
Settlement	-1,145	-18
Currency translation and other changes	3,160	-7,548
As of November 30	**220,290**	**210,495**

Changes in plan assets are as follows:

in EUR k	**Nov. 30, 2018**	Nov. 30, 2017
As of December 1	51,811	54,356
Interest income on plan assets	1,238	1,145
Actual return on plan assets, excluding interest income on plan assets	-1,711	2,692
Employee contributions	714	533
Employer contributions	1,557	1,409
Benefit payments	-7,218	-4,454
Change in the consolidated group	17,557	–
Settlement	-945	–
Currency translation and other changes	1,761	-3,870
As of November 30	**64,764**	**51,811**

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, 2018**	Nov. 30, 2017	**Nov. 30, 2018**	Nov. 30, 2017
Plan assets with quoted market price	5,029	5,111	42,302	26,343
Shares (held directly)	*890*	*2,230*	*13,837*	*11,817*
Fixed-interest securities	*4,106*	*2,848*	*18,013*	*10,160*
Liquidity	*33*	*33*	*2,555*	*1,806*
Insurance contracts	*–*	*–*	*2*	*50*
Real estate	*–*	*–*	*4,397*	*–*
Other	*–*	*–*	*3,498*	*2,510*
Plan assets with non-quoted market price	6,215	5,870	11,218	14,487
Insurance contracts	*6,139*	*5,791*	*11,218*	*14,487*
Other	*76*	*79*	*–*	*–*
Plan assets	**11,244**	**10,981**	**53,520**	**40,830**

The expected contributions to plan assets in the next financial year are estimated at EUR 1,427k. Contributions are mainly paid by the employer.

The main pension funds relate to the pension plans in Switzerland (EUR 30,488k), the USA (EUR 22,622k) and Germany (EUR 11,244k). Their investment policy, besides complying with regulatory requirements, is geared to the risk structure within the defined benefit obligation. Two different pension plans exist in Switzerland. On the one hand 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. On the other hand Gerresheimer funds another staff pension plan that is only partially financed. Residual risks from asset allocation and longevity remain with Gerresheimer.

Pension expenses included in the consolidated income statement are calculated as follows:

in EUR k	**2018**	2017
Current service cost	*2,530*	*2,847*
Past service cost	*-2,319*	*–*
Settlement	*-200*	*93*
Service cost	**11**	**2,940**
Interest expense	*4,008*	*4,188*
Interest income on plan assets	*-1,238*	*-1,145*
Net interest expense	**2,770**	**3,043**
Administration costs	**361**	**431**
	3,142	**6,414**
Thereof: Expense for pension benefits for which there are reimbursement rights	*66*	*64*

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 refund claim for 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	2019	2020	2021	2022
Expected benefit payments	13,944	13,574	12,954	12,705

The weighted average duration of the defined benefit obligation is between 11.8 years in Germany and between 5.7 and 15.5 years internationally.

The main actuarial assumptions used in the measurement 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 5.7% (prior year: 6.0%) 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	**2018**	2017
Increase in discount rate by 0.5 percentage points	-12,495	-12,056
Decrease in discount rate by 0.5 percentage points	13,906	13,475
Increase in salaries by 0.25 percentage points	768	473
Decrease in salaries by 0.25 percentage points	-775	-453
Increase in medical costs by 1.0 percentage points	1,351	1,706
Decrease in medical costs by 1.0 percentage points	-1,235	-1,584

Various interdependencies exist between the above actuarial assumptions. The sensitivity analyses do not take such interdependencies into account.

Expenses for defined contribution plans amount to EUR 1,403k (prior year: EUR 1,562k) in the financial year, mainly at US Group companies.

EUR 13,314k (prior year: EUR 12,610k) in statutory pension insurance contributions were paid in Germany.

(29) Long-term Share-price-based Variable Remuneration (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 of Gerresheimer AG, 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 2018, the initial price is the EUR 67.42 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-months 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. These statements only concern tranche 9 for Mr. Beaujean and tranches 9 and 10 for Mr. Schütte.

Since approval of the remuneration 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. The commitment to the Members of the Management Board thus no longer includes a specific number of stock appreciation rights but 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 25.5% p.a. (prior year: 18.0% p.a.) and the turnover rate within the Management Board as 3.5% p.a. (prior year: 3.0% 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 9 old (2015)	Tranche 9 (2015)	Tranche 10 old (2016)	Tranche 10 (2016)	Tranche 11 (2017)	Tranche 12 (2018)
Grant date	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	February 9, 2015/ April 25, 2016/ January 1, 2018
Term of tranche	October 31, 2020	June 16, 2022	October 31, 2021	June 10, 2023	June 9, 2024	June 11, 2025
End of the vesting period	June 16, 2019	June 16, 2020	June 10, 2020	June 10, 2021	June 9, 2022	June 11, 2023
Issue price (in EUR)	51.89	51.89	68.87	68.87	74.61	67.42
Target price (in EUR)	58.12	62.27	77.13	82.64	89.53	80.90
Maximum target price (in EUR)	64.86	72.65	86.09	96.42	104.45	94.39
Number of stock appreciation rights issued	105,000	Entitlement	50,000	Entitlement	Entitlement	Entitlement
Exercise threshold (in %)	12	20	12	20	20	20
Fair value (in EUR k)	949	616	260	773	1,035	1,055
Maximum pay-out amount (in EUR k)	1,362	616	861	1,120	1,624	1,512

In the course of the departure of the two Management Board members Mr. Beaujean (as of April 30, 2019) and Mr. Schütte (as of February 28, 2019), we adjusted the vesting period for the claims under the phantom stocks program to the date of their departure.

Based on the above assumptions, the fair value of the 2019 to 2021 tranches (tranches 13 to 15) is EUR 2,238k as of the balance sheet date.

The phantom stocks developed as follows:

Members of the Management Board	Tranche 8 old (2014)	Tranche 9 old (2015)	Tranche 10 old (2016)
As of November 30, 2013	**–**	**–**	**–**
Allocated	185,000	–	–
Exercised	–	–	–
Expired during the period	–	–	–
As of November 30, 2014	**185,000**	**–**	**–**
Allocated	–	105,000	–
Exercised	–	–	–
Expired during the period	–	–	–
As of November 30, 2015	**185,000**	**105,000**	**–**
Allocated	–	–	50,000
Exercised	–	–	–
Expired during the period	–	–	–
As of November 30, 2016	**185,000**	**105,000**	**50,000**
Allocated	–	–	–
Exercised	–	–	–
Expired during the period	–	–	–
As of November 30, 2017	**185,000**	**105,000**	**50,000**
Allocated	–	–	–
Exercised	185,000	–	–
Expired during the period	–	–	–
As of November 30, 2018	**–**	**105,000**	**50,000**

In the current financial year, an amount of EUR 2,259k was paid for tranche 8.

The provision for the phantom stock program amounted to EUR 4,312k as of the reporting date (prior year: EUR 4,296k). The expenses amounted to EUR 2,563k for the financial year 2018 (prior year: EUR 1,781k).

(30) Other Provisions

Other provisions developed as follows:

in EUR k	As of Dec. 1, 2017	Change in the consolidated group	Reclassifi-cations	Utilizations	Reversals	Additions	Currency translation	**As of Nov. 30, 2018**	*Thereof: Current*	*Thereof: Non-current*
Tax provisions	3,081	44	–	354	710	1,734	9	3,804	*3,804*	–
Personnel obligations	19,837	–	–	6,752	1,760	7,702	218	19,245	*11,508*	*7,737*
Warranties	9,608	–	-342	3,458	2,853	5,506	41	8,502	*8,378*	*124*
Sales bonuses, rebates and discounts	3,227	–	393	1,821	685	3,486	-42	4,558	*4,316*	*242*
Restructuring provisions	4,387	–	–	1,033	485	10,622	131	13,622	*11,130*	*2,492*
Other	5,264	689	-51	1,638	197	2,135	-37	6,165	5,815	350
Other provisions	**45,404**	**733**	**–**	**15,056**	**6,690**	**31,185**	**320**	**55,896**	***44,951***	***10,945***

in EUR k	As of Dec. 1, 2016	Change in the consolidated group	Reclassifi-cations	Utilizations	Reversals	Additions	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*	–
Restructuring provisions	3,730	–	94	1,638	481	2,934	-252	4,387	*1,770*	*2,617*
Other	11,197	–	-94	5,858	1,858	2,225	-348	5,264	*4,378*	*886*
Other provisions	**61,374**	**–**	**–**	**25,834**	**9,937**	**21,499**	**-1,698**	**45,404**	***35,214***	***10,190***

Provisions for personnel obligations notably include obligations relating to the phantom stocks program, a group health insurance program at the US Group companies as well as long-service awards and partial retirement agreements.

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.

Provisions for sales bonuses, rebates and discounts relate to unpaid compensations granted on revenues realized prior to the balance sheet date.

Restructuring provisions basically refer to three main issues. On the one hand it includes future payments in connection with the shut down of our plant in Kuessnacht (Switzerland). On the other hand management has decided—within the operational and strategic planning—for adjustments of employee capacities by means of re-organization of the Plastics & Devices Division, which is equally reflected in this provision. Moreover, this item comprises a provision for the shut down of a plant in the Primary Packaging Glass Division, which had already been decided and communicated in the prior year. The restructuring provisions of EUR 13,622k at the financial year-end (prior year: EUR 4,387k) are based on detailed formal plans.

Two arbitration proceedings were pending at the subsidiaries Gerresheimer Group GmbH, Duesseldorf (Germany), and GERRESHEIMER GLAS GmbH, Duesseldorf (Germany), which were decided legally binding in the financial year 2017. Since these arbitration proceeds are not yet fully completed, expected expenses and payments for these proceedings are considered as part of the position "Other" within the provisions.

Moreover, the position "Other" also includes expected expenses for a large number of items, which are not significant on an individual basis.

The column "Change in the consolidated group" comprises additions to provisions as a result of the first time consolidation of Sensile Medical.

Interest expenses relating to the compounding of long-term accruals amount to EUR 153k (prior year: EUR 144k).

Outflows of economic benefits in relation to provisions are expected in the amount of EUR 44,951k (prior year: EUR 35,214k) within one year, EUR 10,945k (prior year: EUR 10,190k) 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, 2018			Nov. 30, 2017		
in EUR k	**Total**	***Thereof: Current***	***Thereof: Non-current***	Total	*Thereof: Current*	*Thereof: Non-current*
Promissory loans	674,046	–	*674,046*	673,798	–	*673,798*
Bond	–	–	–	299,687	*299,687*	–
Liabilities to banks	283,270	*283,270*	–	15,870	*15,813*	*57*
unsecured	*283,270*	*283,270*	–	*15,870*	*15,813*	*57*
Fair Value of derivative financial instruments	1,346	*1,346*	–	372	*372*	–
Other	182,438	*105,067*	*77,371*	29,244	*21,795*	*7,449*
Other financial liabilities	**1,141,100**	***389,683***	***751,417***	**1,018,971**	***337,667***	***681,304***
Trade payables	207,402	*207,282*	*120*	176,303	*176,303*	–
Financial liabilities	**1,348,502**	***596,965***	***751,537***	**1,195,274**	***513,970***	***681,304***

The carrying amounts of the positon "Other" and the trade payables represent appropriate approximations of their fair values.

For further details of derivative financial instruments, please see Note (34).

The following table shows maturities, interest rates and fair values for promissory loans, the issued bond repaid as planned and in full on May 21, 2018 and liabilities to banks:

November 30, 2018

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	-954	2020–2027[1]	0.60–2.04	**-954**	-954
					674,046	**674,046**
Liabilities to banks	USD	214,346	2019	3.64–7.00[4]	**188,701**	188,701
	PLN	53,274	2019	1.98–2.29[4]	**12,418**	12,418
	EUR	80,164	2019	0.20–1.30[2]	**80,164**	80,164
	ARS	2,081	2019	22.50–30.00	**49**	49
	INR	229,307	–[5]	9.30–9.35[4]	**2,900**	2,900
Capitalized fees	EUR	-620	2020	–	**-620**	-620
	USD	-389	2020	–	**-342**	-342
					283,270	**283,270**
					957,316	**957,316**

November 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**

[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 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 issued on May 19, 2011 with an issue price of 99.4% and a coupon of 5.0% p.a. was repaid as planned and in full on May 21, 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 which was repaid in May 2018, 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" includes the purchase price liability from the acquisition of Sensile Medical in the amount of EUR 173,300k (thereof EUR 99,689k current and EUR 73,611k non-current) and among other things finance lease liabilities and accrued interest liabilities. Regarding lease agreements, please refer to Note (33).

(32) Other Liabilities

Other liabilities break down as follows:

	Nov. 30, 2018			Nov. 30, 2017		
in EUR k	**Total**	***Thereof: Current***	***Thereof: Non-current***	Total	*Thereof: Current*	*Thereof: Non-current*
Prepayments received	34,927	*34,507*	*420*	29,028	*28,183*	*845*
Liabilities from other taxes	9,677	*9,677*	*–*	10,314	*10,314*	*–*
Liabilities from social security obligations	5,636	*5,636*	*–*	5,763	*5,763*	*–*
Other	57,882	*57,799*	*83*	57,179	*56,932*	*247*
Other liabilities	**108,122**	***107,619***	***503***	**102,284**	***101,192***	***1,092***

Prepayments received include EUR 31,669k (prior year: EUR 23,492k) relating to customer-specific construction contracts.

For prepayments received in the amount of EUR 34,927k (prior year: EUR 29,028k) collaterals amounting to EUR 320k (prior year: EUR 3,880k) were given.

The position "Other" primarily relates to obligations to employees.

(33) Other Financial Obligations

Other financial obligations not recognized in the consolidated balance sheet break down as follows:

in EUR k	**Nov. 30, 2018**	Nov. 30, 2017
Obligations under rental and operating lease agreements	37,905	39,810
Capital expenditure commitments	26,943	9,822
Sundry other financial obligations	7,703	7,516
Other financial obligations	**72,551**	**57,148**

The obligations under 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	4,300	216	4,084	11,191
Due 1 to 5 years	2,349	605	1,744	22,203
Due after 5 years	2,235	316	1,919	4,511
November 30, 2018	**8,884**	**1,137**	**7,747**	**37,905**

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**

EUR 13,647k (prior year: EUR 14,120k) was recognized as expense in the consolidated income statement in the financial year 2018 in connection with rentals and operating leases.

(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, 2018 amounts to EUR 886,409k (prior year: EUR 712,660k); net working capital is EUR 202,692k (prior year: EUR 185,715k).

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 its 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, 2018				Nov. 30, 2017			
in EUR k	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial assets designated "available-for-sale"								
Securities	74	–	–	74	75	–	–	75
Financial assets designated "at fair value through profit and loss"								
Derivative financial assets	–	204	–	204	–	1,037	–	1,037
Measured at fair value	**74**	**204**	**–**	**278**	**75**	**1,037**	**–**	**1,112**
Financial liabilities designated "at fair value through profit and loss"								
Contingent purchase price liabilities	–	–	148,531	148,531	–	–	–	–
Derivative financial liabilities	–	1,346	–	1,346	–	372	–	372
Put options	–	–	–	–	–	–	11,897	11,897
Measured at fair value	**–**	**1,346**	**148,531**	**149,877**	**–**	**372**	**11,897**	**12,269**

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, 2018				Nov. 30, 2017			
	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	217,920	*217,920*	–	217,920[1]	217,841	*217,841*	–	217,841[1]
Loans and receivables	217,920	*217,920*	–		217,841	*217,841*	–	
Other financial assets	21,430	*21,030*	278	21,708	20,985	*20,757*	1,112	22,097
Available-for-sale financial assets	400[2]	–	74		228[2]	–	75	
At fair value through profit or loss	–	–	204		–	–	1,037	
Loans and receivables	21,030	*21,030*	–		20,757	*20,757*	–	
Cash and cash equivalents	80,570	*80,570*	–	80,570	287,036	*287,036*	–	287,036
Financial assets	**319,920**	***319,520***	**278**	**320,198**	**525,862**	***525,634***	**1,112**	**526,974**
Other financial liabilities	991,223	*991,223*	149,877	1,141,100	1,006,702	*1,013,615*	12,269	1,018,971
At amortized cost	991,223	*991,223*	–		1,006,702	*1,013,615*	–	
At fair value through profit or loss	–	–	149,877		–	–	12,269	
Trade payables	207,402	*207,402*	–	207,402	176,303	*176,303*	–	176,303
At amortized cost	207,402	*207,402*	–		176,303	*176,303*	–	
Financial liabilities	**1,198,625**	***1,198,625***	**149,877**	**1,348,502**	**1,183,005**	***1,189,918***	**12,269**	**1,195,274**

[1] Receivables under construction contracts are additionally recognized in the consolidated balance sheet in the amount of EUR 55,611k (prior year: EUR 24,843k).
[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 400k (prior year: EUR 228k) is waived. The valuation is based on acquisition cost.

Liabilities measured at amortized cost include finance lease liabilities for which Group companies are the lessees. As of November 30, 2018, these liabilities amount to EUR 7,747k (prior year: EUR 8,004k).

The fair values of receivables, loans and liabilities are measured at the present value of future cash flows. The cash flows 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.

Maturity analysis

The Group continually monitors liquidity risk. The maturities of the Group's financial liabilities as of November 30, 2018 are as follows. The amounts are stated on the basis of the contractual, non-discounted payments.

Nov. 30, 2018

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**
Liabilities to banks	283,173	619	440	–	–	**284,232**
Interest payments on promissory loans and liabilities to banks	614	7	8,031	26,025	2,899	**37,576**
Trade payables	154,405	49,155	3,722	120	–	**207,402**
Finance lease liabilities	82	207	4,011	2,349	2,235	**8,884**
Other	24,769	–	74,930	73,709	–	**173,408**
	463,043	**49,988**	**91,134**	**597,203**	**185,134**	**1,386,502**

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 promissory loans, 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**

The liabilities to banks existing as of November 30, 2018 in the amount of EUR 284,232k include EUR 264,397k (prior year: EUR 0k) drawings from the revolving credit facility. These drawings are 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:

	Nov. 30, 2018	Nov. 30, 2017
in EUR k	**Exchange rate hedges**	Exchange rate hedges
Nominal value (gross)	**130,874**[1)]	372,616[1)]
Fair value (net)	**-1,142**	665
Residual term	**05/2019**	05/2018
Carrying amount (underlying assets)	**37,007**	25,038
Carrying amount (underlying liabilities)	**3,955**	15,617

1) This also includes forward exchange contracts for receivables and payables between consolidated companies in the amount of EUR 89,912k (prior year: EUR 331,961k) that have been eliminated in the consolidation.

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, 2018, 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 2018 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.

Losses from derivative financial instruments of EUR 7,080k were recognized in profit and loss in the financial year 2018 (prior year: EUR 14,689k gains).

Sensitivity analyses
Interest rate risk is presented using sensitivity analyses. The following section describes the sensitivity of net income before income 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 net income 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, 2018 (prior year: 100 basis points higher or 100 basis points lower), net income before income taxes would have been EUR 2,762k lower or EUR 2,762k higher (prior year: EUR 954k lower or EUR 954k higher).

The following section describes the sensitivity of net income before income taxes (due to the change in the fair values of monetary assets and liabilities) to a reasonably possible change in exchange rates.

If the euro had increased (decreased) by 10% against all currencies as of November 30, 2018, net income before income taxes would have decreased by EUR 75k or increased by EUR 199k (prior year using the same sensitivities: decrease of EUR 633k or increase of EUR 815k).

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 their specific production technologies and the materials we use in our products.

The Gerresheimer Group is divided into the three reportable divisions Plastics & Devices, Primary Packaging Glass and Advanced Technologies.

Plastics & Devices
The Plastics & Devices Division encompasses 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.

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
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 wide selection of glass primary packaging products. Molded 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.

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

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 2018 nor for the prior year.
- Adjusted EBITDA is not defined in IFRS but represents a 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, impairment losses, 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 key indicators used by Gerresheimer AG for assessing the performance of the divisions are shown as well as additional indicators by region:

Segment Data by Division

	Plastics & Devices		Primary Packaging Glass		Advanced Technologies[1]		Head office/consolidation		Group	
in EUR k	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Segment revenues at constant exchange rates[2]	777,923	757,179	617,578	591,994	12,860	–	–	–	1,408,361	1,349,173
Exchange rate effects	-26,586	–	-12,348	–	–	–	–	–	-38,934	–
Segment revenues	751,337	757,179	605,230	591,994	12,860	–	–	–	1,369,427	1,349,173
Intra-Group revenues	-1,615	-386	-82	-532	–	–	–	–	-1,697	-918
Revenues with third parties	**749,722**	**756,793**	**605,148**	**591,462**	**12,860**	**–**	**–**	**–**	**1,367,730**	**1,348,255**
Adjusted EBITDA at constant exchange rates[3]	210,852	215,226	116,271	115,971	2,955	–	-22,123	-20,371	307,955	310,826
Exchange rate effects	-7,846	–	-1,557	–	–	–	–	–	-9,403	–
Adjusted EBITDA	203,006	215,226	114,714	115,971	2,955	–	-22,123	-20,371	298,552	310,826
Depreciation and amortization[4]	-46,797	-45,603	-47,913	-44,546	-1,097	–	-647	-1,163	-96,454	-91,312
Adjusted EBITA	156,209	169,623	66,801	71,425	1,858	–	-22,770	-21,534	202,098	219,514
Net working capital	86,564	90,580	106,676	99,218	12,581	–	-3,129	-4,083	202,692	185,715
Operating cash flow	140,182	157,996	60,219	71,950	-9,291	–	-24,711	-25,302	166,399	204,644
Capital expenditure[5]	64,728	70,871	47,755	41,316	449	–	1,782	6,377	114,714	118,564
Employees (average)	4,490	4,518	5,170	5,167	113	–	114	106	9,887	9,791

[1] The Advanced Technologies Division, established following the acquisition of Sensile Medical, consists of the Sensile Medical Business Unit. The acquisition date for the acquisition of Sensile Medical was June 30, 2018. For further information, please see Note (2).
[2] Revenues at constant exchange rates of the financial year 2017 were, for a better comparability, translated at the budget rates 2018, which are equivalent to the average rates of the financial year 2017 and can be found in Note (4).
[3] Adjusted EBITDA at constant exchange rates: 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. For a better comparability, adjusted EBITDA of financial year 2017 at constant exchange rates was translated at the budget rates 2018, which are equivalent to the average rates of the financial year 2017 and can be found in Note (4).
[4] This includes impairment losses of EUR 1,845k (prior year: EUR 37k), thereof EUR 65k (prior year: EUR 0k) relating to the Primary Packaging Glass Division and EUR 1,780k (prior year: EUR 37k) relating to the Plastics & Devices Division.
[5] Capital expenditure includes additions due to finance leases amounting to EUR 149k (prior year: EUR 2,045k), which were not cash effective in the reporting period.

Key Indicators by Region[1]

	Europe		Germany		Americas		Emerging markets		Other regions		Group	
in EUR k	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Revenues by target region[2]	459,685	428,906	304,500	313,058	374,806	373,704	206,841	206,497	21,898	26,090	1,367,730	1,348,255
Revenues by region of origin[3]	267,391	256,207	521,518	513,557	354,745	350,462	224,076	228,029	–	–	1,367,730	1,348,255
Non-current assets[4]	554,315	142,960	656,821	631,096	739,301	738,232	185,442	200,490	–	–	2,135,879	1,712,778
Employees (average)	1,921	1,867	3,448	3,365	1,086	1,034	3,432	3,525	–	–	9,887	9,791

[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 is shown in the following table:

in EUR k	2018	2017
Adjusted segment EBITA	224,868	241,048
Head office/consolidation	-22,770	-21,534
Adjusted Group EBITA	**202,098**	**219,514**
Acquisition Sensile Medical	-1,628	–
Refinancing	–	-313
Portfolio optimization	-14,506	-2,705
One-off expenses and income	-5,898	-2,160
Amortization of fair value adjustments	-40,607	-33,540
Results of operations	**139,459**	**180,796**
Net finance expense	-32,262	-35,308
Income taxes	23,931	-42,436
Net income	**131,128**	**103,052**

(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 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	2018	2017
Financial statements auditing	619	574
Other assurance services	67	11
Auditor Fees	**686**	**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:

	2018		November 30, 2018	
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	2,877	–	466	–
Associated companies	15	2,526	–	126
	2,892	**2,526**	**466**	**126**

	2017		November 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**

The transactions carried out are attributable 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 1,141k in the financial year 2018 (prior year: EUR 1,073k).

Remuneration of the active Management Board members during the financial year, made up of fixed salary (including fringe benefits), performance-linked bonuses and long-term share-price-based variable cash remuneration, came to EUR 10,195k in the financial year 2018 (prior year: EUR 5,740k). In the current year, this includes an amount of EUR 4,100k in relation to the unexpected departure of the former Chairman of the Management Board of Gerresheimer AG due to personal reasons.

The fair value of the 2018 to 2021 tranches of Management Board stock appreciation rights (tranches 12 to 15) was EUR 3,294k as of the reporting date (prior year: tranches 11 to 15 EUR 4,877k). Expenses for additions to the provision for stock appreciation rights as granted at the reporting date (tranches 8 to 15) amount to EUR 2,563k (prior year: tranches 7 to 15 EUR 1,781k). For further details, please see Note (29).

Defined benefit contributions were granted to the active members of the Management Board Mr. Beaujean and Mr. Schütte. The defined benefit contribution granted to Mr. Schütte is processed by a provident fund. The present value of the defined benefit obligation, before offset against plan assets, is EUR 5,578k (prior year: EUR 4,806k).

The present value of the defined benefit obligation for former members of management and their dependents, before offset against plan assets, is EUR 29,252k (prior year: EUR 29,965k). Regular payments for pensions and other benefits amounted to EUR 1,287k (prior year: EUR 1,278k).

The active members of the Management Board, Mr. Siemssen and Dr. Burkhardt have decided for option (3), payment of 20% of fixed salary and 20% of short-term variable cash remuneration. Expenses for these contributions granted amounted to EUR 181k in the financial year 2018 (prior year: EUR 0k).

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 6, 2018:

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

After November 30, 2018, a customer of Sensile Medical terminated a project without substantive reasons. According to the contract, purchase price components in the amount of approximately EUR 90m will not be paid out by Gerresheimer to the former shareholders of Sensile Medical. The derecognition of the accounted liability will result in a positive effect on adjusted EBITDA in the first quarter 2019 as well as a reduction of debt at the end of the financial year 2019. Other than that, Gerresheimer Group expects only little impact on revenues and adjusted EBITDA from the loss of this project. Possible effects on the recoverability of the goodwill and the technologies are currently being analyzed. Regardless of the outcome of the analysis, this will not have material impacts on adjusted EBITDA.

Beyond that there were no further subsequent events after November 30, 2018 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 4, 2019, authorized for publication and will be submitted by the Audit Committee to the Supervisory Board for approval in its meeting on February 13, 2019.

Duesseldorf, Germany, February 4, 2019

The Management Board

Dietmar Siemssen

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 4, 2019

The Management Board

Dietmar Siemssen 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 2018, 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 2017 to 30 November 2018 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 2017 to 30 November 2018. In accordance with the German legal requirements, we have not audited the contents of the section "Non-financial group statement pursuant to Section 315b German Commercial Code (HGB)" and of the group statement on corporate governance included in the group management report.

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 Section 315e (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 2018 as well as its results of operations for the business year from 1 December 2017 to 30 November 2018 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 cover the contents of the section "Non-financial group statement pursuant to Section 315b German Commercial Code (HGB)" and of the group statement on corporate governance.

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 section "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 2017 to 30 November 2018. 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 Balance sheet presentation of acquisition of Sensile Medical AG

2 Recoverability of goodwill

3 Deferred taxes on deductible temporary valuation differences and on loss carryforwards

4 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

1 Balance sheet presentation of acquisition of Sensile Medical AG

a On 11 July 2018, Gerresheimer AG signed a share purchase agreement on the acquisition of around 99.89% of the shares in Sensile Medical AG, Olten/Switzerland, (Sensile Medical) for a purchase consideration of mEUR 335.2. Sensile Medical forms the basis of the new Advanced Technologies business segment, which relates to development and production of intelligent systems for administering drugs.

Besides the partial amount of mEUR 160.6 paid on 17 July 2018 in respect of the redemption of loans payable totaling mEUR 12.7 and a fixed payment of mEUR 24.8 due in December 2018, the purchase agreement provides for further contingent elements of the purchase consideration depending on the contractually defined milestones to be reached until the end of 2020. The measurement of these contingent purchase consideration payments is based on the Executive Board's assessment that all milestones will be reached and further payments up to a non-discounted amount totaling mEUR 149.8 will consequently fall due.

At the time of acquisition, the acquired assets and liabilities are recognized at the fair values which were determined by means of a purchase consideration allocation carried out by an external expert engaged by Gerresheimer. The goodwill recognized is the portion of the goodwill which is not allocated to the assets and liabilities acquired as part of the purchase consideration allocation. After the net working capital and net debt adjustments contractually agreed in the fourth quarter of 2018, this portion is mEUR 5.0. In addition, intangible assets totaling mEUR 420.3 were recognized as part of the purchase consideration allocation. These mainly relate to technologies, accounting for mEUR 394.9. The core technologies have been patented.

The balance sheet presentation of the acquisition of Sensile Medical was of most significance in our audit because, especially for the identified technologies, there are no market values; therefore, complex, assumption-based valuation models were used in determining the fair values. The result of the valuation depends to a large extent on the forecasted future cash flows as well as on the capital cost rates used and involves a high degree of uncertainty on account of the existing related judgments. In addition, there is a risk that the comprehensive disclosures in the notes to the consolidated financial statements required to be made under IFRS 3 are incomplete or inappropriate.

The Company's disclosures on the acquisition of Sensile Medical are presented in Note 2 of the notes to the consolidated financial statements as well as in the section concerning the financial and cash position in the group management report.

b In auditing the balance sheet presentation of the acquisition of Sensile Medical, we inspected, audited and assessed the contractual agreements. As part of this, we reconciled, among other things, the proportionate purchase consideration previously paid by Gerresheimer with the supporting evidence of the payments made which had been made available to us.

In auditing the preliminary purchase consideration allocation, we assured ourselves beforehand of the qualification and the objectivity of the external expert engaged for this purpose by Gerresheimer. Supported by our internal valuation experts, we assessed the appropriateness of the valuation models and methods applied. We assessed the reasonableness of the assumptions included in the Executive Board's planning on the basis of market expectations and due diligence reports and at meetings with the Executive Board and the external expert. Our related focus was on auditing the identification and valuation of the technologies recognized and their value-driving factors. Major value-driving factors are especially the term of the underlying patents and the useful lives of the respective technologies.

Furthermore, we audited the completeness of the disclosures in the notes to the financial statements required to be made under IFRS 3 by means of checklists.

2 Recoverability of goodwill

a In the consolidated financial statements of Gerresheimer AG, goodwill totaling mEUR 670.6 (24.6% 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 Company's disclosures on goodwill are included in Notes 5 and 18 of the notes to the consolidated financial statements.

b As part of our audit, we verified, among other things, the methodical procedure for performing the impairment tests, assessed the determination of weighted capital costs, and, calling in our valuation experts, assessed the method of computing the impairment test. We assured 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.

3 Deferred taxes on deductible temporary differences and on loss carryforwards

a In the consolidated financial statements of Gerresheimer AG, deferred tax assets totaling mEUR 19.5 net of deferred tax liabilities (before netting mEUR 57.3; of which mEUR 21.9 related to tax loss carryforwards) are disclosed in the group balance sheet. No deferred tax assets were recognized in relation to tax loss carryforwards totaling mEUR 75.4 because these arose at a time prior to the establishment of a group taxation relationship (mEUR 15.2) or are not expected to be realized within the next five years (mEUR 60.2). 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 Company's disclosures on deferred taxes are included in Notes 5, 15 and 23 of the notes to the consolidated financial statements.

b 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 Company concerning the future tax income situation of the respective Company 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.

4 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 Company 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 -22.0. 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. These one-off income and expenses of Gerresheimer include severance pay for the Executive Board, refinancing costs, costs related to major workforce reduction and restructurings (structural and strategic) which do not meet the strict criteria of IAS 37, costs of acquisitions (until the time of acquisition) and disinvestments, costs related to Gerresheimer's history, such as, for instance, arbitration court proceedings, and findings of government tax audits. 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 -14.5) and to the negative balance of one-off expenses and income (mEUR -5.9).

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 sections "Overview of business development", "Revenue trend", "Results of operations", "Net assets", "Financial and cash position" of the group management report.

ⓑ 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.

Other information

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

- the section "Non-financial group statement pursuant to Section 315b German Commercial Code (HGB)" of the group management report,
- the group statement on corporate governance pursuant to Section 315d German Commercial Code (HGB) 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 Section 315 (1) Sentence 5 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 Section 315e (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 consolidated financial statements and the findings of the audit, is in accordance with the German legal regulations, and appropriately presents the opportunities and risks of future development, as well as to issue an 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 Section 315e (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 25 April 2018 to audit the consolidated financial statements. We were engaged by the Supervisory Board on 6 September 2018. 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, 4 February 2019

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: André Bedenbecker	Signed: René Kadlubowski
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

SUPERVISORY BOARD AND MANAGEMENT BOARD

SUPERVISORY BOARD

Financial year 2018

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

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

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

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

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

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

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

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

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

Katja Schnitzler
Group Director Business Excellence and Continuous Improvement of Gerresheimer AG

Theodor Stuth
Auditor and Certified Tax Advisor
b) 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
Navigo GmbH (Chairman) (since December 1, 2017)
OncoBeta International GmbH (Chairman) (since December 1, 2017)
OncoBeta GmbH (Chairman) (since December 1, 2017)
Paschal India Pvt. Ltd., India (Chairman)

a) Membership in Supervisory Boards according to German legal regulations
b) Membership in comparable domestic and foreign control boards of economic enterprises

MANAGEMENT BOARD

Financial year 2018

Dietmar Siemssen (since November 1, 2018)
Chairman of the Management Board
a) BFC Fahrzeugteile GmbH

Rainer Beaujean
Speaker of the Management Board
(from February 5, 2018 until October 31, 2018)
a) Gerresheimer Tettau GmbH (Deputy Chairman)
Gerresheimer Regensburg GmbH (Deputy Chairman)
Gerresheimer Bünde GmbH (Deputy Chairman) (since April 16, 2018)
b) Gerresheimer Glass Inc., USA (Chairman)
Corning Pharmaceutical Packaging LLC, USA (Chairman)
(since February 10, 2018)
Gerresheimer Momignies S.A., Belgium (until February 15, 2018)
Sensile Medical AG, Switzerland (since August 8, 2018)
Kimble Chase Holding LLC, USA (Chairman)
Centor US Holding Inc., USA
Centor Inc., USA
Centor Pharma Inc., USA

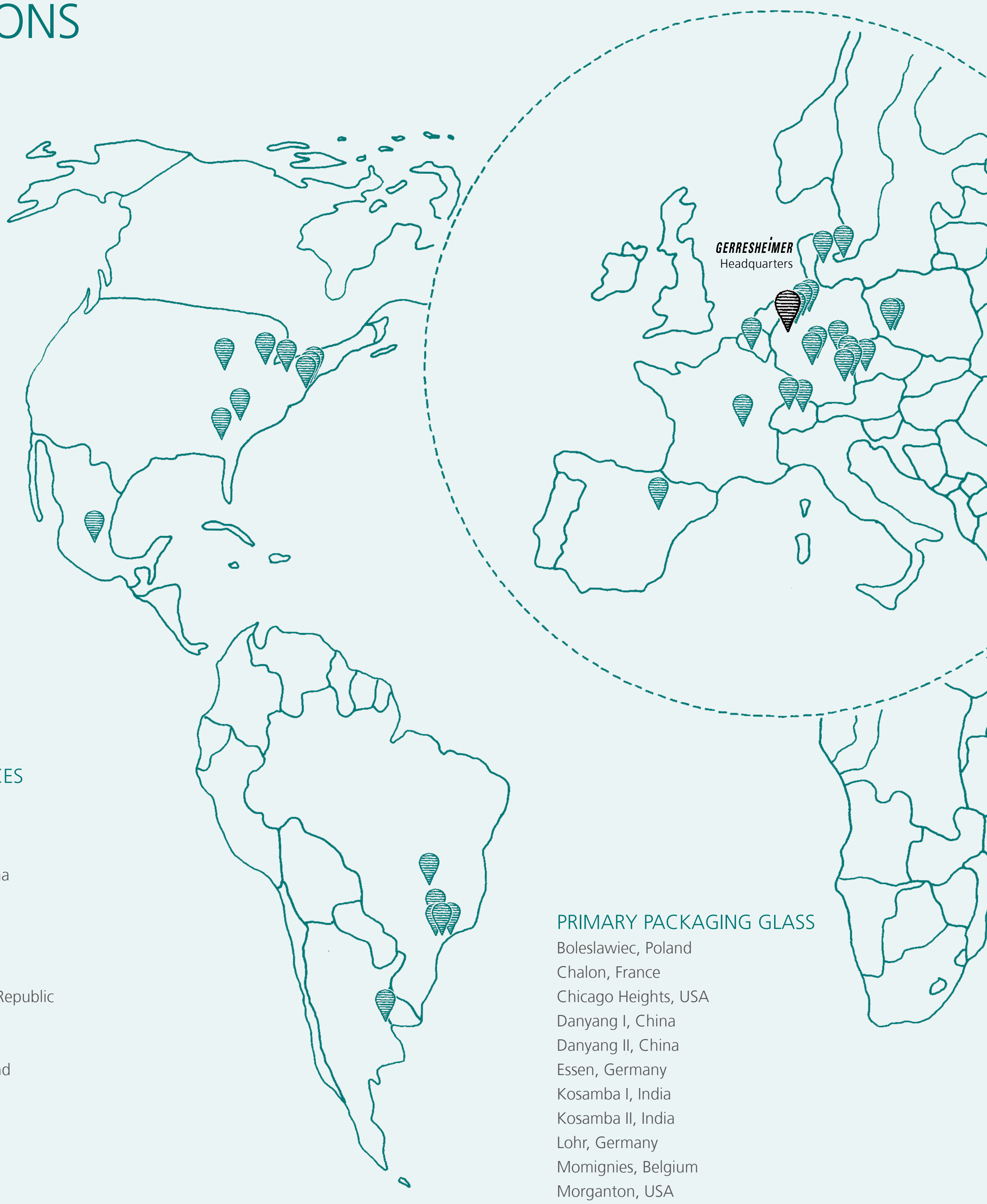
Dr. Christian Fischer (until February 5, 2018)
Chairman of the Management Board
a) Gerresheimer Tettau GmbH (Chairman) (until February 9, 2018)
Gerresheimer Regensburg GmbH (Chairman) (until February 9, 2018)
b) Gerresheimer Glass Inc., USA (Chairman) (until February 10, 2018)
Gerresheimer Queretaro S.A., Mexico (Chairman)
(until February 9, 2018)
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang)
Co. Ltd., China (Chairman) (until February 10, 2018)
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang)
Co. Ltd., China (Chairman) (until February 10, 2018)
Corning Pharmaceutical Packaging LLC, USA (until February 10, 2018)

Dr. Lukas Burkhardt (since January 1, 2018)
a) Gerresheimer Tettau GmbH (Chairman) (since February 10, 2018)
b) Gerresheimer Momignies S.A., Belgium (Chairman)
(since February 15, 2018)
Gerresheimer Glass Inc., USA (since February 10, 2018)
Corning Pharmaceutical Packaging LLC, USA (since February 10, 2018)
Gerresheimer Queretaro S.A., Mexico (Chairman)
(since February 9, 2018)
Gerresheimer Pharmaceutical Packaging Mumbai Pvt. Ltd., India
(since June 30, 2018)
Neutral Glass and Allied Industries Pvt. Ltd., India (since June 30, 2018)
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang)
Co. Ltd., China (Chairman) (since February 10, 2018)
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang)
Co. Ltd., China (Chairman) (since February 10, 2018)

Andreas Schütte
a) Gerresheimer Regensburg GmbH (Chairman)
Gerresheimer Bünde GmbH (Chairman) (since April 16, 2018)
b) Gerresheimer Denmark A/S, Denmark (Chairman)
Gerresheimer Vaerloese A/S, Denmark (Chairman)
Gerresheimer Zaragoza S.A., Spain (Deputy Chairman)
Gerresheimer Plasticos Sao Paulo Ltda., Brazil
Gerresheimer Boleslawiec S.A., Poland (Chairman)
Sensile Medical AG, Switzerland (Chairman) (since August 8, 2018)
Triveni Polymers Pvt. Ltd., India
Centor US Holding Inc., USA (Chairman)
Centor Inc., USA (Chairman)
Centor Pharma Inc., USA (Chairman)

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

Anapolis, Brazil
Berlin, USA
Boleslawiec, Poland
Buenos Aires, Argentina
Buende, Germany
Changzhou, China
Dongguan City, China
Haarby, Denmark
Horsovsky Tyn, Czech Republic
Indaiatuba, Brazil
Kundli, India
Kuessnacht, Switzerland
Muenster, Germany
New Delhi, India
Peachtree City, USA
Perrysburg, USA
Pfreimd, Germany
Regensburg, Germany
Sao Paulo Butanta, Brazil
Sao Paulo Cotia, Brazil
Sao Paulo Embu, Brazil
Singapore, Singapore
Vaerloese, Denmark
Wackersdorf, Germany
Zaragoza, Spain

PRIMARY PACKAGING GLASS

Boleslawiec, Poland
Chalon, France
Chicago Heights, USA
Danyang I, China
Danyang II, China
Essen, Germany
Kosamba I, India
Kosamba II, India
Lohr, Germany
Momignies, Belgium
Morganton, USA
Mumbai, India
Queretaro, Mexico
Tettau, Germany
Vineland, USA
Vineland Crystal Avenue, USA
Vineland Forest Grove, USA
Wertheim, Germany
Zhenjiang, China

HEADQUARTERS

ADVANCED TECHNOLOGIES
Olten, Switzerland

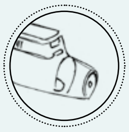
Duesseldorf, Germany (Gerresheimer AG)

As of November 30, 2018

PRODUCT OVERVIEW BY DIVISION

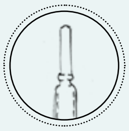
PLASTICS & DEVICES

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.



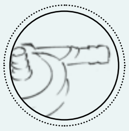
DRUG DELIVERY SYSTEMS

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.

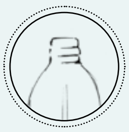


MEDICAL TECHNOLOGY PRODUCTS

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.

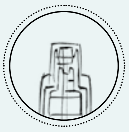
CONTAINERS FOR SOLID DOSAGE

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

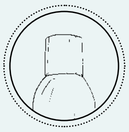
Gerresheimer also produces special plastic-based vials for eye drops and nasal sprays. These user-friendly containers, which can be complemented by different drop, spray or pump system components, facilitate precise drug dosage and application.

CONTAINERS FOR PARENTERAL APPLICATIONS: 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.

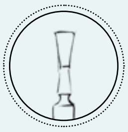


CONTAINERS FOR COSMETICS

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

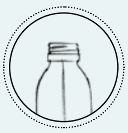
An ampoule is a sealed container made of tubular glass in standardized ISO types. In the case of pharmaceutical ampoules, a distinction is made between various break-open methods such as the One Point Cut, Color Break and Score Ring procedures.

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.

ADVANCED TECHNOLOGIES

With the acquisition of Swiss tech company Sensile Medical, we paved the way in 2018 for our third division: the development and manufacture of intelligent drug delivery systems.

In this division, we offer pharmaceutical and biotech companies drug delivery systems with state-of-the-art digital and electronic capabilities. Its portfolio currently comprises patented micro pumps, which are used to self-administer medication for diabetes or Parkinson's, for example.

DRUG DELIVERY PRODUCTS

Gerresheimer's subsidiary Sensile Medical develops innovative drug delivery products and platforms with digital and electronic capabilities for pharmaceutical and biotech customers. These are used to self-administer liquid drugs for a wide variety of applications, e.g. by patients with diabetes or Parkinson's.

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.

Digital interface
Sensile Medical products offer interfaces for transferring data to an app or protected clouds. Patients can be reminded to take their drugs or maintain an electronic diary, for example. This allows doctors to monitor the drug administration history. And frees patients of the need to keep handwritten records.

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, and are also significantly more break-resistant on the filling line and in lyophilization. They exceed industry standards in cosmetic and dimensional terms.

Gx® ETF vials
Gerresheimer provides easy-to-fill (ETF) vials for use by pharma customers primarily in the US market. Gx® ETF vials are made of type 1 borosilicate glass tubing, washed and sterilized, packed in compatible tubs and sealed. As an option, they can additionally be sterilized with ethylene oxide. Customers only have to open the tubs and place them on the filling line.

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 who 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® 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.

Infusion pump
The infusion pumps made by Gerresheimer's subsidiary Sensile Medical, which are based on micro pump technology, are worn off-body and can be attached to a belt or stored in a small bag, for example. The liquid drug is injected with a standard infusion set. More and more patients who depend on a daily infusion are wearing pumps this way.
› SenseCore micro pump

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
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.

Manufacturing execution system
A manufacturing execution system (MES) makes the oversight, management and monitoring of production possible in real time. The focus is on data exchange among all production stages and on improving information flows during manufacturing. Defects, machine failures, line malfunctions and the like are automatically captured or simply entered into the MES. Everyone else involved is instantly informed without delay. Systematic error capture can boost quality and productivity. Gerresheimer is already using its second-generation MES. In order to make the MES easier to operate, its user interface was developed in collaboration with the key users from various departments and adapted to their needs.

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.

Moulded glass
Moulded 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.

Patch pump
The patch pumps made by Gerresheimer's subsidiary Sensile Medical, which are based on micro pump technology, adhere directly to the skin. One example of their use is with diabetes patients, for whom the doctor initially sets the pump according to the specific therapy. The patient then attaches the pump to his or her stomach or upper arm with an adhesive patch. When the pump starts, the needle integrated into the device is automatically inserted and remains in place for several days. This means patients can get their insulin without daily injections.
› SenseCore micro pump

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.

SenseCore micro pump
SenseCore technology is based on the innovative, patented micro rotary piston pump developed by Gerresheimer's subsidiary Sensile Medical. SenseCore is small, enables very precise dosage and consists of only two plastic parts. Compatible with various liquid drugs, this micro pump is at the heart of Sensile Medical's range of pump platforms. Due to their ability to be operated by patients themselves, these devices improve the lives of people who depend on injection aids. The devices are adjusted to the patients' illness-related complaints, thus ensuring simple, reliable operation.

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 used without authorization. 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

April 11, 2019	Interim Report 1st Quarter 2019
June 6, 2019	Annual General Meeting 2019
July 11, 2019	Interim Report 2nd Quarter 2019
October 10, 2019	Interim Report 3rd Quarter 2019

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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

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Kirchhoff Consult AG, Hamburg, Germany

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Gerresheimer AG, Duesseldorf, Germany

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Claudia Kempf, Wuppertal, Germany
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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.

MULTI-YEAR OVERVIEW

Financial Year-end November 30	2018	2017	Change in %[7]	2016	2015	2014	2013
Results of Operations during Reporting Period in EUR m							
Revenues	**1,367.7**	1,348.3	1.4	1,375.5	1,282.9[11]	1,207.9[11]	1,185.3[11]
Adjusted EBITDA[1]	**298.6**	310.8	-3.9	307.8	262.6[11]	241.0[11]	238.4[11]
in % of revenues	**21.8**	23.1	–	22.4	20.5[11]	20.0[11]	20.1[11]
Adjusted EBITA[2]	**202.1**	219.5	-7.9	220.9	178.1[11]	155.1[11]	156.4[11]
in % of revenues	**14.8**	16.3	–	16.1	13.9[11]	12.8[11]	13.2[11]
Results of operations	**139.5**	180.8	-22.9	180.5	182.0[11]	120.7[11]	124.8[11]
Adjusted net income[3]	**180.3**	130.0	38.7	130.4[9]	117.7[12]	97.9[12]	103.5[12]
Net Assets as of Reporting Date in EUR m							
Total assets	**2,730.9**	2,444.1	11.7	2,374.3	2,419.4	1,655.9	1,615.8
Equity	**890.1**	789.5	12.7	763.3	698.1	604.4	563.4
Equity ratio in %	**32.6**	32.3	–	32.1	28.9	36.5	34.9
Net working capital	**202.7**	185.7	9.1	200.3	213.7	233.1	201.9
in % of revenues of the last twelve months	**14.8**	13.8	–	14.6	16.7[11]	19.4[11]	17.1[11]
Capital expenditure	**114.7**	118.6	-3.2	113.2	125.8	126.6	119.1
Net financial debt	**886.4**	712.7	24.4	788.2	877.5	423.8	416.6
Adjusted EBITDA leverage[4]	**3.1**	2.3	–	2.6	2.9	1.7	1.7
Financial and Liquidity Position during Reporting Period in EUR m							
Cash flow from operating activities	**173.4**	219.2	-20.8	173.5	203.8	158.3	146.7
Cash flow from investing activities	**-286.9**	-112.1	> 100.0	7.9	-600.1	-125.0	-168.6
thereof: Cash paid for capital expenditure	***-114.6***	*-116.5*	*-1.7*	*-110.7*	*-125.8*	*-125.6*	*-119.0*
Free cash flow before financing activities	**-113.5**	107.1	> -100.0	181.3	-396.3	33.3	-21.9
Employees							
Employees as of the reporting date	**9,890**	9,749	1.4	9,904	10,684	11,096	11,239
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	**62.90**	67.06	-6.2	68.85	73.90	44.44	49.67
Market capitalization at reporting date in EUR m	**1,975.1**	2,105.7	-6.2	2,161.9	2,320.5	1,395.4	1,559.6
Share price high[5] during reporting period in EUR	**79.80**	78.01	2.3	76.86	76.32	56.42	50.14
Share price low[5] during reporting period in EUR	**59.75**	61.03	-2.1	57.10	41.99	42.31	37.60
Earnings per share in EUR	**4.11**	3.21	28.0	3.87	3.32	2.11	1.98
Adjusted earnings per share[6] in EUR	**5.67**	4.06	39.7	4.07[10]	3.41[12]	2.89[12]	3.08[12]
Dividend per share in EUR	**1.15**[8]	1.10	4.5	1.05	0.85	0.75	0.70

1) Adjusted EBITDA: 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.
2) Adjusted EBITA: Net income 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: Net income before non-cash amortization of fair value adjustments, non-recurring effects of restructuring expenses, portfolio adjustments, the balance of one-off income and expenses—including significant non-cash expenses—and related 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 per share after non-controlling interests divided by 31.4m shares.
7) Change calculated on a EUR k basis.
8) Proposed appropriation of retained earnings.
9) Adjusted net income from continuing operations.
10) Adjusted earnings per share after non-controlling interests.
11) Retrospective restatement due to the sale of the Life Science Research Division and related classification as discontinued operation.
12) Including the Life Science Research Division sold in 2016.

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	**2018**	2017	Change in %[4]
Revenues at constant exchange rates[1], [2]	**777.9**	757.2	2.7
Revenues[1]	**751.3**	757.2	-0.8
Adjusted EBITDA at constant exchange rates[2], [3]	**210.9**	215.2	-2.0
Adjusted EBITDA[3]	**203.0**	215.2	-5.7
in % of revenues	**27.0**	28.4	–
Capital expenditure	**64.7**	70.9	-8.7

› Primary Packaging Glass

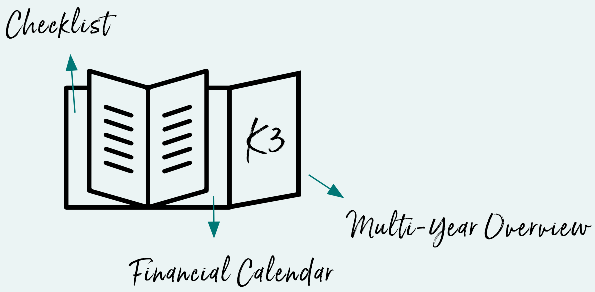
The Primary Packaging Glass Division produces glass primary packaging for medicines and cosmetics, such as pharma jars, ampoules, injection vials, cartridges, perfume flacons and cream jars.

in EUR m	**2018**	2017	Change in %[4]
Revenues at constant exchange rates[1], [2]	**617.6**	592.0	4.3
Revenues[1]	**605.2**	592.0	2.2
Adjusted EBITDA at constant exchange rates[2], [3]	**116.2**	116.0	0.3
Adjusted EBITDA[3]	**114.7**	116.0	-1.1
in % of revenues	**19.0**	19.6	–
Capital expenditure	**47.8**	41.3	15.6

› Advanced Technologies (established as of June 30, 2018)

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

in EUR m	**2018**	2017	Change in %[4]
Revenues at constant exchange rates[1], [2]	**12.9**	–	–
Revenues[1]	**12.9**	–	–
Adjusted EBITDA at constant exchange rates[2], [3]	**3.0**	–	–
Adjusted EBITDA[3]	**3.0**	–	–
in % of revenues	**23.0**	–	–
Capital expenditure	**0.5**	–	–



[1] Revenues by division include intercompany revenues.
[2] Translated at budget rates 2018, which are equivalent to the average rates of the financial year 2017 and can be found in Note (4) of the consolidated financial statements.
[3] Adjusted EBITDA: 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.
[4] The change has been calculated on a EUR k basis.