Annual Report 2019

OUR FOUNDATION

FOR GROWTH

Multi-Year Overview

Financial Year-end November 30	2019	2018	Change in %[7]	2017	2016	2015	2014
Results of Operations during Reporting Period in EUR m							
Revenues	**1,392.3**	1,367.7	1.8	1,348.3	1,375.5	1,282.9[11]	1,207.9[11]
Adjusted EBITDA[1]	**400.0**	298.6	34.0	310.8	307.8	262.6[11]	241.0[11]
in % of revenues	**28.7**	21.8	–	23.1	22.4	20.5[11]	20.0[11]
Adjusted EBITA[2]	**294.6**	202.1	45.8	219.5	220.9	178.1[11]	155.1[11]
in % of revenues	**21.2**	14.8	–	16.3	16.1	13.9[11]	12.8[11]
Results of operations	**123.8**	139.5	-11.3	180.8	180.5	182.0[11]	120.7[11]
Adjusted net income[3]	**227.7**	180.3	26.3	130.0	130.4[9]	117.7[12]	97.9[12]
Net Assets as of Reporting Date in EUR m							
Total assets	**2,641.2**	2,730.9	-3.3	2,444.1	2,374.3	2,419.4	1,655.9
Equity	**941.6**	890.1	5.8	789.5	763.3	698.1	604.4
Equity ratio in %	**35.6**	32.6	–	32.3	32.1	28.9	36.5
Net working capital	**183.0**	202.7	-9.7	185.7	200.3	213.7	233.1
in % of revenues of the preceding twelve months	**13.1**	14.8	–	13.8	14.6	16.7[11]	19.4[11]
Capital expenditure	**185.4**	114.7	61.6	118.6	113.2	125.8	126.6
Net financial debt	**942.7**	886.4	6.4	712.7	788.2	877.5	423.8
Adjusted EBITDA leverage[4]	**2.4**	3.1	–	2.3	2.6	2.9	1.7
Financial and Liquidity Position during Reporting Period in EUR m							
Cash flow from operating activities	**192.9**	173.4	11.2	219.2	173.5	203.8	158.3
Cash flow from investing activities	**-203.2**	-286.9	-29.2	-112.1	7.9	-600.1	-125.0
thereof cash paid for capital expenditure	***-163.9***	*-114.6*	*43.1*	*-116.5*	*-110.7*	*-125.8*	*-125.6*
Free cash flow before financing activities	**-10.3**	-113.5	-90.9	107.1	181.3	-396.3	33.3
Employees							
Employees as of the reporting date (total)	**9,872**	9,890	-0.2	9,749	9,904	10,684	11,096
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	**66.75**	62.90	6.1	67.06	68.85	73.90	44.44
Market capitalization at reporting date in EUR m	**2,096.0**	1,975.1	6.1	2,105.7	2,161.9	2,320.5	1,395.4
Share price high[5] during reporting period in EUR	**74.00**	79.80	-7.3	78.01	76.86	76.32	56.42
Share price low[5] during reporting period in EUR	**51.80**	59.75	-13.3	61.03	57.10	41.99	42.31
Earnings per share in EUR	**2.57**	4.11	-37.5	3.21	3.87	3.32	2.11
Adjusted earnings per share[6] in EUR	**7.19**	5.67	26.8	4.06	4.07[10]	3.41[12]	2.89[12]
Dividend per share in EUR	**1.20[8]**	1.15	4.3	1.10	1.05	0.85	0.75

[1] Adjusted EBITDA: Net income before income taxes, net finance expense, amortization/impairment losses 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/impairment losses of fair value adjustments, impairment losses, restructuring expenses, and one-off income and expenses.
[3] Adjusted net income: Net income before amortization/impairment losses of fair value adjustments, restructuring expenses, portfolio adjustments, the balance of one-off income and 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] The change has been calculated on a EUR k basis.
[8] Proposed appropriation of net 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 in 2016 sold Life Science Research Division.

About us

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.

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Our Management Board

From left to right:

Dr. Bernd Metzner

Chief Financial Officer (since May 15, 2019)

Career
Born in 1970 / diploma and doctorate in business administration / started career at a law firm / various positions in finance at Bayer from 2002 to 2011, including CFO of Bayer Italy and Global CFO of the Pharmaceuticals Division / CFO of the Döhler Group from 2011 to 2014 / CFO of Ströer SE & Co. KGaA from 2014 to April 2019 / CFO of Gerresheimer AG as of May 2019 / currently appointed to the Management Board until May 2022

Dietmar Siemssen

Chief Executive Officer,
as of March 1, 2019 also responsible for Plastics & Devices and Advanced Technologies

Career
Born in 1963 / degree in industrial engineering / 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

Dr. Lukas Burkhardt

Member of the Management Board,
responsible for Primary Packaging Glass

Career
Born in 1979 / Master of Science, doctorate 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 since 2018 / currently appointed to the Management Board until December 2025

"As a team, we paved the way to getting Gerresheimer fit for the future and setting the Company firmly on the path to growth."

DIETMAR SIEMSSEN,
CHIEF EXECUTIVE OFFICER

INTERVIEW WITH OUR MANAGEMENT BOARD

Mr. Siemssen, how do you look back on your first full year as Gerresheimer CEO?
DIETMAR SIEMSSEN: 2019 was a demanding year that involved a lot of hard work. It wasn't always easy, and the growth we achieved did not meet our aspirations. What's important is that in 2019, we laid the fundament for our growth for the years to come. Sustainable growth is more than just a new order on the books. The entire organization must be geared toward growth. Customer orientation, excellence, innovation and team spirit give the Company the dynamism we need to successfully achieve our goals. It's good that we are now complete in the Management Board. All of us are pulling together to work on the matters at hand and drive them forward. In 2019, we invested a record amount of some EUR 185m worldwide, which equals more than 12% of revenues, thus setting the course for growth, increased capacity, optimum processes, digitalization and quality.

Mr. Metzner, you have been CFO since May 2019. What are your initial conclusions?
DR. BERND METZNER: Gerresheimer is a very well positioned, truly global company. It has a strong operating base, a very broad and innovative product portfolio, good relationships with customers and, last but not least, a very solid financial foundation and good financial structures. During these first few months, I have already been able to learn a lot about the Company and our employees. I received an excellent reception from the Management Board team and the entire staff.

What trends do you see for the next few years in the pharma industry and what role can Gerresheimer play?
DIETMAR SIEMSSEN: Three important trends stand out. Firstly, the pharma industry expects systems and all-in solutions up to and including services that give them added value while lowering their costs. That opens up new opportunities for us to play our part in a greater value chain. And that brings me to the second trend, which is the increasing importance of biotech drugs. This is a field that calls for special products and solutions to meet the exacting requirements. With our broad product portfolio, we offer them all. Notably small and medium-sized biotech companies value our services such as qualified product support for the various clinical phases as well as regulatory and qualification consulting.

Another trend is the increasing focus on patients, which brings with it the need to make self-medication easy and safe as well as to provide data. To that end, we are developing intelligent, connected drug delivery devices and pharmaceutical primary packaging. These may take the form of all-in solutions, platforms and modular systems. One example is our patented micro pump system, which constitutes an excellent solution for many types of therapeutic treatment. This way, we deliver tangible added value in the provision of efficient, state-of-the-art solutions for self-medication and compliance with drug regulations. Patients, doctors, hospitals and health insurance providers get reliable data. This enhances patients' health and well-being while keeping healthcare costs under control.

DR. LUKAS BURKHARDT: Our pharma customers want to prevent health risks for patients. Hence the rising demand for the perfect primary packaging that guarantees the pristine condition of the medication. Pharma companies are increasingly moving toward zero-defect manufacturing and, as a primary packaging provider, we are doing the same. We are constantly expanding our quality offerings so we can offer our customers the best solutions. That applies not only to improving product quality but to all other processes as well, such as product qualification and technical services, product development, regulatory support through to advice on filling processes.

Dr. Bernd Metzner, Chief Financial Officer

"We will propose to the AGM a dividend of EUR 1.20 per share – five euro cents more than in the previous year."

You mentioned the record level of investment. What has the EUR 185m been used for?

DIETMAR SIEMSSEN: We invested in growth and innovation projects, as well as in improving our processes, in digitalization and in enhancing capacity. This makes us more agile, better and more competitive. We have further expanded our global footprint to enhance our presence in fast-growing markets and built up new plastic pharmaceutical packaging plants in India and China. Another of our investments is a major plant in Skopje, North Macedonia, that will produce medical plastic systems and syringes. We are further expanding our syringe competence center in Buende, Germany, and investing in the latest technologies.

LUKAS BURKHARDT: There has also been a lot going on at Primary Packaging Glass. At the Essen plant, we built a new state-of-the-art furnace and invested heavily in robotics, automation and inspection systems. Our capacity for high-quality products such as Elite Glass and RTF vials has also been further expanded. In the two cosmetic glass plants, we are continually adding to our range of decoration and finishing technologies. We are installing intelligent machine control and networking systems in all glass plants to improve quality.

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

"We are constantly expanding our quality offerings so we can deliver the best package to our customers."

Innovation plays a key role in many industries. What about innovation at Gerresheimer?

DIETMAR SIEMSSEN: Quality and innovation are the No. 1 criteria for us and for our customers. Our well stocked innovation pipeline is set to grow in the coming years. To give you a few examples: We have developed highly sophisticated syringe systems that are especially well suited to new drugs produced using biotechnology. Depending on the application, we offer such syringes made from glass or high-performance plastic. We provide cutting-edge syringe protection systems for doctors' and health personnel's safety, child-resistant closures for medication packaging and much more besides. Our product portfolio is also impressive in terms of sustainability: We are able to produce primary packaging from bioplastics instead of conventional resin and use recycled plastic in our products.

LUKAS BURKHARDT: In the glass sector, we traditionally use a very high proportion of cullet in the glass melt, which makes an important contribution to conserving resources and reducing emissions. Now, we have also made the breakthrough in the cosmetic glass sector. Drawing on innovative processes, we have increased the proportion of recycled glass in the glass melt to 35%, while maintaining high quality. This has been very well received by our cosmetics customers. Among our pharma customers, our highly break-resistant Elite Glass, prefillable, sterile injection vials and surface-treated, strengthened pharmaceutical vials are the innovations currently most in demand.

DIETMAR SIEMSSEN: At our major customer event held annually in the USA in fall, we presented our broad product portfolio with its innovative solutions, all of which met with great interest from our customers.

LUKAS BURKHARDT: To mark this customer event, we opened our new Glass Innovation and Technology Center in Vineland—an important milestone in driving future innovations in Primary Packaging Glass. Going forward, we will be harnessing our pooled competencies there to develop and test innovative glass products as well as new process and inspection technologies before deploying them at the production plant next door. We will also offer laboratory services. Besides product innovation, it is important not to underestimate the need for innovative manufacturing processes. We have already mentioned the increasing role of digitalization. Self-regulating processes enhance our quality and processing capabilities in our production systems for syringes, glass or plastic pharmaceutical packaging and

"We have a well stocked innovation pipeline."

Dietmar Siemssen, Chief Executive Officer

drug delivery devices. By the same token, digitalization will become part of the products themselves by intelligently connected devices.

News of Gerresheimer's most recent acquisition, Sensile Medical, was mixed in 2019. What's the status?
DIETMAR SIEMSSEN: The new micro pump technology is highly innovative and suitable for a wide range of applications. I firmly believe that in the next few years, these micro pumps will feature in the most varied therapeutic fields. While we suffered a setback in 2019 with the cancellation of customer orders, which is not good, the micro pump is nevertheless already being used successfully by Parkinson's patients and is making life much easier for seriously ill people. We have won a new project for heart failure therapy. Step by step, the project pipeline is filling up with other interesting therapeutic fields. And it's not just the micro pump business that we are proud of. All of our products improve patients' lives and contribute significantly to people's health and well-being.

One of our core competencies is our process and industrialization expertise when it comes to complex systems. This complements Sensile's innovation and product development know-how perfectly. Together, we will develop tomorrow's innovative, connected drug delivery systems as well as successfully putting them into production. Although the uptick in growth will kick in somewhat later than originally planned, it will still make a significant contribution to our Company's long-term development.

How was 2019 from a financial perspective?
BERND METZNER: As Dietmar Siemssen has already said, we fell short of our capabilities regarding the revenue growth recorded. The roughly EUR 185m in capital expenditure has been put to good use in numerous growth projects. I would also like to mention the successful refinancing in fall 2019. We replaced the old financing, increased the credit line, negotiated better terms and saved on financing costs.

What does the 2019 result mean for the dividend?
BERND METZNER: The Management Board and Supervisory Board will propose to the Annual General Meeting a dividend of EUR 1.20 per share—five euro cents more than in the previous year. This means our shareholders will enjoy a fair share of the Company's success.

What are the plans for 2020 and beyond?
DIETMAR SIEMSSEN: We will return to growth in 2020, thus embarking on our sustainable growth path. This is the direction we want to move the Company in. We have set ourselves a target for revenue growth in the mid single-digit percentage range. In view of the many promising growth projects in the pipeline, we will continue to invest at a very high level in 2020 in order to ready ourselves for the future.

As far as growth is concerned, the strategy process we launched in 2019 will kick in. In a series of intensive workshops, the Management Board and senior managers from across all business units, regions and functions worked hand in hand on a strategy with ambitious targets and specific measures for 2020. The following spheres of activity are important for us: growth, innovation, excellence and leadership. These then feed into our corporate goals: profitable, sustainable growth, driving innovation forward, excellence in all aspects of our business and actively living and breathing our values. Sustainable action has also been defined as one of our strategic goals, which means we embrace our social and environmental responsibilities and actively put them into practice. A large number of strategic and operational projects aimed at continuously improving and moving Gerresheimer forward will help us reach these long-term goals. In this way, we will take a step-by-step approach to tapping into and implementing more growth.

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

CLEAR FOCUS ON THE FUTURE

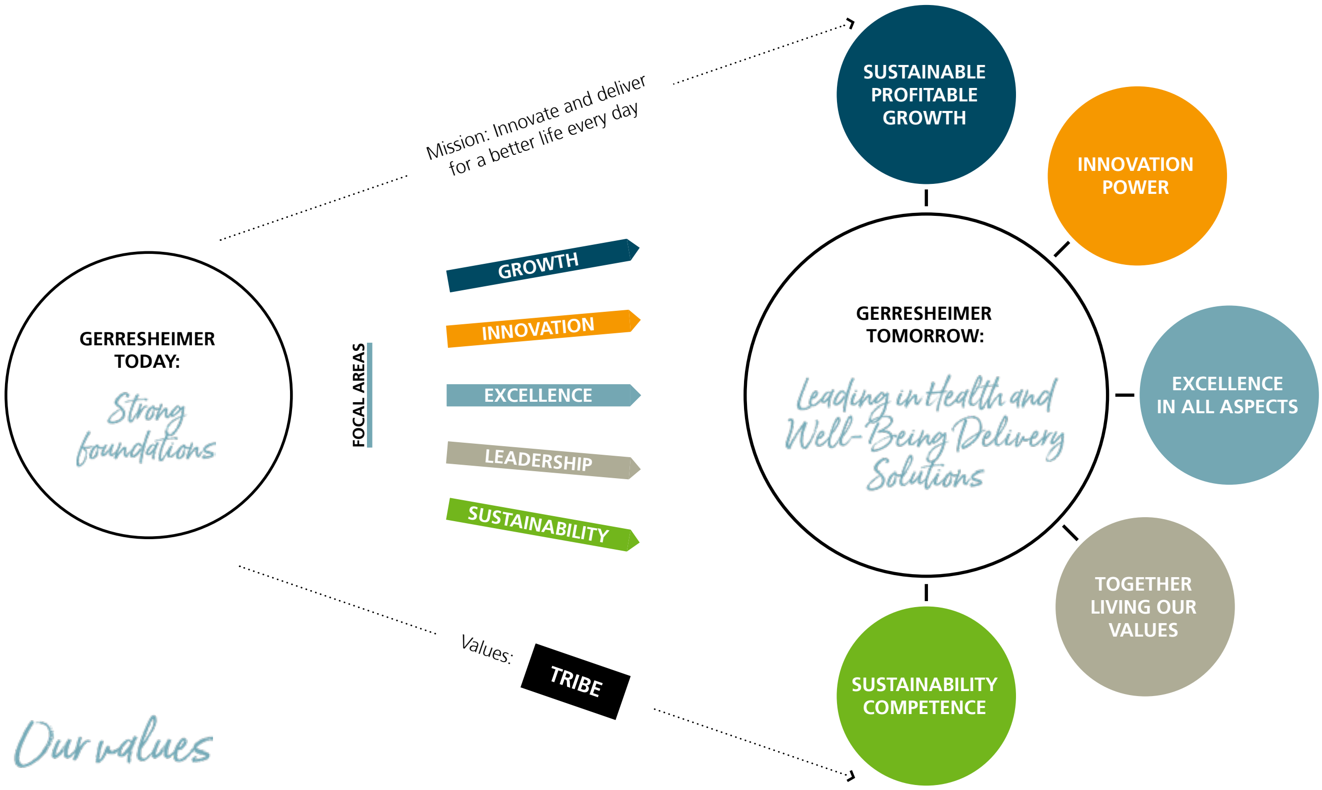
Our new Management Board launched an internal strategy process in 2019. A 20-strong group composed of experienced managers and the Management Board analyzed the current situation, megatrends, customers and markets as well as our growth opportunities. Our vision, mission and values were updated. On this basis, five ambitious medium and long-term goals were agreed, with a focus on our overarching target of achieving profitable, sustainable growth.

Our strong mission

INNOVATE AND DELIVER FOR A BETTER LIFE EVERY DAY

Our clear vision

LEADING IN HEALTH AND WELL-BEING DELIVERY SOLUTIONS



Our values

- › **T**eamwork
- › **R**esponsibility
- › **I**ntegrity
- › **B**old Innovation
- › **E**xcellence

TRIBE

THE STRATEGIC GOALS

We have set medium and long-term strategic goals:

1. PROFITABLE, SUSTAINABLE GROWTH PAGE 10

We target profitable, sustainable growth.

Essential building blocks for this are:
› Innovative products and services
› Unlocking new customers and markets such as biotech drugs
› Increasing revenues with existing customers
› Growth in emerging markets
› Targeted acquisitions

2. DRIVING INNOVATION — A CULTURE OF INNOVATION IN ALL AREAS OF OUR COMPANY PAGE 12

The pharmaceutical and healthcare market will be marked by fundamental changes and new developments over the coming years. We aim to drive forward and actively shape these changes through our innovations. These include innovations in primary packaging products for drugs and cosmetics made from glass and plastic as well as intelligent, connected drug delivery systems for simple and safe drug administration. To this end, we are strengthening the culture of innovation in all areas of our Company. New products and services will play a decisive role in our growth.

3. EXCELLENCE — IN ALL ASPECTS OF OUR BUSINESS PAGE 14

We will only achieve sustainable growth if we have satisfied customers. In all aspects of our business, this calls for production excellence, consistent delivery of high quality products and a customer-centric approach. Our goal is to achieve a clear customer focus. Operational excellence, highest quality and customer satisfaction are measured and tracked by means of key performance indicators and customer surveys.

4. LEADERSHIP — WE LIVE OUR VALUES PAGE 16

Our five corporate values must be lived by all employees at all times in their everyday activities and conduct. Employee satisfaction, their commitment and expertise are the most important drivers of our Company's success.

5. COMPETENCE IN SUSTAINABILITY — ACKNOWLEDGED FOR OUR SOCIAL AND ECOLOGICAL RESPONSIBILITY PAGE 18

As a global manufacturing company, we have a great responsibility with regard to our products, our customers and patients, our employees, partners, suppliers, our neighbors and the environment. Expertise in sustainability focusing on environmental, economic and social responsibility is one of our strategic goals.

In 2019, we invested a record EUR 185 million in growth, innovation and excellence in our Company, significantly paving the way for our future success and profitable, sustainable growth. Over the next few pages, we present the specific measures initiated in 2019 around the themes of growth, innovation, excellence, leadership and sustainability.

PROFITABLE, SUSTAINABLE GROWTH

SKOPJE—CONSTRUCTION OF A NEW PLANT IN NORTH MACEDONIA

Our major plants for medical plastic systems—such as insulin pens, asthma inhalers and medical technology products—in Pfreimd and Horsovsky Tyn (Czech Republic) are operating at high capacity. Expansion in the Czech Republic is in full swing. Yet there are barriers to growth here, also with regard to the availability of skilled employees. We therefore looked at possible locations for a new site in Eastern and South-Eastern Europe before deciding on Skopje, the capital of the young, up-and-coming Republic of North Macedonia. A 12,500 m² plant with cleanroom production space of 7,500 m² is now under construction not far from the airport. There is scope for expansion at any time. Up to 400 employees will work there. Initially, medical plastic systems will be produced, with prefillable syringes to be added at a later date. We will be able to make good use of this capacity in the coming years.

FURNACE CONSTRUCTION IN ESSEN: MAJOR PROJECT IN RECORD TIME

The large furnaces at our glass plants are fully refurbished roughly every ten years. This is a chance to extensively update not only the furnace but also the glass forming and inspection process in line with the latest technology. The Essen plant was due for its upgrade in summer 2019. With the new furnace, we have considerably enhanced the plant's flint glass capacity, added a further production line and increased the capacity of existing lines. The cleanroom has also been expanded, the options for type II glass significantly increased, quality checks updated to state-of-the-art standards, packaging further automated and, in parallel, the entire production process has been digitally networked. This mammoth project was completed and the furnace was up and running again in the space of just eight weeks. A major project in record time!

LOCAL PRODUCTION IN CHINA

In fall 2019, we opened our first Chinese plastic packaging plant in Changzhou. China is well known as a major market for pharmaceutical packaging. We have enjoyed success with glass packaging in that country for many years. Plastic primary packaging will now also be locally produced. The plant received ISO 9001 certification in November, which is a key requirement for both orders and production. The official opening was celebrated shortly after—now things can really get started.

PLASTIC SIDE BY SIDE WITH MOLDED GLASS AND TUBULAR GLASS IN INDIA

We have been successfully producing plastic primary packaging in Kundli (India), not far from New Delhi, since 2013. Given the country's size, a second production site makes complete sense. We have now made this a reality right next door to our plants producing molded glass and tubular glass products in Kosamba in the western province of Gujarat. This means we can use a good deal of the same infrastructure across all production sites. From this location, we will be much better positioned to supply the west of the country; after all, the growth opportunities in India are boundless.

DRIVING INNOVATION

WINDOW ON INNOVATIONS IN GLASS: Gx® ELITE GLASS AND Gx® RTF VIALS

Our Gx® Elite Glass is especially break-resistant. Thanks to our experts in all things glass, including forming and processing, we have created a type of glass that is even better for packaging patient-critical medications than other products made from conventional glass tubing. A major benefit: No new approval is required because the nature of the glass is unchanged. After many very positive trials with customers, it is now being launched on the market. A major American pharma customer has placed the first large order.

There is also positive news regarding the prefillable, sterile injection vials we call Gx® RTF vials. They are already being made in North America, with manufacturing set to expand to Europe as well. Thanks to the benefits we add at so many links in the value chain, the vials reach customers ready for filling—no preprocessing necessary. And customers can choose from among various packaging options the one that best suits their filling process.

FOR TOMORROW'S PHARMA GLASS: OUR NEW INNOVATION CENTER IN THE USA

If you want to succeed tomorrow, you have to innovate today. For many years, we have been running excellent development centers for medical plastic systems and syringes. We have now taken a giant leap forward toward the next generation of pharmaceutical glass. In September 2019, we opened our new innovation and technology center for glass in Vineland, New Jersey (USA). It has brought together in one location all the experts on product development, materials and processes to work hand in hand on the next glass innovations. And they can even collaborate directly with customers on site. We are hiring a significant number of new staff to meet these demands. As an added bonus, the innovations generated here can be tested in production in the plant right next door.

MICRO PUMP—HELPING WITH PARKINSON'S TREATMENT TODAY AND MANY OTHER THERAPIES TOMORROW

Our Swiss subsidiary Sensile Medical has been part of the Gerresheimer family since 2018. They have developed an outstanding micro pump that can get drugs into the bloodstream over longer periods of time in a highly controlled manner. This type of micro pump will make many patients' everyday lives far easier. With certain treatments, it can even eliminate some or all overnight hospital stays. For other applications, it means there's no longer any need for regular injections. And it does all this while ensuring very good reliability and mobility for patients. While doing its job, it also delivers valuable data that helps patients, their doctors and others to tailor the treatment. The micro pump is already being used successfully in Europe, where it benefits many Parkinson's patients. In 2019, we worked with a partner to launch a new project for patients with heart failure. Many other potential applications are in the pipeline.

IF ONLY WE KNEW MORE—RESPIMETRIX FOR INHALATION MEASUREMENT

You wouldn't believe how many asthmatics use their inhaler incorrectly, irregularly or unreliably. Today's inhalers give little or no indication of whether inhalation has been carried out correctly or whether the drug ends up in the mouth instead of the lungs—to say nothing of whether the patient is breathing better. But that's about to change, thanks to the intelligent inhalation monitoring system we are currently developing at our subsidiary respimetrix. This would mean a vast improvement for many millions of patients with asthma or other respiratory illnesses. And for doctors, health insurers and pharma companies as well.

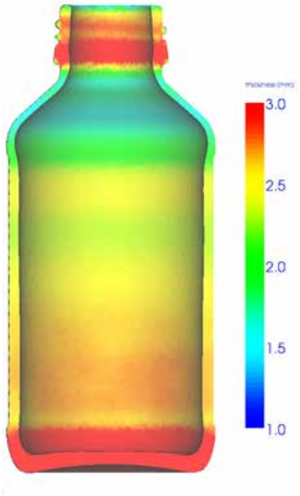
EXCELLENCE IN ALL ASPECTS

YOUNG BIOTECHS, HELP IS HERE!

Most of the new medications in the development pipeline are biotech drugs, i.e. medications made using biotechnology, and they often come from small companies just starting out. Do these companies always know from the get-go what primary packaging is best suited during what phase of clinical trials, and later on the market? Thanks to our broad portfolio of products for safe, innovative and sustainable packaging of biologics, we can help. These include vials made from break-resistant Gx® Elite Glass or surface-tempered glass, as well as sterilized, prefillable vials. And COP syringes to meet even the highest demands, metal-free glass syringes and many other products. But we don't stop there. Our team of specialists also advises biotechs on issues such as approval and regulatory processes, lab services and much more besides. All-inclusive, so to speak.

DIGITALIZATION—INTELLIGENT PRODUCTION AND INTELLIGENT PRODUCTS

When you look at our products, you can't always see the complex, multi-tiered production and inspection that go into them. Harnessing the opportunities digitalization unlocks is very important in all our plants. We have already digitally networked all machines, production steps and machine operators in many of our glass plants, and the rollout continues. It's all about manufacturing execution systems, or MES for short. With medical plastic systems, the second generation is already up and running in the plants. Keeping processes fully controlled and stable, yielding top quality, preventing errors, minimizing rejects and waste—digitalization is key to achieving all these goals. Self-training, intelligent systems and predictive maintenance are the next steps. Digitalization plays an important role in the products, too. Micro pumps can be digitally networked with the patient and the doctor. We are transferring our expertise to the next generation of other intelligent drug delivery devices. Digitalization—we're on board.



FIELD QUALITY ENGINEERS SEE THE BIG PICTURE

Delivering our products correctly and with no defects is one thing. Providing all the extra support pharma companies need is quite another. That's where our field quality engineers come in. They give advice on product selection and specification, plan and optimize filling processes at the pharma company, qualify new products, help with inspection systems, train people to recognize faults, solve problems and much more. They are always there for customers, ready to help and answer their technical questions. To put it in business terms, they reduce the total cost of ownership. How? By looking at the big picture. And that's good news for our customers.

COMPUTER SIMULATION—PRE-FORMING THE PERFECT GLASS CONTAINER DIGITALLY

Glass drug containers must be break-resistant and free of defects. Guaranteeing that used to take months of testing with sample molds—known as pilot runs—on real glass production lines under real conditions. But today, our simulation experts can do it all digitally. They calculate the perfect glass thickness in all areas and then simulate the flow of glass within the mold as well as the cooling process—all on a computer. Before making the first series mold or forming a single glass container, we already know exactly how it will work. This delivers huge savings in terms of development time, raw materials and energy. So by the time we use the very first glass gob, we already know we'll get the best possible product.

PHARMA DAYS—BRINGING OUR INNOVATIONS TO CUSTOMERS IN COMPACT FORM

We deliver billions of top-quality products to our customers year in, year out. And because their needs and desires are always changing, we keep working on a wealth of innovations and expanding our services to meet them. That helps our customers and lends support in many ways. The Gx Pharma Days are an important forum where we showcase our new products and ideas. In 2019, we presented our innovations to over 100 customers in Philadelphia, PA in the USA. During their visit to our factory in nearby Vineland, we demonstrated our state-of-the-art vial production. The guests also participated in a special highlight—the inauguration of our new Glass Innovation and Technology Center at the same location. It was a compact two-day lowdown on everything that's up-and-coming.

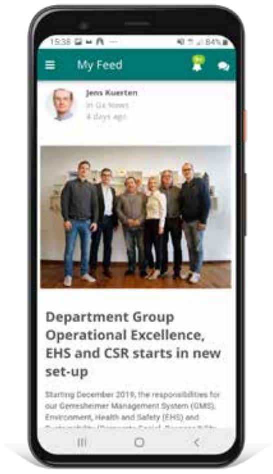
WE LIVE OUR VALUES

REVIVING AND RECOMMITTING TO OUR VALUES

We should live and breathe our corporate values at all times. Which is why, as part of the 2019 strategy process, we got together to review, scrutinize and discuss our values before reaching the conclusion that they are good and solid. A minor update involving slight changes has chiefly streamlined the language. In short, we homed in on the most important points. Everything can now be summed up with the catchy acronym **TRIBE** (**T**eamwork, **R**esponsibility, **I**ntegrity, **B**old innovation, **E**xcellence). What matters most with values is that they are accurately embodied by our actions. This is why we are lending our values a new form in 2020, ensuring that everyone—from the CEO to the packers—is on the same page and knows how to enact the values day in, day out. We have breathed new life into our values, now let's live them.

USING THE QUARTERBACK SUCCESS MODEL AND TRIBE

For several years, our Quarterback training program has run successfully in many of our plants. All the business unit managers complete the program, which has meanwhile grown to five modules. There are two keys that have led to its success: Firstly, we designed and implemented it specifically to meet our needs. Instructors and workshop leaders are employees who have been trained for the role rather than outsiders. The second key to success is that the plant and business unit management fully supports the initiative and is actively involved. We now plan to harness this successful model in creating further training courses. This will be instrumental to the rollout of our revised corporate values, bannered One TRIBE. In this way, we are marrying Quarterback and TRIBE.



Gx CONNECT: SOCIAL MEDIA AT WORK

With Facebook, WhatsApp, WeChat, Dropbox, etc. firm features of our daily personal lives, we have now followed suit by rolling out our social collaboration platform Gx Connect worldwide. This tailor-made, secure and strictly in-house platform has all the key elements familiar to social media users. The ability to like and comment on information. Fast chats and shared drives for file sharing. This means the 4,000 employees connected via PCs or laptops can access news from headquarters in Duesseldorf just as easily as the plant's staff notices or canteen schedule. Gx Connect allows project groups to be independently set up and to collaborate across plant and country borders. In fall 2019, we made the platform available as a mobile app compatible with all Gerresheimer mobile phones. And expansion does not stop there. As production workstations are gradually digitalized, machine operators will also receive access. Plus, the mobile app is also being expanded further. Social media becomes part of the working day.

Gx LIVE MANAGEMENT CALL: BUILDING A BRIDGE BETWEEN MANAGEMENT BOARD AND PLANTS BY VIDEO

Living our values also means communicating proactively and transparently throughout the company. That is the only way to actively involve each and every employee. One example of this is a new format that we launched in 2019. We call it Live Management Information. Every three months or so, we go out live from Duesseldorf to all plants via webcam. The Management Board explains strategic issues and presents the latest news on our business. And it's not just top management and the like who can ask questions. Anyone can do so live or via chat. Everyone at every plant is invited to take part as far as space, capacity and shift constraints allow. To accommodate all the time zones we operate in—from Mexico and the USA, to Europe, India and China—we go out live twice on the same day. This livestream has been very well received and lets the Management Board build a bridge to each and every plant.

TRAINEE MODEL SUCCESSFULLY EXPORTED: APPRENTICE PROCESS MECHANICS IN GEORGIA

The German apprenticeship model is the bedrock on which our skilled workers' expertise is built. Without it, our domestic plants would not be so successful. There are 180 trainees learning 14 different trades at our German plants. Plus 20 co-op students. We also provide training in Switzerland. A dual training system, which currently has 15 young people gaining on-the-job experience, has been in place at the Czech plant for several years. Now, a two-step process has taken the training model across the Atlantic. Three co-op students and two trainees are in Georgia, at our plant in Peachtree City (USA). In a formal event attended by local representatives and the German-American Chamber of Commerce, the two young Americans signed their apprenticeship contracts to become process mechanics for plastic. A big moment for the pair, but also for all of us. We look forward to more.

SUSTAINABILITY COMPETENCE

SUSTAINABILITY: SIMPLY THE WAY WE DO THINGS

Sustainability is one of our strategic goals. For us, sustainability does not begin and end with environmentally friendly products and production. We see our responsibilities as covering five areas: employees, value chain, compliance, society and the environment. And we are active in all of them. Each time we build a new glass furnace—as we did in Essen in 2019 and Lohr in 2020—we employ the latest technology to reduce energy consumption and emissions. Occupational health and safety are of the utmost importance to our employees, which is why we focus our staff activities on them. Responsible supply chains as well as compliance with all laws and regulations in countries where we operate are also part of that. We help society and local communities wherever we can, especially through projects supporting schooling, training and health. For us, all of this is neither duty nor fad, but rather a matter of course.

BIOPACK—PLASTIC WITH A DIFFERENCE

Does plastic have to be made from oil? No, it can also be made from renewable resources, such as sugar cane. It is possible to create perfect plastic containers in this way—which is exactly what we are doing. Under the BioPack name, we have launched a whole portfolio for drugs and cosmetics. That makes it both innovative and sustainable.

COSMETIC FLACONS MADE OF CULLET

We have made a breakthrough in the cosmetics sector. Our cosmetic glass plant in Momignies (Belgium) has been using cullet for more than ten years. Over this period, they have succeeded in gradually increasing the proportion of cullet and so reducing energy consumption. Large cosmetics customers welcome this development—and demand is high. That's why Momignies operates around the clock with up to 35% cullet in the furnace. In 2020, a furnace at the facility's sister plant in Tettau will contribute to production. That adds up to a whole lot of recycled glass in perfume flacons and more—which is good news for the planet.

FORM FOLLOWS FUNCTION IN STACKABLE BOTTLES

Using recycled glass or recycled resin is not the only way to protect the environment. Reducing materials is also important. This is what we did in a pilot project by developing a new refillable plastic bottle for a major customer. The bottle has straight edges like a cube and four transparent sides. During production, care was taken not to use more raw materials than absolutely necessary. The result is impressive: Exceptionally lightweight for the volume, the containers have a hollow in the base, allowing them to be easily stacked to save space. Less material is consumed, less plastic wasted and transport volumes minimized—all of which is good for the environment.

THE CIRCULAR ECONOMY IS A TOP PRIORITY FOR US

Conserving resources, avoiding waste, reducing energy consumption and cutting CO_2 emissions are clear targets we pursue at all our plants worldwide. To that end, the circular economy is a vital guiding principle for us.

This specifically entails replacing raw materials with large quantities of recycled glass (cullet) in the production of pharma jars and glass cosmetics packaging. The recycled glass is sourced both internally and externally. And we use as much cullet as possible. This is limited only by quality standards and pharmaceutical regulations. When making pharma jars, we use up to 60% cullet for amber glass and up to 50% for flint glass. The more cullet used in the melting process, the smaller the energy requirements and the lower the CO_2 emissions. Plus, of course, natural resources such as quartz sand are not consumed. After processing special glass tubes made from type I glass, we return the cullet to the producer who will then be able to minimize CO_2 emissions.

PET AND R-PET—TURNING OLD INTO NEW

Many pharma and healthcare products are packaged in PET bottles and containers because, besides its low intrinsic weight, PET (polyethylene terephthalate) is versatile, easy to mold and break-resistant. Used PET, known as R-PET, is suitable for producing new R-PET packaging products. For years, Gerresheimer has offered PET products that also include recycled PET. We are able to work with up to 100% R-PET. Here again, we use as much recycled material as the regulations allow and the customer requests. If it’s up to us, the more the better.

REPORT OF THE SUPERVISORY BOARD

› Dr. Axel Herberg
Chairman of the
Supervisory Board

In the financial year 2019, the Supervisory Board consulted in-depth on the Company's situation and fulfilled its obligations under the law, the Articles of Association and the Rules for the Supervisory Board. Those obligations include consultation on the basis of regular, timely 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. To the extent required by law, the Company's Articles of Association and the Rules for the Supervisory Board, the Supervisory Board voted on the Management Board's reports and proposals for resolutions after thorough examination and discussion in four meetings and three circulating written resolutions. In addition, the Chairman of the Supervisory Board was in regular contact with the Management Board and in particular with its Chairman. He was regularly and promptly informed by the latter about important developments and upcoming decisions.

PERSONNEL CHANGES ON THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

In the financial year 2019, 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.

Andreas Schütte and Rainer Beaujean stepped down from the Company's Management Board on February 28, 2019, and April 30, 2019, respectively. Dr. Bernd Metzner joined the Management Board effective May 15, 2019. Dietmar Siemssen, as Chief Executive Officer, and Dr. Lukas Burkhardt were members of the Company's Management Board throughout the financial year 2019.

MEETINGS AND RESOLUTIONS OF THE SUPERVISORY BOARD

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

At the Supervisory Board meeting on February 13, 2019, the Annual Financial Statements and Management Report of Gerresheimer AG, the Consolidated Financial Statements and the Group Management Report for the financial year 2018, 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 June 6, 2019.

The Supervisory Board's circulating written resolution of April 23, 2019, related to changes in the allocation of responsibilities within the Management Board from May 1, 2019, due to Rainer Beaujean leaving the Management Board and from May 15, 2019, due to Dr. Bernd Metzner joining the Management Board.

In its meeting on June 6, 2019, the Supervisory Board approved an increase in the Group's capital expenditure budget for 2019.

By circulating written resolution on July 29, 2019, the Supervisory Board approved a capital increase at Gerresheimer Glass Inc., Vineland (New Jersey/ USA).

During its meeting on September 4, 2019, the Supervisory Board consulted in-depth on the corporate strategy drawn up by the Management Board. At the same meeting, the Supervisory Board also dealt with the annual Declaration of Compliance in accordance with section 161 of the German Stock Corporation Act (Aktiengesetz/AktG), the engagement of the auditor for the financial year 2019 and the appointment of Deloitte GmbH Wirtschaftsprüfungsgesellschaft to review the Company's non-financial report for the financial year 2019.

By circulating written resolution of September 23, 2019, the Supervisory Board approved the replacement of the previous revolving credit facility with a new revolving credit facility.

The main items dealt with at the Supervisory Board meeting on November 21, 2019, were approval of the budget for the financial year 2020 and the Group's medium-term planning. In addition, the Supervisory Board discussed the outcomes of the efficiency review.

With the exception of Dr. Karin Dorrepaal, who was unable to attend one meeting of the Supervisory Board and gave reasons for her absence, all members of the Supervisory Board attended all the meetings of the Supervisory Board and took part in all circulating written resolutions in the financial year 2019.

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/ MitbestG), 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 reporting year, the Presiding Committee met three times, on December 10, 2018, February 6, 2019, and November 20, 2019. Its consultations and resolutions dealt with various personnel matters relating to the composition of the Management Board.

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 12, 2019, April 10, 2019, July 10, 2019, and October 9, 2019. Its discussions focused on the reports on the audit of the Annual Financial Statements and Consolidated Financial Statements for the financial year 2018 as well as the quarterly financial reports and half-year financial report for 2019. 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 2019, 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 effectiveness of the internal audit system, the risk management system and risk reporting to the Audit Committee, revision of the definition of one-off effects in the IFRS Group accounting directive from the financial year 2020 and the final report on the appropriateness review of the Company's Compliance Management System.

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.

Andrea Abt was unable to attend one meeting of the Audit Committee in the financial year 2019 and gave reasons for her absence. In other respects, all committee members attended all meetings of the Supervisory Board committees in the financial year 2019.

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 23 to 25 of the Annual Report. On September 4, 2019, the Management Board and Supervisory Board submitted the annual Declaration of Compliance in accordance with section 161 of the German Stock Corporation Act (Aktiengesetz/AktG) 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 as amended on February 7, 2017, 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 2019.

ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2019

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Duesseldorf audited and issued an unqualified auditor's opinion for 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, 2018, to November 30, 2019.

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 2019 were made available to the Supervisory Board for examination. At its meeting on February 17, 2020, the Audit Committee discussed and examined the documents in detail and issued recommendations on resolutions to the Supervisory Board. In the Supervisory Board meeting on February 18, 2020, the Supervisory Board examined the Annual Financial Statements and Management Report of Gerresheimer AG, the Consolidated Financial Statements, the Group Management Report and the proposal for appropriation of retained earnings together with the auditor's corresponding reports. The auditor attended the respective meeting 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. It 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 2019.

Duesseldorf, February 18, 2020

Dr. Axel Herberg
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

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

MANAGEMENT BOARD

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

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

The composition of the Management Board in the financial year 2019 is presented on page 159 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. Resolutions of the Supervisory Board are normally adopted by simple majority. 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. Decisions on the appointment of members of the Management Board are subject to special stipulations under section 31 of the German Codetermination Act (Mitbestimmungsgesetz/MitbestG).

The composition of the Supervisory Board in the financial year 2019 is presented on page 158 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, 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 as well as on granting loans to the group of persons specified in sections 89 and 115 of the German Stock Corporation Act (Aktiengesetz/AktG). In the past financial year, the Presiding Committee was composed of Dr. Axel Herberg (Chairman), Francesco Grioli, Markus Rocholz and Udo J. Vetter.

The Audit Committee prepares, among other things, the Supervisory Board's decisions on adoption of the Annual Financial Statements, approval of the Consolidated Financial Statements, the proposal for the election of auditors at the Annual General Meeting and the agreement with the auditor. Furthermore, the Audit Committee discusses the quarterly financial reports and the half-year financial report. It takes appropriate measures to establish and monitor the independence of the auditor. The Audit Committee is also responsible for approving the award of non-audit services to the auditor. Additionally, the Audit Committee supports the Supervisory Board in monitoring the management. In this context, the Audit Committee deals with supervision of the accounting and accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the audit of the financial statements and compliance. In the past financial year, the 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 as amended on February 7, 2017, 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 as amended on February 7, 2017, the Supervisory Board, in compliance with number 5.4.1 of the German Corporate Governance Code as amended on February 7, 2017, 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; 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 that event, 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.

Diversity

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

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

ANNUAL GENERAL MEETING

The Annual General Meeting is the representative body of the shareholders 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 of the German Commercial Code (Handelsgesetzbuch/HGB). The Annual Financial Statements of Gerresheimer AG are prepared in accordance with the German Commercial Code and the German Stock Corporation Act.

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 2019. 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 exposures.

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 2019 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 2019 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 Phantom Stock 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 4, 2019, 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 6, 2018.

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

Number 5.4.1, paragraph 2 sentence 2: The Supervisory Board has not defined a regular limit for length of membership of 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 of 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 2019 STOCK MARKET YEAR

Following the correction in the second half of 2018, the international equity markets started to recover at the beginning of 2019. This positive trend, which was buoyed by favorable evaluations and positive profit expectations, continued throughout the rest of the year. Conversely, persistent uncertainties about international trade relations between the USA and China, political conflicts and the consequences of Brexit caused increased volatility on the international markets, especially during the summer months.

GERRESHEIMER SHARES

These developments also affected the performance of the Gerresheimer share price and its benchmark index, the MDAX. When the international equity markets came under pressure in the second half of 2018, Gerresheimer shares were likewise unable to escape the effects. At EUR 51.80, the share price hit its lowest level in the financial year 2019 on January 3, 2019. Starting in mid-February, the Gerresheimer AG share price posted a substantial increase on the back of the published annual results and the growth prospects, reaching its high point for the year of EUR 74.00 on July 11, 2019. Gerresheimer shares closed the financial year 2019 at a price of EUR 66.75.

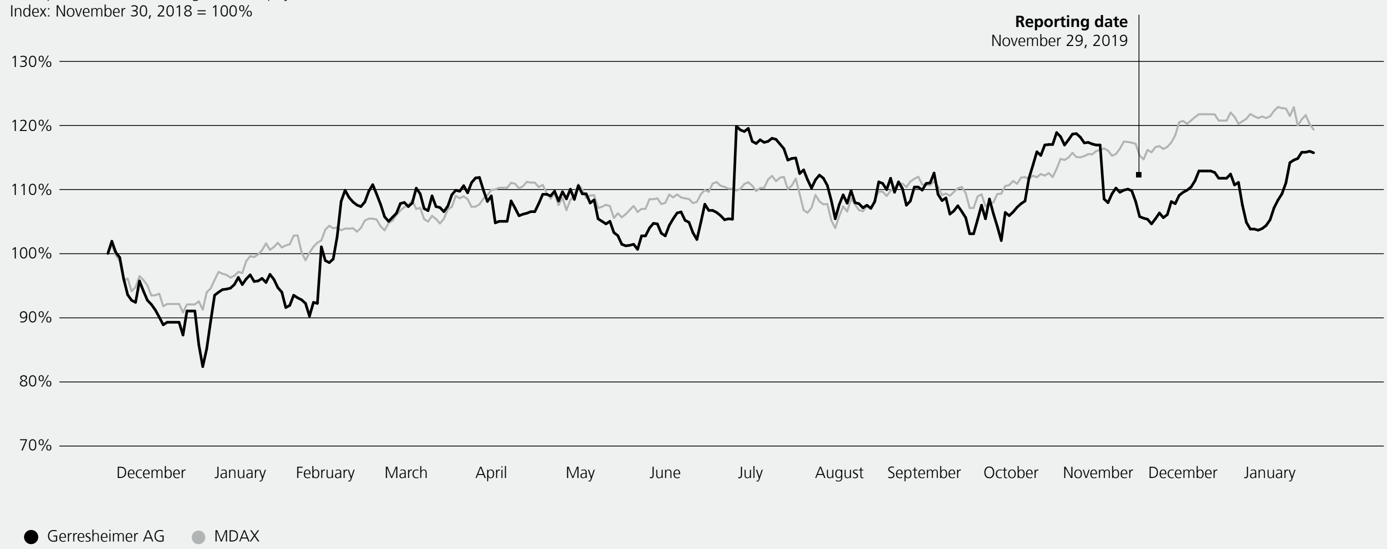
Taking into account the dividend payout, the 8.1% performance posted by Gerresheimer shares lagged behind the MDAX benchmark index (17.1% for the financial year 2019) by 9 percentage points as of the November 30, 2019, reporting date. Viewed over the longer term, our share continues to follow an upward trajectory since the IPO in 2007. Including reinvested dividends, a long-term investor will have been able to generate a return in excess of 100% between our IPO and November 30, 2019.

THE MAJORITY OF BANK ANALYSTS CONTINUE TO GIVE A BUY OR HOLD RECOMMENDATION

As of November 30, 2019, 17 bank analysts regularly covered the performance of Gerresheimer AG, providing investment recommendations. Seven analysts gave a buy recommendation and eight a hold recommendation. Only two analysts recommended selling. As of November 30, 2019, the average price target was EUR 72.21. The charts that follow provide an overview of the banks covering Gerresheimer as of November 30, 2019, together with their recommendations:

Gerresheimer AG Shares Versus MDAX

Total performance including dividend payout
Index: November 30, 2018 = 100%

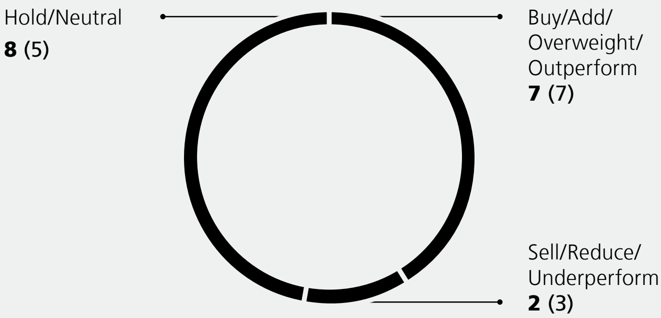


Analyst Coverage

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

Overview of Analyst Recommendations as of November 30, 2019

Number (prior year)



2019 ANNUAL GENERAL MEETING: ANOTHER VERY STRONG CAPITAL ATTENDANCE—DIVIDEND RAISED TO EUR 1.15 PER SHARE

At the Annual General Meeting on June 6, 2019, 81.0% 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 1.15 per share (2018: EUR 1.10 per share). Representing an increase of 4.5% per dividend-entitled share, this marks the eighth consecutive dividend rise. The dividend was paid out on June 12, 2019.

For the financial year 2019, the Management Board and Supervisory Board will propose at the Annual General Meeting that a dividend of EUR 1.20 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.html.

Gerresheimer Shares: Key Data

	2019	2018
Number of shares at reporting date in million	**31.4**	31.4
Share price[1] at reporting date in EUR	**66.75**	62.90
Market capitalization at reporting date in EUR m	**2,096.0**	1,975.1
Share price high[1] during reporting period in EUR	**74.00**	79.80
Share price low[1] during reporting period in EUR	**51.80**	59.75
Earnings per share in EUR	**2.57**	4.11
Dividend per share in EUR	**1.20** [2]	1.15

[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, MSCI ESG Universal Indexes, 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, North American investors accounted for the largest share of the free float at around 37% as of November 30, 2019, followed by investors in the Netherlands with around 29% and British investors with around 19%. German shareholders accounted for around 3%. The free float stood at 89.95% as of November 30, 2019. Based on our top 25 shareholders, growth investors are again clearly the most common investor type, followed by value investors.

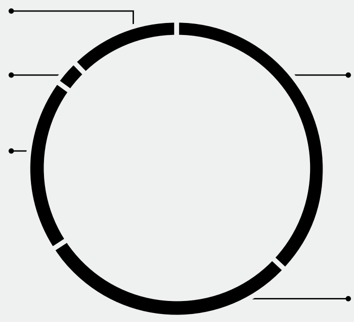
According to the notifications we received, the following major shareholders have an interest of more than 5% in Gerresheimer AG according to the German Securities Trading Act:

Company	Share in %	Date of Notification
NN Group N.V.	10.05	February 18, 2019
Stichting Pensioenfonds ABP	5.10	July 30, 2015

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

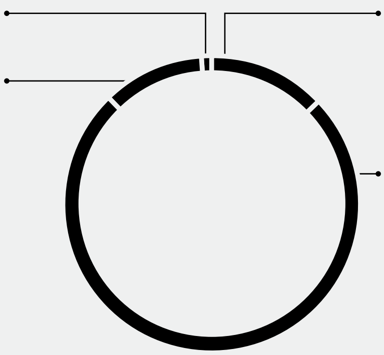
Shareholder Structure: Top 25 Investors by Region

in % (prior year)



Shareholder Structure: Top 25 Investors by Investment Style

in % (prior year)



INVESTOR RELATIONS: DIALOG WITH THE CAPITAL MARKETS

Many institutional investors and analysts again made use of the opportunity for personal dialog with the Management Board and the Investor Relations team to 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. For instance, we were also available for follow-up discussions with capital market participants in a large number of conference calls. Private investors had the chance to get acquainted with our Company at shareholder forums supported by Investor Relations.

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

In line with our corporate philosophy, we will sustain our 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.html.

Financial Calendar

April 9, 2020	Publication 1st Quarter 2020
June 24, 2020	Annual General Meeting 2020
July 14, 2020	Publication 2nd Quarter 2020
October 13, 2020	Publication 3rd Quarter 2020


Group
Management
Report
OF GERRESHEIMER AG

THE FINANCIAL YEAR 2019 AT A GLANCE

› Foundation laid for sustainable and profitable growth with biggest capex program in Gerresheimer's corporate history

› Revenue growth of 1.8%, from EUR 1,367.7m in the financial year 2018 to EUR 1,392.3m in the financial year 2019

› Adjusted EBITDA of EUR 400.0m, compared to EUR 298.6m in prior year; adjusted net income after non-controlling interests of EUR 225.8m, versus EUR 178.0m in prior year. Most of the increase relates in each case to derecognition of contingent purchase price components connected to the acquisition of Sensile Medical

› Further increase in proposed dividend to EUR 1.20 per share (prior year: EUR 1.15 per share)

› Rigorous focus on profitable growth
  › Guidance for 2020: Revenue growth at constant exchange rates in mid-single-digit percentage range based on revenues of EUR 1,405.0m; growth in adjusted EBITDA at constant exchange rates expected to be in the low single-digit percentage range plus a positive effect of EUR 9m to EUR 11m from the transition to IFRS 16
  › Continued high net capital expenditure of approximately 12% of revenues in the financial year 2020

THE GERRESHEIMER GROUP

BUSINESS ACTIVITIES

The Gerresheimer Group is a leading international manufacturer of high-quality specialty glass and plastic products for the global pharma and health-care industry. Backed by in-house innovation and the latest production technologies, we provide pharmaceutical primary 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 2019, the Group had 46 locations in Europe, North and South America and Asia, with 9,872 employees worldwide. The number of employees was thus at the level of the prior-year reporting date.

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

DIVISIONS

The Gerresheimer Group is managed through strategic business units organized as divisions. These are aggregated into reporting segments based on their specific production technologies and the materials we use in our products. Our business model is divided into the three reportable 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 producing 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, medical technology products 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 in pharmacies. 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, infusion, dropper and syrup bottles. We also produce high-quality specialty products such as injection vials, ampoules and cartridges made with borosilicate glass tubing. On this basis, we offer a virtually complete range of pharmaceutical packaging made of tubular and molded 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 produce clear, colored and opal glass products. A wide range of 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 liquid foods or 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 forms the basis of this division, where 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 Parkinson’s or heart failure, for example. Also in development is a platform for smart inhalation measurement systems.

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:

› Rise in chronic diseases and aging population
› Rapid growth in generics
› Growing healthcare provision in emerging markets
› Stricter regulatory requirements and cost pressure in health systems
› New drugs, especially in biosimilars and biotech
› Self-medication, personalized medicines and digitalization

In addition, companies' social and environmental responsibility (Corporate Social Responsibility) is becoming an increasingly important consideration.

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 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.

In the financial year 2019, the Management Board, headed by CEO Dietmar Siemssen, launched a comprehensive strategy process. The aim of this strategy process is to create and continuously develop an ambitious medium- and long-term strategy for Gerresheimer, to set concrete short-, medium- and long-term targets as well as to determine and implement appropriate strategic and operational measures. 20 senior managers from all business units, regions and functions participated in several workshops alongside the Management Board to analyze the relevant megatrends and our markets and develop appropriate targets and measures. As part of this, our vision, mission and values were also reviewed and revised. However, the process is still ongoing. Communication throughout the Gerresheimer organization, which began in 2019, will be stepped up in 2020, flanked by measures at all levels. Projects in all plants, regions and business areas will thus contribute to achieving the targets set and implementing the relevant measures. At the same time, the strategy group will continue to work with the Management Board to further develop the strategy and targets and make any necessary adjustments over the coming years.

MEGATRENDS

The growth opportunities in our markets over the next few years will be shaped by six healthcare and pharmaceutical megatrends.

1. RISE IN CHRONIC DISEASES AND AGING POPULATION

The prevalence of chronic illnesses is growing. Globally, the most widespread chronic diseases include heart disease, cancer, chronic respiratory illnesses and diabetes. For instance: According to the World Health Organization (WHO), heart disease remains the leading cause of death worldwide, with some 18 million people dying of heart disease each year and around 425 million people living with heart conditions.[1] WHO figures show that every year around 10 million people die of cancer and about 18 million new cases of cancer are diagnosed.[2] Some 460 million people suffer from diabetes today. It is estimated that this figure could reach 700 million by 2045.[3] According to the WHO, around 235 million people have asthma.[4] 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 develop specific primary packaging for medicines, prefillable syringes and drug delivery systems such as insulin pens, asthma inhalers and micro pumps that are used every day in their millions—and rising. One of our strengths is the development of large numbers of such products in close harness with customers.

2. RAPID GROWTH IN GENERICS

IQVIA projects average volume growth in generics of 1.9% a year for the years 2020 to 2024.[5] The volume of generic drugs is expected to increase more strongly in the pharmerging markets[6] in particular. IQVIA forecasts annual volume growth of 3.1%. Many drugs will become affordable for many patients once patent protection no longer applies. In traditional, already developed markets, drug licensing and control authorities as well as health insurance funds are ensuring the approval and the increasing prescription of generic drugs. If the number of medicines sold increases accordingly, the related volume growth will bolster our revenue.

3. GROWING HEALTHCARE PROVISION IN EMERGING MARKETS

For the pharmerging markets, IQVIA forecasts that medicine spending will increase by an average of 2.6% a year over the next five years.[5] 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 to the USA. 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 have a strong presence in major emerging markets and regions with a rising number of plants in China, India, Brazil and Mexico.

[1] WHO Fact-sheet 2017 and Journal of the America College of Cardiology, July 2017.
[2] WHO Press Release No. 263, September 2018.
[3] Diabetes Atlas 9th Edition 2019.
[4] WHO fact sheet 2017.
[5] IQVIA Institute, January 21, 2020.
[6] For a definition of pharmerging markets (emerging markets), please see Note (8) of the Notes to the Consolidated Financial Statements.

4. STRICTER REGULATORY REQUIREMENTS AND COST PRESSURE IN HEALTH SYSTEMS

Healthcare authorities—especially the American Food and Drug Administration (FDA)—continue to impose ever more exacting regulatory requirements. These relate not only to the manufacture of the drugs but also to the packaging. Primary packaging must protect and preserve medication while preventing loss of or variation in efficacy. This is why healthcare authorities license new drugs only in tandem with approval for the associated primary packaging—which underscores the need for high-quality solutions. Ultimately, the primary concern is patients' health. That is why we are investing globally in quality and innovation. There is also continuous cost pressure in health systems. Through intelligent solutions, our products and drug delivery systems can help achieve greater drug compliance, improved treatment and more targeted use of medicines, thereby making a significant contribution to reducing costs.

5. NEW DRUGS, ESPECIALLY IN BIOSIMILARS AND BIOTECH

New drugs tend as a rule to place fresh demands on packaging. In particular, new biotech drugs, most of which are parenteral drugs used to treat cancer, require innovative primary packaging and drug delivery system solutions. We offer innovative solutions in this area, including highly break-resistant glass (Gx® Elite Glass), coated glass, prefillable syringe systems for drugs with exacting requirements and much more. We have a significant competitive advantage thanks to our innovation pipeline, extensive product range and excellent product quality, which is almost unique in its scope and global availability.

6. SELF-MEDICATION, PERSONALIZED MEDICINES AND DIGITALIZATION

When patients have to self-medicate, they need simple, reliable solutions. We offer a wealth of smart self-medication products of the highest quality for this purpose. Many of these products make medication easier to take, help avoid medication errors, and give patients greater freedom and enhanced quality of life. Gathering and providing relevant data—data on the correct use of medication and its effectiveness—will play a major role in this area in the future. Such data will make a significant contribution to the better, more reliable and more accurate use and administration of drugs, as well as to improved options for treatment by doctors or hospitals and to cost savings for health systems.

VISION, MISSION AND VALUES

Our vision describes the objective we are working to achieve. Our mission describes how we want to achieve this vision. How we wish to conduct ourselves and work in our day-to-day tasks is determined by our five corporate values.

Our vision

Leading in health and well-being delivery

Our mission

Innovate and deliver for a better life every day

Innovation is crucial for Gerresheimer. At the same time, we need to provide our customers with high-quality, extremely reliable products and solutions every day, so that in turn they can package and deliver medicines ready for use in the treatment of patients. The consistent reliability and quality of our products is paramount, as we deliver millions of primary packaging items to pharmaceutical companies and pharmacies on a daily basis. For each individual drug packaging product, prefillable syringe, insulin pen or inhaler, patients must have full confidence in the pristine condition of the medication and its simple and safe delivery. This means that we have a huge responsibility for the health, well-being and better lives of millions of users and patients day in, day out.

Our values

Teamwork
Responsibility
Integrity ——› **TRIBE**
Bold Innovation
Excellence

Teamwork: We believe that connecting people and working in global teams is crucial to achieve our ambitious goals.
Responsibility: We act as entrepreneurs and deliver on our commitments.
Integrity: We believe in honesty, openness, trust, respect and reliability in all we do.
Bold Innovation: We believe that innovations drive our future success.
Excellence: We believe we must strive for excellence, in everything we do.

The following focal areas are crucial to achieving our vision:

- Growth
- Innovation
- Excellence
- Leadership
- Sustainability

Operational targets and measures are continuously developed in line with these focal areas. These are then substantiated in the outlook for the coming financial year and a medium-term forecast (see Outlook beginning on page 92).

CONTROL SYSTEM

Our business activities are geared toward sustainable, 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, capital expenditure, net working capital and Gx ROCE. These performance indicators are explained in detail in the following. Unlike in the prior year, operating cash flow is no longer used as an indicator of financial performance, as it merely represents the mathematical value of the key performance indicators adjusted EBITDA, capital expenditure and net working capital. 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.

Adjusted EBITDA is our principal measure of profitability. This is defined as net income before income taxes, net finance expense/income, amortization of fair value adjustments, depreciation and amortization, impairment losses, restructuring expenses, and one-off income and expenses. One-off income and expenses consist of termination benefits for members of the Management Board, costs of refinancing, reductions in the workforce and large-scale restructuring (structural and strategic) that do not meet the strict criteria of IAS 37, costs of acquisitions (up to the acquisition date) and divestments, corporate legacy costs such as costs of arbitration proceedings, and costs relating to the outcomes of tax audits. We aim for cost, technologies, 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.

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 (inventories, trade receivables, contract assets, trade payables and contract liabilities). 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, alternatively, total assets less non-interest-bearing liabilities and cash and cash equivalents. Gx ROCE is a key medium to long-term target metric for us in addition to the indicators already covered. Based on the targeted 18% minimum post-tax internal rate of return for expansion and rationalization projects, Gx ROCE should be in excess of 15% 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

The International Monetary Fund (IMF)[7] expects that the global economy will grow by 3.3% this year—which is more than in 2019—due among other things to further loosening of monetary policy and partial resolution of the trade conflict between the USA and China, together with less concern with regard to a hard Brexit.

In its January 2020 report, the IMF estimates that the global economy will have grown by 2.9% in 2019. In October, the IMF experts were still anticipating growth of 3.0% for 2019.

According to the current IMF report, the eurozone economy is estimated to have grown in 2019 by 1.2%. The reduction compared to the prior year (2018: 1.9%) is based on weaker growth in the first half of 2019.

[7] International Monetary Fund: Economic Outlook, January 2020.

For Germany, the IMF experts—and likewise the ifo Institute for Economic Research[8]—expect economic growth to have been 0.5% in 2019.

For the USA, the IMF expects a stabilization of the economy's near-term momentum. The US growth projection for 2019 is just 2.3%, down from 2.4% in October, with a further reduction in the growth rate expected in 2020 and 2021 in light of geopolitical tensions with Iran.

The IMF expects emerging and developing markets to have grown by 3.7% in 2019, down from the 4.0% originally forecast. Its economic growth projection for China in 2019 remains unaltered at 6.1%. The economic growth estimate for India in 2019 now stands at 4.8%. According to the IMF's calculations, the Brazilian economy is forecasted to have grown by 1.2% in 2019, which is 0.1 of a percentage point lower than expected.

SECTORAL DEVELOPMENT

According to IQVIA[9], volume growth on the global pharma market was just 1.4% in 2019. On this basis, IQVIA calculates an average annual growth rate of 1.8% for the years 2015 to 2019. At 3.6%, pharmerging markets grew faster than the pharmaceutical markets of developed economies, which recorded an average 0.8% growth rate.

The generics subsegment recorded volume growth of 2.6% at global level in 2019. The average annual growth rate here in the years 2015 to 2019 was 3.0%. In a regional comparison, the pharmerging markets showed an average of 4.7% growth per year for the last five years, whereas average annual volume growth was just 2.7% in the developed markets and -1.7% in the other markets.

Based on this trend, IQVIA projects average annual volume growth in the global pharma market of 1.5% for the years 2020 to 2024. The expectation for pharmerging markets is for an average of 2.6% per year in the next five years. While growth of -0.3% is expected for the developed markets, average volume growth of 0.6% is projected for other markets. For the generics subsegment, IQVIA expects volume growth at an average of 1.9% for the next five years, with 3.1% anticipated for the pharmerging markets. Growth of 0.1% is forecast for the developed markets, while other markets are expected to grow by 0.9%.

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 and cost pressure in health systems', 'new drugs (especially in biosimilars and biotech)' and the trend toward 'self-medication, personalized medication and digitalization' (see under 'Group Strategy and Objectives', page 34).

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 2019. Sophisticated glass cosmetics packaging continued 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 2019 at a rate of 1.13 US dollars to the euro, the US dollar weakened slightly during the first quarter to 1.15 US dollars per euro. As the financial year progressed, the US dollar appreciated again against the euro, reaching a rate of 1.09 US dollars to the euro in September. Despite interest rate cuts by the US Federal Reserve during the financial year 2019, the US dollar continues to offer a yield advantage relative to the euro. In addition, trade disputes and Brexit in particular contributed to the further appreciation of the US dollar against the euro from the second half of the year onwards. By the end of October the currency was steady in a corridor of 1.09 to 1.11 US dollars to the euro. At the end of the financial year 2019, the exchange rate was 1.10 US dollars to the euro.

The average exchange rate in the financial year 2019 from December 1, 2018 to November 30, 2019, was consequently 1.12 US dollars to the euro, lower than the prior-year average of 1.18 US dollars to the euro.

[8] Federal Statistical Office: Federal Employment Agency: Deutsche Bundesbank: 2019 to 2021: ifo Institute forecast.
[9] IQVIA Institute, January 21, 2020.

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 markets, in particular, depreciated. The development of the euro exchange rate in the reporting period thus contributed to the fact that the effects of translating other currencies into the reporting currency added to revenue growth. We take account of this by stating revenue growth on a constant exchange rate basis in the Revenue Performance section. For budgeting purposes, we have assumed a USD exchange rate of USD 1.15 to EUR 1.00 in the financial year 2019. The reporting date and average exchange rates of major currencies for the Gerresheimer Group in the financial year 2019 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. Electricity and gas prices in Europe remained at the prior-year level in the first half of 2019 and declined in the second half of the year.

In the manufacture of plastic products, we are reliant on intermediary 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 decreased during the course of the financial year 2019, notably in the North American market. For example, the price of polypropylene fell by nearly 20% on average during the period, which led to a temporary earnings improvement in the Plastics & Devices Division. We have passed on such decreases to customers in whole or in part and after a time lag on the basis of contractually agreed price de-escalation clauses or by means of price reductions. This results in a net positive impact on our results of operations of around EUR 2m compared to the prior year.

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

When we sold our glass tubing business to Corning in 2015, we signed a 10-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 USA, continue to attach great importance to proof of significant therapeutic added value before new drugs are approved. For this reason, the competent authorities usually carry out a detailed cost-benefit analysis before any new drug can be released onto the market.

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 2019 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 81% of total revenues.

The financial year 2019 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 produce 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 2019

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.

Attainment of Guidance in the financial year 2019

	Guidance FY 2019 February 14, 2019	2019 Results
Revenues (constant FX rates)	Range from EUR 1.40bn to EUR 1.45bn	EUR 1.38bn[1] 0.5% growth
Adjusted EBITDA (constant FX rates)	Range from EUR 290m to EUR 300m	EUR 396.1m[2]
Capital expenditure (constant FX rates)	Approximately 12% of revenues	11.9%[1]
Average NWC (as % of revenues) (constant FX rates)	Approximately 16%	20.0%
Long-term targets		
Gx ROCE	Approximately 15%	14.2%
Adjusted EBITDA leverage	2.5x	2.4x

[1] It should be noted that the customer’s unexpected cancellation of the project to develop a micro pump for diabetes treatment led to a contractual modification and thus to a cumulative adjustment of the revenues recognized up to this point in the amount of EUR 17.3m.
[2] This includes the other operating income of EUR 129.8m from the derecognition of contingent purchase price components from the acquisition of Sensile Medical and, partly offsetting this, the other operating expense of EUR 9.2m due to the customer’s unexpected cancellation of the project to develop a micro pump for diabetes treatment. The cancellation of this project also led to a contractual modification and thus to a cumulative adjustment of the revenues recognized up to this point in the amount of EUR 17.3m, which had a corresponding negative impact on adjusted EBITDA at constant exchange rates.

MANAGEMENT BOARD REVIEW OF BUSINESS PERFORMANCE

In the financial year under review, we paved the way for sustainable and profitable growth through our far-reaching capex program. Especially due to the strong first and second quarter in 2019, revenues at constant exchange rates increased by 0.5% in the financial year under review, from EUR 1,373.5m to EUR 1,380.2m. Organically—adjusted for exchange rate effects, acquisitions and divestments as well as the revenue generated in the prior year from the lost inhaler contract with a customer at our plant in Kuessnacht (Switzerland)—our revenues increased by 1.2% compared to the prior year. This revenue performance means that we fell short of what we are capable of, mainly due to the developments at Sensile Medical. The customer's unexpected cancellation of the project to develop a micro pump for the treatment of diabetes, in particular, led to a contractual modification and thus to a cumulative adjustment of the revenues recognized up to this point in the amount of EUR 17.3m.

Adjusted EBITDA at constant exchange rates was EUR 396.1m in the financial year 2019 compared to EUR 300.2m in the prior year. It should be noted that we recorded other operating income of EUR 129.8m in the financial year 2019 due to the derecognition of contingent purchase price components from the acquisition of Sensile Medical. In contrast, adjusted EBITDA at constant exchange rates was reduced by EUR 9.2m due to the customer's unexpected cancellation of the project to develop a micro pump for the treatment of diabetes. The cancellation of this project also led to a contractual modification and thus to a cumulative adjustment of the revenues recognized up to this point in the amount of EUR 17.3m, which had a corresponding negative impact on adjusted EBITDA at constant exchange rates.

The impairment test at the level of the cash-generating unit Sensile Medical, which is assigned to the Advanced Technologies Division, resulted in the recognition of impairment losses in the financial year 2019 due to unexpected project cancellations by customers—particularly the cancellation of the project to develop a micro pump for the treatment of diabetes. As of the reporting date, the recoverable amount of this cash-generating unit was EUR 280.1m, which is EUR 113.1m lower than its carrying amount of EUR 393.2m. Of the resulting impairment losses, EUR 5.0m was allocated to the goodwill of the cash-generating unit Sensile Medical, EUR 102.9m to technologies, EUR 4.3m to development costs, and EUR 0.9m to brand names. In the consolidated income statement, goodwill impairment is recognized in other operating expenses, while impairment losses on technologies, development costs and brand names are included in the cost of sales and selling expenses. In contrast, the unexpected cancellation of projects by customers also resulted in the recognition of other operating income of EUR 129.8m from the derecognition of contingent purchase price components.

Adjusted net income (defined as net income before amortization impairment losses of fair value adjustments and restructuring expenses, portfolio optimization, the balance of one-off income and expenses and related tax effects) was EUR 227.7m in the financial year 2019, compared to EUR 180.3m in the prior year.

REVENUE PERFORMANCE

The Gerresheimer Group increased revenues at constant exchange rates by 0.5% or EUR 6.7m from EUR 1,373.5m in the financial year 2018 to EUR 1,380.2m in the financial year 2019. Excluding the effects from the lost inhaler contract with a customer at our plant in Kuessnacht (Switzerland), which generated revenues at constant exchange rates of EUR 8.0m in the financial year 2018, the year-on-year increase in revenues at constant exchange rates would have been 1.1%. Furthermore, the customer's unexpected cancellation of the project to develop a micro pump for the treatment of diabetes in the fourth quarter of 2019 had a negative effect of EUR 17.3m on revenues in the Advanced Technologies Division. Largely due to the appreciation of the US dollar, reported revenues increased by 1.8% or EUR 24.6m from EUR 1,367.7m in the financial year 2018 to EUR 1,392.3m in the financial year 2019. This revenue performance means that we fell short of what we are capable of, mainly due to the developments at Sensile Medical.

	at constant exchange rates			as reported		
in EUR m	**2019**	2018	Change in %[1]	**2019**	2018	Change in %[1]
Revenues						
Plastics & Devices	**753.1**	753.6	-0.1	**758.3**	751.3	0.9
Primary Packaging Glass	**624.7**	608.7	2.6	**631.6**	605.2	4.3
Advanced Technologies	**6.4**	12.9	-49.9	**6.4**	12.9	-49.9
Subtotal	**1,384.2**	**1,375.2**	**0.7**	**1,396.3**	**1,369.4**	**2.0**
Intra-Group revenues	**-4.0**	-1.7	>100.0	**-4.0**	-1.7	>100.0
Total revenues	**1,380.2**	**1,373.5**	**0.5**	**1,392.3**	**1,367.7**	**1.8**

[1] The changes have been calculated on a EUR k basis.

At EUR 753.1m, revenues at constant exchange rates in the Plastics & Devices Division were close to the prior-year level of EUR 753.6m. Excluding the effects of the lost inhaler contract with a customer at our plant in Kuessnacht (Switzerland) in the prior year, from which we generated revenues at constant exchange rates of EUR 8.0m in the financial year 2018, this division would have seen the figure increase by 1.0% compared to the prior year. Alongside strong growth in the syringe business, which was substantially up on the prior year, the Plastic Packaging Business Unit also performed well, notably in the South America and Asia regions. The performance of the engineering and tooling business in the financial year 2019 declined slightly compared to the prior year. Due to the temporary dip in demand for plastic vials for prescription drugs in the USA, revenues in this business unit declined. The Medical Plastic Systems business was also down on the prior-year level, mainly as a result of the lost inhaler contract in the prior year. Largely due to the appreciation of the US dollar and Indian rupee, reported revenues increased by 0.9% or EUR 7.0m from EUR 751.3m in the prior year to EUR 758.3m in the financial year under review.

In the Primary Packaging Glass Division, revenues at constant exchange rates rose by 2.6% or EUR 16.0m from EUR 608.7m in the financial year 2018 to EUR 624.7m. Within this, the Moulded Glass Business Unit delivered very positive growth rates, notably driven by the strong demand in our cosmetics business. Revenues in the Tubular Glass Business Unit increased significantly in the Europe and Asia regions. In contrast, we recorded a slight decline in the North America region, which was largely attributable to the lower demand from one of our major customers. Reported revenues increased by 4.3% from EUR 605.2m in the financial year 2018 to EUR 631.6m in the financial year under review, largely due to the appreciation of the US dollar.

Revenues at constant exchange rates in the Advanced Technologies Division amounting to EUR 6.4m in the financial year 2019, compared to EUR 12.9m in the prior year, related primarily to development services at Sensile Medical. Account must be given here, however, to the contractual modification resulting from the project to develop a micro pump for the treatment of diabetes being unexpectedly canceled by the customer in the fourth quarter of 2019. The cancellation of this project also resulted in a cumulative adjustment of the revenues recognized up to the date of the contractual modification in the amount of EUR 17.3m, with a negative impact on revenues for the financial year 2019.

REVENUES BY ECONOMIC REGION

We generate the vast majority of revenues outside Germany. International revenues came to EUR 1,084.8m or 77.9% of total revenues in the financial year 2019 (prior year: EUR 1,063.2m or 77.7%). Europe and the Americas remain Gerresheimer's most important geographical sales regions. Revenue growth in emerging markets continues to be a strategic focus.

IQVIA did not modify its definition of emerging markets in the financial year 2019. 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	
	2019		2018	
	in EUR m	in %	in EUR m	in %
Europe[1)]	**459.2**	**33.0**	459.7	33.6
Americas[1)]	**381.0**	**27.4**	374.8	27.4
Germany	**307.5**	**22.1**	304.5	22.3
Emerging markets	**225.7**	**16.2**	206.8	15.1
Other regions	**18.9**	**1.3**	21.9	1.6
Revenues	**1,392.3**		**1,367.7**	

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

Revenues in the Europe region remained in 2019 at the prior-year level, at EUR 459.2m. The proportion of revenues attributable to the Europe region was 33.0%, as against 33.6% in the prior year. Revenues in Germany rose by EUR 3.0m or 1.0% from EUR 304.5m in the prior year to EUR 307.5m in the financial year under review. The proportion of revenues generated here declined slightly from 22.3% in the prior year to 22.1% in the financial year 2019.

In the Americas region, revenues went up by 1.7%, from EUR 374.8m to EUR 381.0m in the financial year 2019. The appreciation of the US dollar against the euro had a significant impact here. With a 27.4% share of total revenues (prior year: 27.4%), the Americas region remains a very 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 significantly from EUR 206.8m in the prior year to EUR 225.7m in the financial year 2019. This increase is primarily attributable to China, India, Brazil, Mexico and Poland. Overall, emerging market revenues contributed 16.2% (prior year: 15.1%) to total Group revenues in the financial year 2019.

RESULTS OF OPERATIONS

Adjusted EBITDA at constant exchange rates was EUR 396.1m in the financial year 2019 compared to EUR 300.2m in the prior year. It should be noted that we recorded other operating income of EUR 129.8m in the financial year 2019 due to the derecognition of contingent purchase price components from the acquisition of Sensile Medical. In contrast, adjusted EBITDA at constant exchange rates was reduced by EUR 9.2m due to the customer's unexpected cancellation of the project to develop a micro pump for the treatment of diabetes. The cancellation of this project also led to a contractual modification and thus to a cumulative adjustment of the revenues recognized up to this point in the amount of EUR 17.3m, which had a corresponding negative impact on adjusted EBITDA at constant exchange rates. In the prior year, adjusted EBITDA at constant exchange rates of EUR 300.2m was likewise impacted by one-off effects. Firstly, an expense of EUR 1.4m was recognized 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 addition, in the financial year 2018, we were able to generate revenues of EUR 8.0m from the lost inhaler contract with a customer at our plant in Kuessnacht (Switzerland), which led to positive adjusted EBITDA at constant exchange rates of EUR 3.0m. In relation to this, we also received a compensation of EUR 9.0m. Reported adjusted EBITDA came to EUR 400.0m in the financial year 2019, compared to EUR 298.6m in the prior year. The adjusted EBITDA margin was thus 28.7%, versus 21.8% in the prior year.

in EUR m	at constant exchange rates 2019	2018	Change in %[1]	as reported 2019	2018	Change in %[1]	Margin in % 2019	Margin in % 2018
Adjusted EBITDA								
Plastics & Devices	194.1	204.1	-4.9	196.4	203.0	-3.2	25.9	27.0
Primary Packaging Glass	121.3	115.2	5.3	122.9	114.7	7.1	19.5	19.0
Advanced Technologies	-23.4	3.0	–	-23.4	3.0	–	–	23.0
Subtotal	**292.0**	**322.3**	**-9.4**	**295.9**	**320.7**	**-7.7**	**–**	**–**
Head office/consolidation	104.1	-22.1	> 100.0	104.1	-22.1	> 100.0	–	–
Total adjusted EBITDA	**396.1**	**300.2**	**31.9**	**400.0**	**298.6**	**34.0**	**28.7**	**21.8**

[1] The changes have been calculated on a EUR k basis.

In the Plastics & Devices Division, we generated adjusted EBITDA at constant exchange rates of EUR 194.1m in the financial year 2019, compared to EUR 204.1m in the prior year. It should be noted that we generated a positive adjusted EBITDA at constant exchange rates of EUR 3.0m from the lost inhaler contract with a customer at our plant in Kuessnacht (Switzerland) in the financial year 2018, as well as receiving related compensation in the amount of EUR 9.0m. In contrast, 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 in the prior year. The Plastic Packaging Business Unit performed well, notably in the South America and Asia regions. In addition, adjusted EBITDA at constant exchange rates in the engineering and tooling business increased compared to the prior year. Demand for plastic vials for prescription drugs in the USA experienced a temporary dip in the financial year 2019. In addition, we incurred expenses due to the construction of our new medical plastic systems plant in Skopje (Republic of North Macedonia) and the rapid build-up of capacity for our new inhaler project in Horsovsky Tyn (Czech Republic). Reported adjusted EBITDA went down from EUR 203.0m in the financial year 2018 to EUR 196.4m in the year under review. The adjusted EBITDA margin thus amounted to 25.9% after 27.0% in the financial year 2018.

Adjusted EBITDA at constant exchange rates in the Primary Packaging Glass Division increased by a substantial 5.3% or EUR 6.1m from EUR 115.2m in the prior year to EUR 121.3m in the financial year 2019. It is important to note in this connection that we recognized an expense of EUR 1.4m in the prior year due to the European Commission's decision on the exemption from electricity network charges granted to large electricity-consuming enterprises in 2012 and 2013. This increase is attributable in particular to the very strong revenue growth in the Moulded Glass Business Unit. Adjusted EBITDA at constant exchange rates in the Tubular Glass Business Unit also increased. Reported adjusted EBITDA increased by a significant 7.1% or EUR 8.2m from EUR 114.7m in the prior year to EUR 122.9m in the financial year 2019. The adjusted EBITDA margin thus amounted to 19.5% after 19.0% in the financial year 2018.

Adjusted EBITDA at constant exchange rates in our Advanced Technologies Division came to EUR -23.4m in the financial year 2019 compared to EUR 3.0m in the prior year. This partly related to a EUR 9.2m reduction in adjusted EBITDA at constant exchange rates due to the customer's unexpected cancellation of the project to develop a micro pump for the treatment of diabetes. The cancellation of this project also led to a contractual modification and thus to a cumulative adjustment of the revenues recognized up to this point in the amount of EUR 17.3m, which had a corresponding negative impact on adjusted EBITDA at constant exchange rates.

At EUR 104.1m, the head office expenses and consolidation item were significantly up on the negative prior-year figure of EUR -22.1m. It should be noted that this figure includes other operating income of EUR 129.8m in the financial year 2019 due to the derecognition of contingent purchase price components from the acquisition of Sensile Medical. Excluding this other operating income, the year-on-year increase in the head office expenses and consolidation item is primarily attributable to personnel expenses.

The following table shows the reconciliation of adjusted EBITDA to net income for the period:

in EUR m	2019	2018	Change
Adjusted EBITDA	**400.0**	**298.6**	**101.4**
Depreciation/Amortization	-97.5	-94.7	-2.8
Inpairment losses	-7.9	-1.8	-6.1
Adjusted EBITA	**294.6**	**202.1**	**92.5**
Acquisition Sensile Medical	–	-1.6	1.6
Portfolio optimization	-3.9	-14.5	10.6
One-off income and expenses[1]	-2.4	-5.9	3.5
Total of one-off effects	**-6.3**	**-22.0**	**15.7**
Amortization of fair value adjustments[2]	-55.7	-40.6	-15.1
Impairment goodwill	-5.0	–	-5.0
Impairment of fair value adjustments	-103.8	–	-103.8
Results of operations	**123.8**	**139.5**	**-15.7**
Net finance expense	-25.6	-32.3	6.7
Income taxes	-15.5	23.9	-39.4
Net income	**82.7**	**131.1**	**-48.4**

[1] The one-off income and 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.
[2] 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 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 294.6m (prior year: EUR 202.1m) based on adjusted EBITDA of EUR 400.0m (prior year: EUR 298.6m) less depreciation, amortization and impairment losses totaling EUR 105.4m (prior year: EUR 96.5m). This is reconciled to the results of operations (EUR 123.8m; prior year: EUR 139.5m) by deducting EUR 6.3m (prior year: EUR 22.0m) for one-off items, EUR 5.0 for impairment losses on the goodwill of the cash-generating unit Sensile Medical and EUR 159.5m (prior year: EUR 40.6m) for amortization and impairment losses on fair value adjustments. One-off items in the financial year 2019 relate to portfolio optimization and other one-off income and expenses.

Portfolio optimization amounted to EUR -3.9m in the financial year 2019, compared to EUR -14.5m in the prior year. In the financial year under review, these related to the reorganization of the Primary Packaging Glass Division, which was initiated and communicated in the prior year. In the course of this reorganization, will span several years, we have started to gradually adjust our personnel capacities by investing in automation. Additionally, we have pooled and expanded our purchasing capacities in this division. We deconsolidated our subsidiary in Argentina at the end of November 2019. The resulting loss is also reported under portfolio optimization. The closure of our plant in Kuessnacht (Switzerland) had a contrasting effect, with the expenses incurred in the financial year 2019 more than offset by the profit made on the sale of a piece of land.

One-off income and expenses of EUR -2.4m in the financial year 2019 (prior year: EUR -5.9m) resulted from a number of smaller projects and tax audits for transaction taxes. In the prior year, the one-off income and expenses were largely attributable to changes in the Management Board of Gerresheimer AG.

Amortization of fair value adjustments rose by EUR 15.1m from EUR 40.6m to EUR 55.7m in the financial year 2019. This rise is mainly due to the full-year inclusion of Sensile Medical for the first time. Primarily as a result of the customer's unexpected cancellation of the project to develop a micro pump for the treatment of diabetes, impairment losses of EUR 108.8m were recognized at the level of the cash-generating unit Sensile Medical. Of the impairment losses, EUR 5.0m related to goodwill allocated to this cash-generating unit, EUR 102.9m to technologies and EUR 0.9m to brand names. For further details, please see Note (18) of the Consolidated Financial Statements.

NET FINANCE EXPENSE

The net finance expense for the financial year 2019 was EUR 25.6m, a significant EUR 6.7m improvement on the prior-year figure of EUR 32.3m. Interest income in the amount of EUR 2.7m (prior year: EUR 2.4m) was countered by interest expenses of EUR 24.7m (prior year: EUR 29.7m). The sharp EUR 5.0m decline in interest expenses is largely due to the EUR 300.0m bond redeemed in May 2018. Other financial expenses came to EUR 3.6m, down from EUR 5.0m in the prior year, primarily due to exchange rate effects.

INCOME TAXES

The income taxes item for the financial year 2019 shows a tax expense of EUR 15.5m compared to tax income of EUR 23.9m in the prior year. It should be noted here that the other operating income in the financial year 2019 due to the derecognition of contingent purchase price components from the Sensile Medical acquisition is not taxable. Net income before income taxes and income taxes itself were impacted by the customer's unexpected cancellation of the project to develop a micro pump for the treatment of diabetes and the resulting impairment losses in the cash-generating unit Sensile Medical. The tax income in the prior year was largely due to the remeasurement of deferred taxes of our US subsidiaries included in the Consolidated Financial Statements due to the US tax reform, 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. Excluding these one-off effects, the tax rate in the two reporting periods would have been comparable, at 29.3% for the financial year 2019 following 27.6% for the financial year 2018.

NET INCOME AND ADJUSTED NET INCOME

The Gerresheimer Group generated net income of EUR 82.7m in the period December 1, 2018 to November 30, 2019.

in EUR m	2019	2018	Change
Net income	**82.7**	**131.1**	**-48.4**
Acquisition Sensile Medical	–	-1.6	1.6
Related tax effect	–	0.5	-0.5
Portfolio optimization	-3.9	-14.5	10.6
Related tax effect	1.1	3.5	-2.4
One-off income and expenses	-2.4	-5.9	3.5
Related tax effect	0.6	1.7	-1.1
Amortization of fair value adjustments	-55.7	-40.6	-15.1
Related tax effect	12.1	9.3	2.8
Impairment Goodwill	-5.0	–	-5.0
Impairment of fair value adjustments	-103.8	–	-103.8
Related tax effect	19.5	–	19.5
Adjustment deferred taxes Sensile Medical	-6.6	–	-6.6
One-off effects in the net finance expense	–	-1.8	1.8
Related tax effect	–	0.5	-0.5
Tax special effects	-0.7	–	-0.7
Related interest effect	-0.2	-0.3	0.1
Adjusted net income	**227.7**	**180.3**	**47.4**
Attributable to non-controlling interests	**1.9**	**2.2**	**-0.3**
Amortization of fair value adjustments	–	-0.2	0.2
Related tax effect	–	0.1	-0.1
Adjusted net income attributable to non-controlling interests	**1.9**	**2.3**	**-0.4**
Adjusted net income after non-controlling interests	**225.8**	**178.0**	**47.8**
Adjusted earnings per share in EUR after non-controlling interests	**7.19**	**5.67**	**1.52**

Adjusted net income (defined as net income before amortization/impairment losses of fair value adjustments and restructuring expenses, portfolio optimization, the balance of one-off income and expenses and related tax effects) was EUR 227.7m in the financial year 2019, compared to EUR 180.3m in the prior year. The adjusted net income after non-controlling interests amounted to EUR 225.8m in the period December 1, 2018 to November 30, 2019, as against EUR 178.0m in the financial year 2018. Accordingly, adjusted earnings per share after non-controlling interests came to EUR 7.19 in the financial year 2019 (prior year: EUR 5.67).

INCOME STATEMENT: KEY ITEMS

in EUR m	2019	in % of revenues	2018	in % of revenues
Revenues	**1,392.3**		**1,367.7**	
Cost of sales	-1,115.1	-80.1	-967.6	-70.7
Selling expenses	-175.4	-12.6	-168.2	-12.3
Administrative expenses	-98.7	-7.1	-91.1	-6.7
Restructuring expenses	0.1	–	-11.3	-0.8
Other operating expenses and income	120.6	8.7	10.0	0.7
Results of operations	**123.8**	**8.9**	**139.5**	**10.2**
Net finance expense	-25.6	-1.8	-32.3	-2.4
Income taxes	-15.5	-1.1	23.9	1.7
Net income	**82.7**	**5.9**	**131.1**	**9.6**
Attributable to non-controlling interests	1.9		2.2	
Attributable to equity holders of the parent	**80.8**		**128.9**	

FUNCTION COSTS

The significant increase in the cost of sales from EUR 967.6m in the prior year to EUR 1,115.1m in the financial year 2019 was primarily due to the impairment losses on technologies and development costs in the cash-generating unit Sensile Medical recognized in the reporting period. In addition, personnel expenses and energy costs were higher than in the prior year. Expenses for purchased services were also up year on year, particularly in the cosmetics business in decoration. Selling and administrative expenses were also slightly higher than in the prior year due to an increase in personnel expenses. Selling expenses also include the depreciation and amortization arising from the full-year inclusion of Sensile Medical for the first time and the impairment of the brand name of the cash-generating unit Sensile Medical.

Net other income and expenses came to EUR 120.6m, compared to EUR 10.0m in the prior-year period. This sharp rise is mainly due to the other operating income related to the derecognition of contingent purchase price components from the Sensile Medical acquisition. The prior-year figure was largely influenced by the changes in the Management Board of Gerresheimer AG and the closure of the plant in Kuessnacht (Switzerland). In addition, 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. Moreover, an expense of EUR 1.4m was recognized in this item 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.

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 at 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 3.6m (prior year: EUR 2.9m) was spent on research and development in the financial year under review. We also capitalized a further EUR 5.9m of development costs in the financial year 2019 (prior year: EUR 1.3m). The increase in capitalized development costs as against the prior year is largely attributable to capital expenditure on a newly awarded project to develop a micro pump for the treatment of heart disease at Sensile Medical and capital expenditure related to the growth strategy in the Tubular Glass Business Unit. 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.

PROPOSAL FOR APPROPRIATION OF RETAINED EARNINGS (PROPOSED DIVIDEND)

At the Annual General Meeting on June 24, 2020, the Management Board and Supervisory Board of Gerresheimer AG will propose that a dividend of EUR 1.20 per share be paid for the financial year 2019 (prior year: EUR 1.15 per share). This represents a total dividend distribution of EUR 37.7m and an increase of 4.3% against the prior-year dividend. The payout ratio of 29.9% for the financial year 2019 is calculated as follows:

in EUR m	**2019**	2018
Adjusted net income after non-controlling interests	225.8	178.0
Other operating income – derecognition of contingent purchase price components	-129.8	–
Other operating expense – in connection with contract adjustments for the micro pump for the treatment of diabetes	9.2	–
Impairment of development costs, which are not part of amortization of fair value adjustments	7.9	–
Negative effect on revenues and adjusted EBITDA in connection with contract adjustments for the micro pump for the treatment of diabetes	17.3	–
Related tax effects	-4.3	–
Distributable amount	**126.1**	**178.0**
Dividend ratio	29.9%	20.3%

Furthermore, a proposal will be made to carry forward Gerresheimer AG's remaining retained earnings of EUR 89.7m 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 14.2% in 2019 and 10.7% in 2018.

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 34.2% in the financial year 2019 and 24.9% in the prior-year period. This performance indicator is also suitable for comparison with other companies, notably because it excludes acquisition effects (such as goodwill).

Numerator	**Adjusted EBITA**
Denominator	**Average net operating assets**

Both performance indicators were positively impacted in the financial year 2019, notably by the other operating income from derecognition of contingent purchase price components from the acquisition of Sensile Medical and in the opposite direction by the recognition of impairment losses.

NET ASSETS

BALANCE SHEET

The Gerresheimer Group's net assets changed as follows in the financial year 2019:

Assets in EUR m	**Nov. 30, 2019**	Nov. 30, 2018	Change in %[1]
Intangible assets, property, plant, equipment and investment property	2,068.3	2,131.0	-2.9
Investment accounted for using the equity method	0.3	0.3	11.8
Other non-current assets	27.8	27.8	–
Non-current assets	**2,096.4**	**2,159.1**	**-2.9**
Inventories	185.1	171.5	7.9
Trade receivables and contract assets	229.6	273.5	-16.1
Other current assets	130.1	126.8	2.6
Current assets	**544.8**	**571.8**	**-4.7**
Total assets	**2,641.2**	**2,730.9**	**-3.3**

Equity and Liabilities in EUR m	**Nov. 30, 2019**	Nov. 30, 2018	Change in %[1]
Equity and non-controlling interests	**941.6**	**890.1**	**5.8**
Non-current provisions	164.8	152.5	8.1
Financial liabilities	498.2	751.4	-33.7
Other non-current liabilities	145.9	168.5	-13.4
Non-current liabilities	**808.9**	**1,072.4**	**-24.6**
Financial liabilities	530.6	389.7	36.2
Trade payables and contract liabilities	230.1	207.3	11.0
Other current provisions and liabilities	130.0	171.4	-24.1
Current liabilities	**890.7**	**768.4**	**15.9**
Total equity and liabilities	**2,641.2**	**2,730.9**	**-3.3**

[1] The changes have been calculated on a EUR k basis.

Total assets in the Gerresheimer Group stood at EUR 2,641.2m as of November 30, 2019, a decrease of EUR 89.7m or 3.3% on the prior-year figure. This figure was impacted in particular by the derecognition of contingent purchase price components from the acquisition of Sensile Medical, as well as the impairment of goodwill and other intangible assets within the cash-generating unit Sensile Medical.

BALANCE SHEET STRUCTURE AND RATIOS

Non-current assets declined by EUR 62.7m or 2.9% from EUR 2,159.1m as of the prior-year reporting date to EUR 2,096.4m as of November 30, 2019. However, non-current assets increased compared to the prior year to 79.4% of total assets (prior year: 79.1%). Current assets amounted to EUR 544.8m as of the reporting date, down 4.7% on the prior-year figure (EUR 571.8m). They thus account for 20.6% of total assets (prior year: 20.9%). On the assets side of the consolidated balance sheet, intangible assets and trade receivables in particular declined. On the equity and liabilities side of the consolidated balance sheet, equity was up compared to the figure as of November 30, 2018. Reclassification of the promissory loans maturing in November 2020 resulted in a significant decrease in non-current financial liabilities by EUR 189.5m and a corresponding increase in current financial liabilities.

NON-CURRENT ASSETS

Intangible assets, property, plant and equipment and investment property amounted to EUR 2,068.3m as of the reporting date (prior year: EUR 2,131.0m) and were thus down EUR 62.7m on the figure as of November 30, 2018. This is primarily attributable to a sharp EUR 148.5m decline in intangible assets from EUR 1,505.7m as of November 30, 2018 to EUR 1,357.2m as of the reporting date. Impairment testing at the level of the cash-generating unit Sensile Medical as a result of project cancellations by customers—particularly the cancellation of the project to develop a micro pump for the treatment of diabetes—had a significant impact here. The resulting impairment losses recognized in the financial year 2019 totaled EUR 113.1m. Of the impairment losses, EUR 5.0m was allocated to the goodwill of this cash-generating unit, EUR 102.9m to technologies, EUR 4.3m to development costs, and EUR 0.9m to brand names. In addition, the loss of the diabetes treatment project led to a further impairment loss of EUR 3.6m on development costs, as the three patents concerned were used exclusively in this project. Our consolidated balance sheet as of November 30, 2019 consequently includes EUR 672.2m in goodwill (prior year: EUR 670.6m) and EUR 641.3m in customer relationships, brand names, technologies and similar assets (prior year: EUR 789.3m). Property, plant and equipment amounted to EUR 701.9m as of November 30, 2019, compared to EUR 620.7m as of the prior-year reporting date. The increase mostly relates to capital expenditure in the amount of EUR 173.3m, less depreciation in the amount of EUR 91.2m. As of November 30, 2019, other non-current assets stood at EUR 27.8m and thus remained unchanged as against the prior-year reporting date.

CURRENT ASSETS

Current assets amounted to EUR 544.8m as of the November 30, 2019 reporting date and were thus EUR 27.0m below the EUR 571.8m recorded as of the prior-year reporting date. It should be noted that the transition to IFRS 15 (Revenue from Contracts with Customers)—a financial reporting standard which we are required to apply for the first time—resulted in a EUR 55.6m reduction in trade receivables and the recognition of EUR 28.1m in contract assets as of the December 1, 2018 transition date. For a detailed description of the transition effect, which was not accounted for through profit or loss, please see Note (1) of the Consolidated Financial Statements. Taking into account these transition effects, there was a slight increase in trade receivables, while contract assets decreased significantly, mostly due to the customer's unexpected cancellation of the project to develop a micro pump for the treatment of diabetes. Inventories went up from EUR 171.5m at the prior-year reporting date, or EUR 170.8m taking into account the transition effect, to EUR 185.1m as of November 30, 2019. Inventories, trade receivables and contract assets made up 15.7% of total assets as of the reporting date, compared to 16.3% as of the prior-year reporting date.

EQUITY

Gerresheimer Group equity, including non-controlling interests, rose by EUR 51.5m to EUR 941.6m. This increase reflects the positive net income, which more than offset the profit distributions of EUR 36.1m to Gerresheimer AG shareholders and EUR 3.3m to non-controlling interests. Exchange differences also increased equity by EUR 16.8m. The remeasurement of defined benefit pension plans recognized directly in other comprehensive income had the opposite effect on equity. The equity ratio was 35.6% as of November 30, 2019, compared to 32.6% as of the end of the financial year 2018.

NON-CURRENT LIABILITIES

Non-current liabilities came to EUR 808.9m (prior year: EUR 1,072.4m). This represents a sharp decline of EUR 263.5m on the prior-year reporting date. Next to the reclassification to current financial liabilities of the promissory loans maturing in November 2020 in the amount of EUR 189.5m, this decline is primarily due to the derecognition of non-current contingent purchase price components from the acquisition of Sensile Medical in the amount of EUR 73.6m. Moreover, deferred tax liabilities declined by a total of EUR 25.4m compared to the prior-year reporting date, mainly due to the impairment of intangible assets within the cash-generating unit Sensile Medical in the financial year 2019.

CURRENT LIABILITIES

Current liabilities totaled EUR 890.7m as of the reporting date, representing an increase of 15.9% or EUR 122.3m on the prior-year reporting date. This increase relative to the prior-year reporting date is largely due to reclassification of the promissory loans due in November 2020 in the amount of EUR 189.5m. The derecognition of current contingent purchase price components from the Sensile Medical acquisition had an offsetting effect of EUR 56.2m. In addition, the transition to IFRS 15 (Revenue from Contracts with Customers)—a financial reporting standard which we are required to apply for the first time—resulted in a EUR 34.5m reduction in other current provisions and liabilities as of the December 1, 2018 transition date. That mostly related to prepayments received, which are now generally accounted for in contract liabilities or respectively as net contract items under contract assets. Transition to the new standard also resulted in recognition of contract liabilities in the amount of EUR 6.3m as of the transition date. For a detailed description of the transition effect, which was not accounted for through profit or loss, please see Note (1) of the Consolidated Financial Statements. Furthermore, trade payables increased by a total of EUR 14.2m as against the prior-year reporting date. Current liabilities thus make up 33.7% of total equity and liabilities (prior year: 28.1%).

NET WORKING CAPITAL

As of November 30, 2019, the Gerresheimer Group's net working capital stood at EUR 183.0m, down EUR 19.7m compared to the November 30, 2018 figure.

in EUR m	**Nov. 30, 2019**	Nov. 30, 2018
Inventories	185.1	171.5
Trade receivables	224.2	273.5
Contract assets	5.4	–
Trade payables[1)]	221.5	207.4
Contract liabilities[2)]	10.2	–
Prepayments received	–	34.9
Net working capital	**183.0**	**202.7**

[1)] Including EUR 0.1m non-current trade payables as of November 30, 2019.
[2)] Including EUR 1.5m non-current contract liabilities as of November 30, 2019.

The decline in net working capital compared to November 30, 2018 is due to the substantially lower trade receivables in combination with higher trade payables and contract liabilities. This was partly offset by higher inventories and contract assets. The transition to IFRS 15 (Revenue from Contracts with Customers), which we are required to apply for the first time, means that prepayments received, which have previously been presented in a separate line item, are now presented under contract liabilities or respectively as net contract items under contract assets. This change only affects individual components of net working capital and not net working capital as a whole. For a more detailed description of the transition effect, please see Note (1) of the Consolidated Financial Statements.

As a percentage of revenues in the last twelve months, average net working capital came to 20.0% as of November 30, 2019. As of the reporting date, net working capital as a percentage of revenues amounted to 13.1%.

OFF-BALANCE-SHEET ARRANGEMENTS

There were operating lease obligations totaling EUR 39.3m as of the reporting date (prior year: EUR 37.9m). These relate to rentals and operating leases for buildings, machinery, vehicles and IT.

INFLUENCE OF ACCOUNTING POLICIES

We applied the standards IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' for the first time in the financial year 2019. Application of these standards had no material impact on the Group's net assets, financial position and results of operations. No other accounting policies or related accounting options were applied in the 2019 Consolidated Financial Statements that differ from prior years and that, if applied differently, would have had a material effect on the Group's net assets, financial position and results of operations. We will apply the new standard IFRS 16 'Leases' for the first time in the financial year 2020. Information on the use of estimates and on the assumptions and judgments applied is provided in Note (5) of 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, 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). We counter default risk by restricting contractual partners to those of good to very good credit standing and rigorously observing the risk limits stipulated under trade credit insurance or internally. An adequate amount is recognized for any necessary impairments.

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 subsidiaries to meet the cash needs of others. Sufficient cash pool lines and intercompany loans meant that there were neither financing nor liquidity shortfalls in the financial year 2019.

FINANCING INSTRUMENTS

Our financing was renegotiated in the financial year 2019 and includes a syndicated loan in the form of a revolving credit facility plus ancillary facilities totaling EUR 550.0m, which was signed on September 26, 2019 as part of a refinancing arrangement with a five-year term to maturity and two extension options of one year each. 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) under the current loan agreement. 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.

In addition, Gerresheimer has also raised financing through promissory loans issued in 2015 and 2017. 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, which is repayable in November 2020, 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. The EUR 250.0m promissory loans issued on September 27, 2017 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.

Our subsidiaries also have finance in the shape of approved bilateral borrowings, including bank overdrafts, in an amount equivalent to EUR 40.9m.

For information on the terms governing these financing instruments, please see Note (32) of the Consolidated Financial Statements.

To ensure access to other favorable sources of funding, Gerresheimer also raises limited financing through the sale of trade receivables to factoring companies.

FINANCIAL LIABILITIES AND CREDIT FACILITIES

Net financial debt developed as follows:

in EUR m	Nov. 30, 2019	Nov. 30, 2018
Financial debt		
Revolving credit facility	302.3	264.4
Promissory loans – November 2015	425.0	425.0
Promissory loans – September 2017	250.0	250.0
Local borrowings incl. bank overdrafts	40.9	19.9
Liabilities from installment purchases	1.7	–
Finance lease liabilities	8.6	7.7
Total financial debt	**1,028.5**	**967.0**
Cash and cash equivalents	85.8	80.6
Net financial debt	**942.7**	**886.4**

Net financial debt increased year on year and amounted to EUR 942.7m as of November 30, 2019, compared to EUR 886.4m as of the prior-year reporting date. Adjusted EBITDA leverage in accordance with the credit line agreement in force as of November 30, 2019 was 2.4x as of the reporting date (prior year: 3.1x).

The revolving credit facility (with a facility amount of EUR 550.0m) was drawn by EUR 302.3m as of November 30, 2019 (prior year: facility amount EUR 450.0m, drawn portion EUR 264.4m), to which are added drawings on ancillary credit facilities in the amount of EUR 16.5m (prior year: EUR 3.3m). Consequently, the EUR 231.2m under the revolving credit facility was available to us as of November 30, 2019 for capital expenditure, acquisitions and other operational requirements.

ACQUISITIONS AND DIVESTMENTS

On December 2, 2019, Gerresheimer entered into an agreement to sell Gerresheimer Buenos Aires S.A. (Buenos Aires/Argentina) to IMAP SAIC, a leading Argentinean manufacturer of plastic packaging, with economic effect from November 30, 2019. Due to materiality reasons, the deconsolidation of this company was already carried out as of November 30, 2019 and the fair value of the agreed consideration was reported under investments.

Under the sale and purchase agreement dated February 21, 2019, Gerresheimer acquired 60% of the capital shares and voting rights in respimetrix GmbH, Duesseldorf. Respimetrix GmbH is a research company. For reasons of materiality, respimetrix GmbH is not fully consolidated. This entity had no significant impact on the net assets, financial position and results of operations or cash flows of the Gerresheimer Group as of November 30, 2019.

ANALYSIS OF CAPITAL EXPENDITURE

Gerresheimer undertook capital expenditure on property, plant and equipment and intangible assets as follows in the financial year 2019:

in EUR m	2019	2018	Change in %[1]
Plastics & Devices	93.8	64.7	44.9
Primary Packaging Glass	82.9	47.8	73.6
Advanced Technologies	4.9	0.5	>100.0
Head Office	3.8	1.7	>100.0
Total capital expenditure[2]	**185.4**	**114.7**	**61.6**

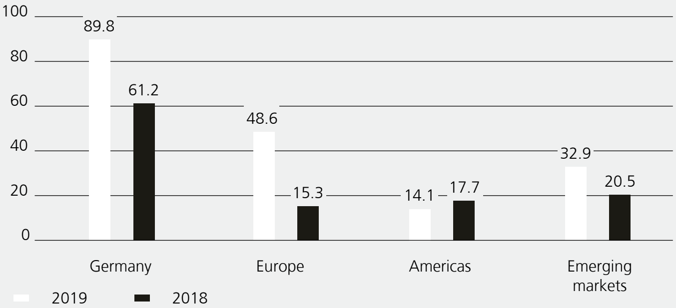
[1] The change has been calculated on a EUR k basis.
[2] Including additions from finance leases and installment purchases together with capital expenditure not yet cash relevant in the amount of EUR 21.5m (prior year: EUR 0.1m).

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 Czech Republic and the construction of our new plants in the Republic of North Macedonia and Brazil. Another focus was on expanding the product portfolio and creating additional production capacities.

Capital expenditure in the Primary Packaging Glass Division mainly related to the scheduled furnace overhaul and expansion in Germany—conducted in the third and fourth quarters of 2019—as well as to production plant modernization and automation. We also incurred capital expenditure for the new glass innovation and technology center in North America as well as for capacity expansion. As in prior years, we also invested in molds and tools.

Capital expenditure by economic region

in EUR m



From a regional perspective, 48.4% of capital expenditure in the financial year 2019 was accounted for by Germany (prior year: 53.3%), 26.3% by the Europe region (prior year: 13.4%), 17.7% by the emerging markets (prior year: 17.8%) and 7.6% by the Americas (prior year: 15.5%).

OPERATING CASH FLOW

in EUR m	**2019**	2018
Adjusted EBITDA	**400.0**	**298.6**
Change in net working capital	5.5	-17.6
Capital expenditure	-163.9	-114.6
Operating cash flow	**241.6**	**166.4**
Net interest paid	-19.4	-28.9
Net taxes paid	-36.2	-37.0
Pension benefits paid	-10.9	-11.9
Other	-141.5	-29.6
Free cash flow before acquisitions/divestments	**33.6**	**59.0**
Acquisitions/divestments	-43.9	-172.5
Financing activity	-1.1	-95.4
Changes in financial resources	**-11.4**	**-208.9**

The operating cash flow of EUR 241.6m generated in the financial year 2019 mainly relates to the EUR 129.8m in other operating income from the derecognition of contingent purchase price components. As this income is non-cash, the offsetting adjustment is presented in the 'Other' line item. The year-on-year reduction in free cash flow before acquisitions/divestments is mainly due to significantly higher capital expenditure.

CASH FLOW STATEMENT

in EUR m	**2019**	2018
Cash flow from operating activities	192.9	173.4
Cash flow from investing activities	-203.2	-286.9
Cash flow from financing activities	-1.1	-95.4
Changes in financial resources	**-11.4**	**-208.9**
Effect of exchange rate changes on financial resources	0.6	-0.8
Financial resources at the beginning of the period	61.9	271.6
Financial resources at the end of the period	51.1	61.9

Cash flow from operating activities increased by 11.2% to EUR 192.9m in the financial year 2019. This development is partly attributable to the reduced capital commitment as a result of the decline in net working capital as well as to the significantly lower interest payments in the financial year 2019.

The EUR 203.2m net cash outflow from investing activities is significantly down on the prior-year figure of EUR 286.9m. In the financial year 2019, we paid out EUR 164.6m on intangible assets, property, plant and equipment and financial assets. This figure is EUR 49.9m higher than the corresponding amounts paid out in the prior year of EUR 114.7m. Proceeds from asset disposals totaled EUR 5.2m in the financial year 2019 and primarily related to the sale of a piece of land in Kuessnacht (Switzerland). There was also the payment of the fixed and of a contingent purchase price component in the total amount of EUR 43.5m for the acquisition of Sensile Medical. In the prior year, payments for this acquisition amounted to EUR 172.5m.

The net cash outflow from financing activities amounted to EUR 1.1m in the financial year 2019 (prior year: EUR 95.4m). A total dividend of EUR 36.1m was distributed to shareholders in the financial year 2019 (prior year: EUR 34.5m). In addition, EUR 3.3m was distributed to non-controlling interests (prior year: EUR 1.7m).

The Gerresheimer Group had EUR 51.1m in cash and cash equivalents as of November 30, 2019 (prior year: EUR 61.9m). As of the end of the reporting period, Gerresheimer additionally had at its disposal a EUR 550.0m revolving credit facility, drawings on which were EUR 302.3m as of the November 30, 2019 reporting date. Added to this were drawings of EUR 16.5m on ancillary credit facilities. 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 have paved the way for sustainable and profitable growth through our broad-based capex program launched in the past financial year.

Revenues at constant exchange rates increased by 0.5% in the financial year 2019 to EUR 1,380.2m. This revenue performance means that we fell short of what we are capable of, mainly due to the developments at Sensile Medical. The customer's unexpected cancellation of the project to develop a micro pump for the treatment of diabetes, in particular, negatively impacted revenues here by EUR 17.3m.

Adjusted EBITDA at constant exchange rates was EUR 396.1m in the financial year 2019 compared to EUR 300.2m in the prior year. It should be noted that we recorded other operating income of EUR 129.8m in the financial year 2019 due to the derecognition of contingent purchase price components from the acquisition of Sensile Medical. In contrast, adjusted EBITDA at constant exchange rates was reduced by EUR 9.2m due to the customer's unexpected cancellation of the project to develop a micro pump for the treatment of diabetes. The cancellation of this project also led to a contractual modification and thus to a cumulative adjustment of the revenues recognized up to this point in the amount of EUR 17.3m, which had a corresponding negative impact on adjusted EBITDA at constant exchange rates.

Our Capex program was launched as scheduled and led in the financial year 2019 to cash payments of EUR 164.6m for capital expenditure on intangible assets, property, plant and equipment and financial assets compared to EUR 114.7m in the prior year. Despite the higher cash payments for capital expenditure, operating cash flow rose from EUR 166.4m in the prior year to EUR 241.6m. This increase was largely driven by the improved adjusted EBITDA, which was in turn bolstered by the non-cash derecognition of contingent purchase price components in relation to the Sensile Medical acquisition in the amount of EUR 129.8m. Calculated as the ratio of interest-bearing net financial debt to adjusted EBITDA, adjusted EBITDA leverage, pursuant to the credit line agreement in force, stood at 2.4x as of November 30, 2019. The marked decrease as against November 30, 2018 is likewise attributable to the higher adjusted EBITDA, which was notably affected by the other operating income from the derecognition of contingent purchase price components.

Our net asset position remains very solid. The impairment losses of EUR 116.6m recognized in the cash-generating unit Sensile Medical in the financial year under review are largely attributable to the cancellation of projects by customers, especially the project to develop a micro pump for the treatment of diabetes. Equity and non-current liabilities provided 83.5% coverage of non-current assets (prior year: 90.9%). The equity ratio increased from 32.6% as of the prior-year reporting date to 35.6% as of November 30, 2019.

NON-FINANCIAL GROUP DECLARATION PURSUANT TO SECTION 315b OF THE GERMAN COMMERCIAL CODE (HGB)

CORPORATE RESPONSIBILITY AND SUSTAINABILITY AT GERRESHEIMER

Gerresheimer has formalized, communicated and implemented its position on 'Corporate Responsibility' and sustainability across the Group since 2010 in its 'Corporate Responsibility Guideline'. This has been continuously updated and was last revised in May 2018. The principles of sustainability and 'Corporate Responsibility' are equally part of our corporate philosophy and so underpin not only our vision, but also our mission and our five values of teamwork, responsibility, integrity, innovation and excellence. Those principles apply with binding force at all of our locations around the world.

We have adopted internal standards to implement the requirements under the German CSR Directive Implementation Act (CSR-RUG). 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 consolidated non-financial statement. In selecting the matters to be reported on, we had regard not only to legal reporting requirements, but also to our materiality matrix, which reflects current expectations of our stakeholders and the orientation and impact of our business activities.

As a significant change compared to the prior year, we report CO_2-equivalent (CO_2e) emissions and water consumption this time concurrently with the financial year under review rather than at a lag of one year as in past reports. We have overhauled the entire measurement process in the past year to enable timely and transparent reporting. To maintain continuity and comparability through the change in methodology, we also present the figures for the financial year 2018 alongside CO_2e emission figures and water consumption figures for the financial year under review.

The consolidated non-financial statement is based on the principles of the Sustainability Reporting Standards of the Global Reporting Initiative (GRI), an internationally recognized framework for sustainability reporting. At present, the GRI Standards are not yet fully satisfied in accordance with the 'Core' or 'Comprehensive' options. We are working toward this with the onward development of our sustainability strategy and sustainability reporting.

With this consolidated non-financial statement, we comply with our reporting obligations resulting from CSR-RUG. The content of the consolidated non-financial statement has been reviewed by the Supervisory Board of Gerresheimer AG. In this connection, the Supervisory Board had the support of a limited assurance review by Deloitte GmbH Wirtschaftsprüfungsgesellschaft in accordance with ISAE 3000. Deloitte will report its findings to the Supervisory Board of Gerresheimer AG at the latter's meeting on February 18, 2020.

The information provided in this consolidated non-financial statement relates both to Gerresheimer AG and its direct and indirect subsidiaries and associates.

Please see under '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 under 'Group Strategy and Objectives'. Information about 'Corporate Responsibility' at Gerresheimer is provided at www.gerresheimer.com/en/company/corporate-social-responsibility.html.

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 under '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. Our in-house standards in terms of quality, 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.

We have a far broader understanding of 'Corporate Responsibility' and sustainable business, however, that has led us to adopt our own CSR principles. These describe our 'Corporate Responsibility' activity areas with regard to 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 CSR measures and outcomes. We also engage in ongoing dialog with investors about our sustainability strategy.

For ongoing enhancement of our sustainability strategy, we continued in the financial year 2019 to apply the systematic process introduced in the financial year 2017 to record and prioritize the demands placed on us by external and internal stakeholders, together with the impacts of our business activities on the environment, society and our workforce, using the internationally recognized materiality analysis methodology. Due consideration was given to input from key stakeholder groups as follows:

1. Corresponding priorities set by many of our pharma and cosmetics customers—who either individually audit us with regard to sustainability or have audits 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 USA, 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 most recent employee survey.

Our materiality analysis additionally includes material impacts of our business activities on the environment, society and the workforce.

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 themes at the bottom left of the matrix are of least relevance for our stakeholders and ourselves.

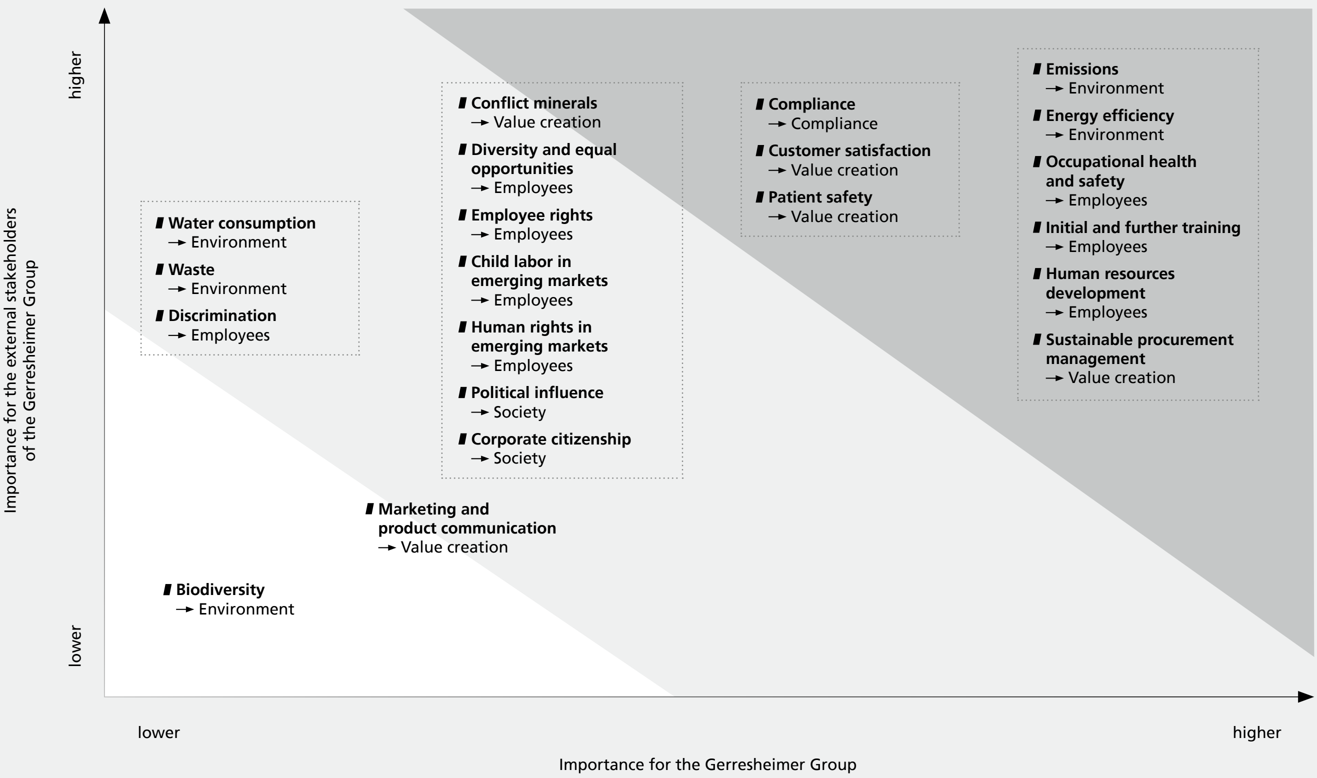
The themes are marked accordingly and split into five areas of focus. These are the core themes of our sustainability reporting. The following sections center on the core themes mentioned here.

The five core themes of our sustainability reporting:

Core themes	CSR-RUG
Responsible value creation	Environmental issues
Responsibility toward the environment	Environmental issues
Responsibility toward employees	Employee matters; respect for human rights
Responsibility toward society	Social matters; respect for human rights
Responsibility for compliance	Bribery and corruption

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.

Our current scoring in the EcoVadis assessment is ‘Silver’ level. 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 percent of the companies audited by EcoVadis.

The strategy process launched in 2019 by the Gerresheimer AG Management Board (see under ‘Group Strategy and Objectives’), which formulated strategic decisions and objectives for the future-oriented onward evolution of the Gerresheimer Group over the next ten years, has placed sustainable development as a core focus on the Gerresheimer agenda. We thus intend to significantly step up our commitment to environmental, social and employee matters, respect for human rights and combating corruption and bribery. On the basis of this strategic goal, we will develop and launch specific targets and measures in the years ahead to further advance the focal area of sustainability in an integrated and systematic manner.

RESPONSIBILITIES, RULES AND PROCESSES, CONTROLS

The Management Board of Gerresheimer AG adopted the revised CSR strategy and assigned the corresponding responsibilities in May 2019. Responsibility for implementation of the CSR strategy was assigned to the Group Senior Director Communication and Marketing in the financial year 2019. He reports to the Management Board several times a year on the progress of CSR strategy implementation. As part of the strategy process, responsibility for the Gerresheimer Management System (GMS), Environment, Health and Safety (EHS) and Sustainability/Corporate Social Responsibility (CSR) will be combined from 2020 in a single department headed by the Group Senior Director Operational Excellence, EHS & CSR. The purpose of this reorganization is to implement an integrated and strategy-driven, holistic approach to operational excellence, EHS and CSR as well as to generate synergies by pooling competencies and resources.

Given that achievement of our sustainability targets and compliance with sustainability principles are part of our everyday business processes as well as among the responsibilities carried out 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. 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.

OPERATIONAL EXCELLENCE

The Gerresheimer Management System represents one of the paths to attaining our vision. GMS sets Group-wide standards and defines methods and tools to implement continuous process improvement on a long-term basis at every link in the value chain while establishing efficient, resource-light production together with 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 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, 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, 2019, 146 employees have been trained as GMS auditors and are actively involved in 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, HR processes and the core elements of the Gerresheimer sustainability strategy enshrined in GMS, including ‘Corporate Responsibility’ and the ‘Principles for 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. The measures are documented and tracked in a digital platform. In the financial year 2019, 360 new GMS measures were launched under this system and 126 GMS measures completed.

75 participants from twelve 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. A focal point in the financial year 2019 was the opportunity to share experience and success stories with a number of our customers in the form of presentations. Conferment of the 2019 GMS Awards by the Management Board to four project teams and one plant in recognition of their excellent implementation projects was once again a highlight of the event this year. The application process for the 2020 GMS Awards has already begun. A new sustainability category has been added to the previous award categories in the four system elements—employee systems, material systems, quality systems, and methods and tools—and to the Plant Award. We will be conferring the award in the new category for the first time at the GMS Conference 2020.

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

As part of the strategy process, targets and requirements are currently being defined for GMS to ensure that the system will continue to enable and support the implementation of our strategic and operational goals in the future. In the financial year 2020, we will consequently launch a revision process for GMS in which, in consultation with all operating units, we will specify core processes for production and quality management that are then progressively rolled out globally.

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 521.1m (prior year: EUR 517.5m). The procurement rate—the cost of procuring materials as a percentage of revenues—thus stood at 37.4%, slightly below the prior-year rate of 37.8%. As our divisions and business units 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 and 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 suppliers, we verify that they are certified according to the ISO standards relevant to their business activity and also comply with the guidelines on quality assurance in the production of drugs and of active ingredients (good manufacturing practice). We ensure that all strategic suppliers adhere to the 'Gerresheimer Principles for Responsible Supply Chain Management' (available on our website at: www.gerresheimer.com/en/company/corporate-social-responsibility/customers-suppliers.html). In addition to key precepts relating to occupational health and ethical business conduct, these also addresses the issue of environmental protection. The principles stipulate that our suppliers must comply with all applicable environmental standards. This means that they must furnish all necessary environmental permits, licenses, information, registrations and restrictions and comply with the applicable operational requirements and their reporting and notification obligations. We also expect them to have implemented systems that ensure safe management of waste, emissions and wastewater and that prevent chance or accidental contamination and releases into the environment. Of our strategic suppliers, 322 (prior year: 186), or 35% (prior year: 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 once again plan to increase this percentage even further in the coming financial year.

Our requirements concerning the selection process for new and existing 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 the process, suppliers undergo a standard classification procedure to ensure that our strategic suppliers in particular 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, 2019, we classified 927 (prior year: 836) suppliers worldwide as strategic suppliers.

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 also involves an on-site audit. Around 80% of our locations already include environmental or social requirements in this qualification process. To maintain quality in procurement over the long term and ensure continuous improvement in 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

There were no incidents in the financial year 2019 that led to termination of a supplier relationship for any of the above reasons.

As a manufacturer of high-quality pharmaceutical primary packaging, our molded glass plants primarily use quartz sand, soda and soda lime as raw materials to make glass, along with other additives in small quantities. These basic products are freely available and we procure them from a range of suppliers. There were consequently no supply disruptions or shortages with a significant impact on our business performance in the reporting period. Making glass also uses large quantities of energy, mostly in the form of gas and electricity. Some customer contracts provide for automatic adjustment after a specific time when energy prices change. As our contracts with pharmaceutical glass container and cosmetic glass customers rarely have an agreed duration of more than two years, adjustments for any changes in energy prices are generally made—if necessary—when agreements are extended. We minimize any residual risks as far as possible by hedging (see under '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 specialist resins such as polyethylene, polypropylene and polystyrene. These basic products are also freely available and are procured from a range of suppliers. Here, too, there were consequently no supply disruptions 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 or contribute to human rights violations by mining and trading in them. This is clearly specified in our 'Corporate Governance Guidelines' as well as our 'Principles for Responsible Supply Chain Management' and we verify suppliers' certification accordingly.

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 (Germany). Procurement of the minerals referred to is covered by conflict mineral compliance certification from our suppliers.

To further enhance procurement employees' understanding of sustainability in the supply chain, we developed and rolled out an e-learning module, 'Introduction to Responsible Supply Chain Management', in the financial year 2019. The training module covers a range of topics:

- Introduction to the concept of sustainability/'Corporate Responsibility'
- Information about 'Corporate Responsibility' at Gerresheimer
- Gerresheimer Principles for Responsible Supply Chain Management (RScM)
- RScM and the Gerresheimer Management System
- Gerresheimer 'Corporate Responsibility' reporting

To ensure that all relevant employees completed the module, we specified the group of employees to be trained and monitored the conduct of the training. Of the 82 procurement employees at our locations worldwide, 72 (88%) completed the training during the financial year. A further ten employees will complete it in the coming financial year.

PRODUCTION

The same high quality standards that are applied in the production of drugs also apply to the production of pharmaceutical primary 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. Notwithstanding the different production processes in the three divisions Plastics & Devices, Primary Packaging Glass and Advanced Technologies, the principles of the Gerresheimer Management System (see under 'Operational Excellence') and the requirements of the Gerresheimer quality initiative apply at every Gerresheimer plant worldwide. This is how we ensure that systems and quality standards stay uniform.

A Group-wide quality initiative launched in 2011 developed binding quality requirements and key performance indicators (KPIs) and has been implemented 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. 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 complicated KPI is Cost of Non-Quality (CNQ). By cost of non-quality we mean the total direct internal and external 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.

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.

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

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®.

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 gain a critical competitive edge. As part of our global machine strategy in the Tubular Glass Business Unit, we are equipping all our injection vial production plants worldwide with the state-of-the-art machinery of the same standard, supplemented with standardized control, inspection and packaging technology. The resulting injection vials exceed industry standards in cosmetic and dimensional terms. This will enable us to supply our customers with considerably improved injection vials that meet the highest quality standards from any of our sites. The global machinery modernization and standardization project was launched in the USA and Mexico. In recent years, including 2019, the focus has been on Europe and Asia. We will continue to invest in the standardization of machinery in the years ahead, most notably in our growth markets in China and India, but also in Europe.

SALES AND MARKETING

Each year at our 37 production plants worldwide, we produce more than 15 billion injection vials, ampoules, cartridges, containers for liquid and solid medicines, insulin pens, pen and micro pump systems, inhalers, syringes and cosmetic containers. 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 81% of our revenues being generated in the pharma and healthcare industry. We not only supply customized packaging, but also provide pharma companies with cost-effective and flexible solutions. One example of this is prefilled disposable syringes, which significantly reduce the time needed to prepare an 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.

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. Our primary packaging meets the requirements of the applicable pharmacopoeias for approval in the country markets we serve. These include the European Pharmacopoeia (Ph. Eur.), the United States Pharmacopoeia (USP) and also the Japanese Pharmacopoeia (JP). For this purpose, we provide a high level of product documentation. We have FDA registrations, Drug Master Files, product registrations and product approvals to provide our customers with full information about our products.

Although we do not sell directly to them, patients and end users 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. This ranges from simple nasal or eye dropper bottles to complex wearable pump systems for Parkinson's patients. 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 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 (CDP) 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 sales and marketing strategy. To this end, our sales staff maintain ongoing contact with existing customers and develop new customer relationships. Talking directly with 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.

To gauge customer requirements among both current and potential customers, we regularly conduct global surveys with the aid of a respected market research institute. Our aim here 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 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. 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 global customer satisfaction survey is planned for 2020. The findings are 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, while also meeting the requirements of the ISO audits and our own GMS guidelines. 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 challenges 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 resource-efficient 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 participation in one of the world's largest environmental initiatives, the Carbon Disclosure Project (CDP). We also publish the target and target attainment. 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.

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

Energy efficiency and emission avoidance play a major part in environmental protection (see under 'Environmental Protection in Production'). In parallel with this, we develop environmentally friendly products using both glass and plastic, which we offer to our customers (see under 'Environmentally friendly products and use of natural resources').

CLIMATE-RELEVANT EMISSIONS

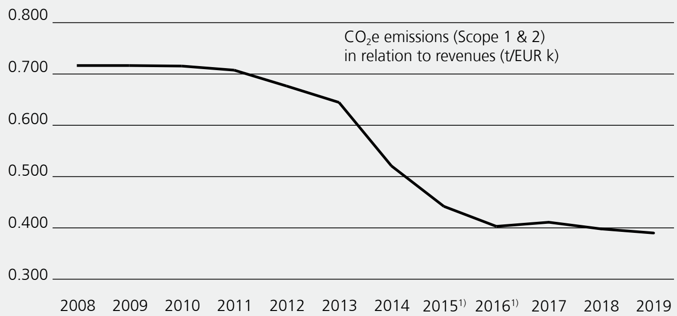
We measure, analyze and manage our CO_2e emissions at all production locations, and report in the following on their composition and any changes that have occurred as well as various measures adopted to reduce CO_2e emissions.

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. Scope 1 emissions include energy consumption from non-renewable sources such as natural gas, liquid natural gas, diesel and light fuel oil, with natural gas accounting for the largest share. Our Scope 2 energy consumption relates to purchased electricity and heat.

in Terajoule	2015	2016	2017	2018	**2019**
Scope 1	3,570	3,574	3,620	3,656	**3,713**
Scope 2	2,305	2,238	2,226	2,363	**2,409**

Our key environmental 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 emissions produced in revenue generation, so that we achieve a significant improvement by 2023. We met our target once again in the financial year 2019: The ratio of CO_2e emissions to revenues fell by 2.0% between 2018 and 2019. We thus achieved a further percentage improvement. This positive trend is also plain to see from the multi-year analysis.

Ratio of emissions to revenues



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

In the financial year 2019, our direct greenhouse gas emissions (Scope 1) totaled 260,427 tons of CO_2e, while location-based indirect energy-related greenhouse gases (Scope 2) came to 283,219 tons of CO_2e. Applying the market-based approach, the Scope 2 emissions amounted to 305,921 tons of CO_2e. Compared to the financial year 2018, we were able to reduce our Scope 1 and Scope 2 emissions by a total of 386 tons of CO_2e in the financial year 2019.

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. CO_2e emissions in this area, where we are able to exercise only limited influence, increased by 3.5% in the financial year 2019.

Our results at a glance:

Emissions 2008 to 2019

	2008	2009	2010	2011	2012	2013	2014	2015[1]	2016[1]	2017	2018	**2019**
Total 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	554,032	**543,646**
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	1,367.7	**1,392.3**
CO_2e emissions (Scope 1 & 2) in relation to revenues (t/EUR k)	0.717	0.717	0.716	0.708	0.677	0.645	0.521	0.442	0.403	0.411	0.398	**0.390**
CO_2e emission (Scope 3) in tons (t)[2]								419,620	408,196	401,084	423,608	**438,626**

[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. 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 consisted of 307 vehicles as of the reporting date. 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 use a lot of energy. As the need arises, we overhaul and repair the Group's energy-intensive equipment, such as the furnaces in our molded glass plants. This enables us to install cutting-edge glass-melting technology and modernize production systems as a whole. As a result, we consistently achieve improvements in energy efficiency through furnace upgrades. We have likewise succeeded in substantially boosting 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'. Moreover, packing robots are increasingly being used for the end-of-line packaging of glass products, ensuring high accuracy and preventing errors during final packing on pallets.

The flint-glass furnace at our large German molded glass plant in Essen was replaced in 2019. Even though it has double the capacity, technical improvements mean the new furnace needs about 25% less energy and also has lower CO_2e emissions. It thus operates significantly more sustainably than its predecessor. Gerresheimer also used the opportunity to thoroughly modernize all parts of the plant to maintain the competitiveness and environmental performance of flint-glass production in Essen for the future. Among other things, this included a further enlargement of the flue gas cleaning system and installation of a catalytic candle filter for significant and lasting reductions in particulate, sulfur and nitrogen oxide (NO_x) emissions. Partial-flow exhaust air purification—a world first—means the existing plant is now able to comply with significantly stricter clean-gas values. The new plant also brought a substantial improvement in noise levels for the surrounding area.

At our cosmetics plants in Tettau (Germany) and Momignies (Belgium), we began in 2019 to replace the previous wetting process for glass molds with a more environment-friendly carbon coating that can be applied much more precisely. In the new process, the previously required combustion of oils and graphite is superseded by sub-stoichiometric combustion of oxygen and acetylene, which largely eliminates ambient pollution. For the decoration centers at our Tettau and Momignies cosmetics plants, we invested in 2019 in additional environment-compatible UV printing and color spray coating systems as well as in automation and process resource efficiency. A new technology delivered over a 25% reduction in the quantity of ink that fails to adhere to the glass surface in color spray coating of glass articles. In pharmaceutical production at our German plants in Essen and Lohr, fully automated application by robot will cut the consumption of conventional wetting agents in the future by 80%. One of the nine lines at Lohr was already converted to fully automated wetting in the financial year under review; the remaining lines are planned to follow in stages over the next few years.

Production technologies are also regularly replaced and modernized in our plants that process plastics. Older-generation injection (stretch) blow molding machines in the Plastic Packaging Business Unit were replaced in 2019 with new state-of-the-art machines that have significantly lower energy consumption. This involved substantial capital expenditure at the plants in Zaragoza (Spain), Vaerloese (Denmark) and Kundli (India). Centor, our plastics plant in Berlin (Ohio/USA), was also able to significantly lower energy consumption by replacing injection molding machines and is applying for the newly launched GMS Award for Sustainability with its full package of measures to reduce energy consumption and CO_2e emissions. In Vaerloese (Denmark) and Pfreimd (Germany), the refrigeration units and air-conditioning systems have used only environmentally friendly coolants since 2018. Deployment in 2019 of free-cooling systems that use outside air as a cooling medium reduced the energy consumption of cooling units in Vaerloese (Denmark) and Berlin (Ohio/USA).

A milestone for the Medical Systems Business Unit in 2019 was the commencement of construction at the new plant in Skopje (Republic of North Macedonia). The plant will initially manufacture medical plastic systems from 2020 prior to adding prefillable glass syringes lines following a further expansion phase. Every effort was made to make the plant energy efficient right from the design stage. An example is the building geometry, which is designed so that the plant is self-shading. The tallest part—the high-bay warehouse—has been positioned so that it casts maximum shade over production areas that need to be kept cool, and the office building in turn is protected from sunlight by the production building. In a concrete core activation system, water pipes installed in the floor during construction exploit part of the building mass as a temperature buffer. At night, the natural ambient low temperature is thus introduced into and temporarily retained in the building. High-quality insulation is another important factor in reducing energy consumption. Building insulation that is 200% of the insulation thickness normally installed in the country significantly reduces summer heat intake.

Investment in building insulation was also made in the financial year 2019 to reduce energy consumption in Indaiatuba, the Medical Systems Business Unit's Brazilian location. The improved thermal insulation made it possible to reduce the consumption of air conditioning and cooling systems by about 25%.

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 operated until March 2019 at the Pfreimd (Germany) location is to be replaced in 2020. A 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 progressively replacing old bulbs and tubes in our plants with energy-saving LEDs and exploring the use of LED lighting in all building conversions and extensions. The Wackersdorf (Germany), Zaragoza (Spain) and Berlin (Ohio/USA) plants were notable in further advancing the changeover to LEDs in 2019. 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.

15 (prior year: 13) of our 37 production locations have been certified for state-of-the-art environmental management and responsible use of natural resources in accordance with ISO 14001. One of these locations underwent re-certification under this standard in the reporting year. Due to the more rigorous standards, continuous improvement of energy performance must be demonstrated. Two of the three German molded glass locations were certified for the first time in accordance with ISO 14001 in 2019. The third plant aims to follow in the next financial year.

A further priority for us is on establishing systematic energy management to ensure that we make the most of opportunities to reduce energy consumption and further improve energy efficiency. So far, eleven of our 46 locations have received the corresponding ISO 50001 certification. One of those locations underwent re-certification in accordance with ISO 50001 in 2019.

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 safety and health, fire prevention and energy management, and anticipates the introduction of ISO 45001 (future occupational safety and health management system). The 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 and document any environmental damage and to track its elimination. 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 climate action and marine pollution 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. Incorporating recycled materials in the production of plastic and glass primary packaging is a step on the way. There are also regulatory restrictions, such as the use of prescribed resins and approval requirements, particularly for pharmaceutical primary packaging. Gerresheimer has presented its first corresponding product innovations and is promoting them to its pharma and cosmetics customers.

Personal care products are often packaged in PET bottles because PET (polyethylene terephthalate) has a low intrinsic weight and is versatile, easy to mold and break-resistant. For years, Gerresheimer has been offering its PET ranges with various mixtures of post-industrial recycled (PIR) and post-consumer recycled (PCR) materials and is able to produce containers made of up to 100% recycled PET (R-PET).

Under the BioPack name, Gerresheimer has launched an extensive portfolio of plastic packaging for drugs and cosmetics made from biomaterial in place of conventional polyethylene (PE) or PET. Instead of crude oil, biomaterials are made from renewable raw materials—in this instance 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.

Since 2018, we have had on offer an innovative plastic bottle with minimal plastic use and an indentation in the base that allows the bottle to be stacked. This enables more efficient transport packaging, which in turn leads to lower CO_2e emissions. A further environment-friendly feature is the fact that the bottle can be refilled three times 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 made of up to 100% recycled 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. Gerresheimer is currently able to use up to around 60% cullet for amber glass and up to around 50% for flint glass in the production of Type III glass for pharmaceutical primary packaging. Glass cosmetics packaging can contain up to about 30% recycled glass.

Our cosmetic glass plant in Momignies (Belgium) has used PCR glass for over ten years and, in spite of the restrictions mentioned, has been able to gradually increase the proportion of cullet and so reduce energy consumption. The flint-glass furnace in Momignies now produces cosmetics flacons made of recycled glass around the clock. The cosmetic glass plant in Tettau (Germany) ran its first PCR glass campaign in 2019. The higher the proportion of recycled glass, the less energy is needed for production. Using recycled glass also helps conserve natural resources, as glass is made from quartz sand, sodium carbonate and calcium oxide as well as containing dolomite, feldspar, potash and iron oxide for coloring. In the drive to increase recycling, our Momignies plant has worked hard to reduce the quantity of raw materials used in the production of flint glass to 45% of all material melted in the furnace. The composition of the glass has been tested and certified by RDC Environment of Belgium. RDC also prepared a full life cycle assessment (LCA).

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 it to make new borosilicate glass tubes. A project to increase the collection rate of borosilicate glass cullet at the Morganton (North Carolina/USA) production location increased cullet volumes at the plant by 50% in 2018. This level was also maintained in 2019.

WATER CONSUMPTION

Our water consumption amounted to 973,561 m³ in the financial year 2019. Consumption in the prior year was 812,225 m³. The increase in water consumption in the financial year 2019 is largely due to the replacement of the flint-glass furnace at our large German molded glass plant in Essen. This is because the water circulation system was also renewed as part of the furnace replacement project, during which fresh water consequently had to be used instead of recirculated water so that the amber glass furnace could continue production. Fresh water was also used to cool the pipes and glass when emptying the flint-glass furnace. Consumption is regionally focused in Europe, where four of our molded glass plants are located; these accounted for about half of our total water consumption in the financial year 2019.

Of the total volume in 2019, 76% came from the municipal water supply or other public or private water companies. Other sources were groundwater (19%) and surface water (5%).

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 by deploying water treatment systems.

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

OUR RESPONSIBILITY TOWARD EMPLOYEES

Our employees are the key foundation of our business success. Their passion, willingness to take on responsibility and motivation are crucial to attainment of our ambitious long-term goals. This conviction is firmly embodied in our ‘Corporate Responsibility Guideline’. Our globally oriented human resources strategy provides the framework for the diverse activities and programs at our locations.

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 46 locations in 15 different countries. Gerresheimer’s corporate values—teamwork, responsibility, integrity, innovation and excellence—are highly important in shaping how we work.

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 safety and health systems are a key element here, especially at our manufacturing locations.

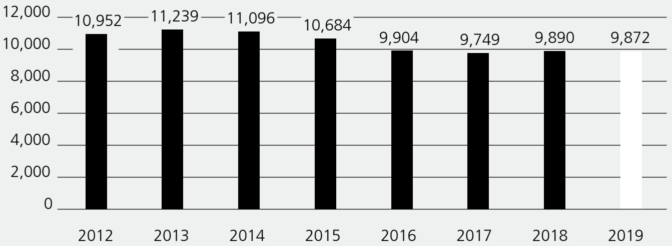
Based on numerous factors, including employee programs and satisfaction, health management, corporate values, talent communication and image, the Institute of Research & Data Aggregation in 2019 named Gerresheimer Leading Employer 2020, thus placing the Company among the top one percent of employers in Germany. This award is presented annually, each time for the subsequent year.

WORKFORCE STRUCTURE

The Gerresheimer Group had 9,872 employees as of the end of the financial year 2019 (prior year: 9,890). The number of employees was thus at the level of the prior-year reporting date.

Gerresheimer Group employees

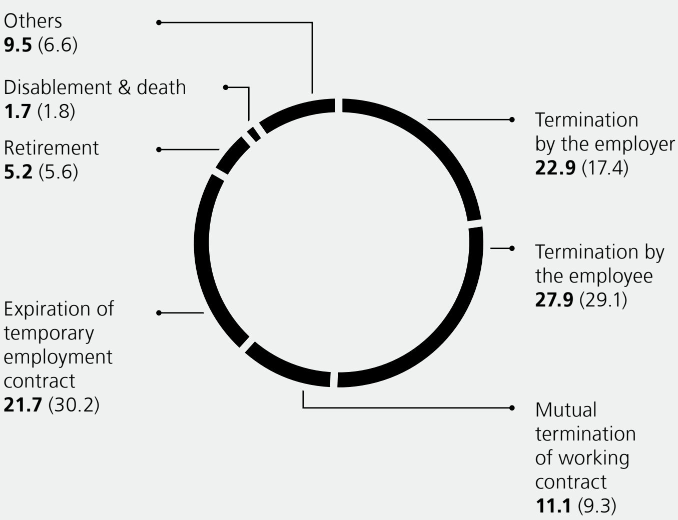
Number



In the financial year 2019, 1,663 employees left the Company, which was a significant decrease year on year (prior year: 2,248 employees). The average length of service is 11.3 years (prior year: 11.6 years).

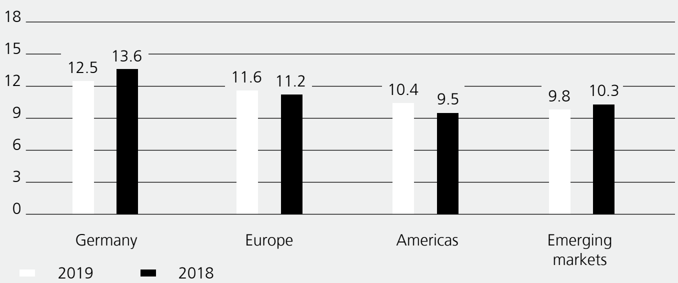
Reasons for leaving the Group

In % (previous year)



Average length of service by region

In years

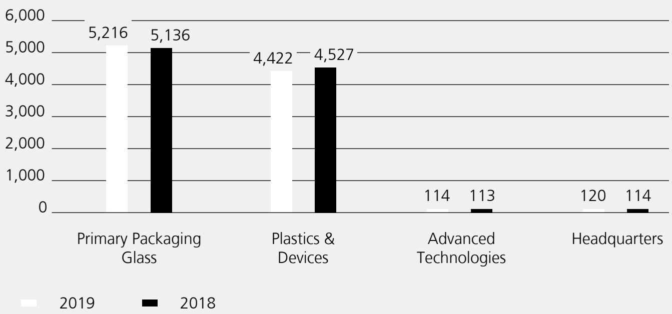


EMPLOYEES BY DIVISION

The Primary Packaging Glass Division had 5,216 employees as of the end of the financial year 2019 (prior year: 5,136 employees). This represents an increase of 1.6%. The Plastics & Devices Division had 4,422 employees as of November 30, 2019 (prior year: 4,527 employees). This marks a 2.3% reduction in the size of the workforce, among other things due to the closure of our plant in Kuessnacht (Switzerland) and deconsolidation of the plant in Buenos Aires (Argentina). Our Advanced Technologies Division has 114 employees (prior year: 113 employees). There were 120 employees working at headquarters as of the financial year-end (prior-year: 114 employees). Gerresheimer AG had 101 employees as of the reporting date (prior year: 97 employees).

Employees by division

Number

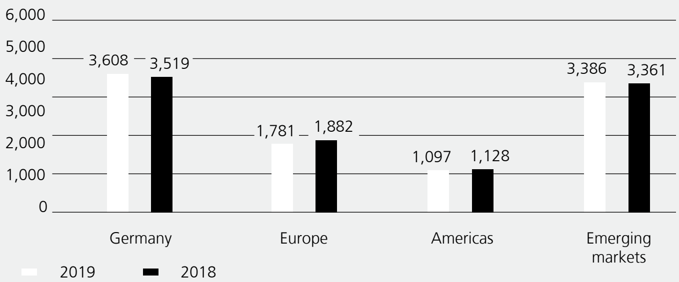


EMPLOYEES BY REGION

We produce in the regions where our customers and markets are located: at 46 locations (including 37 production locations) on four continents, with 1,781 employees in Europe (prior year: 1,882), 1,097 in the Americas (prior year: 1,128) and 3,386 in emerging markets (prior year: 3,361). As a Group 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 3,608 employees at ten locations across the country (prior year: 3,519).

Employees by region

Number

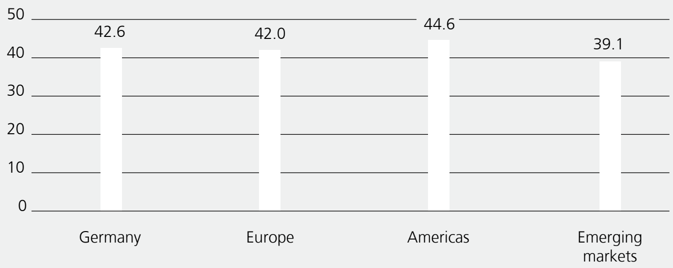


EMPLOYEES BY AGE

The average age of the Gerresheimer workforce is 41.9 years (prior year: 41.3 years). Among female employees the average age is 42.3 (prior year: 41.7 years), while among male employees it is 41.7 (prior year: 41.1 years). The highest average age is at our American locations, at 44.6 years (prior year: 43.3 years). In contrast, the average age of our employees in emerging markets is below 40 (prior year: 38.9 years).

Average age of employees by region

In years



TRAINING, CAREER ENTRY AND GLOBAL HR DEVELOPMENT

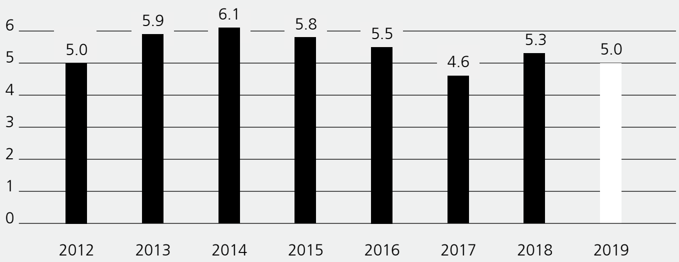
In line with our values-driven corporate policies and against the backdrop of demographic change, we see vocational training as part of our corporate social responsibility. The different training requirements are taken into account in each division. Our training programs prepare young employees for their future responsibilities. In 2019, we offered a total of 14 training occupations in Germany, ranging from electronics technician to milling machine operator. As of November 30, 2019, Gerresheimer employed 180 trainees (prior year: 188 trainees) in Germany. The training rate in Germany was 5.0% (prior year: 5.3%), which is slightly below the current 5.2% industry average. We took on 89.6% of the 48 trainees who completed their training with us worldwide in the financial year 2019 (prior year: 95.2%).

A training program launched in the financial year 2018 at our location in Peachtree City (Georgia/USA) in collaboration with a regional college was successfully continued in 2019. For several years now, we have additionally provided practice-oriented training modeled on the German dual training system at our plant in Horsovsky Tyn (Czech Republic). Five new trainees began training there in 2019. In total, 15 young people are currently training as industrial mechanic for plastics, injection molding and tool engineering.

In March 2019, the Gerresheimer plants in Buende, Essen, Tettau and Wackersdorf opened their doors for Girls' Day 2019. For one day, girls from fifth grade upwards had the opportunity to learn all about the technical occupations at Gerresheimer.

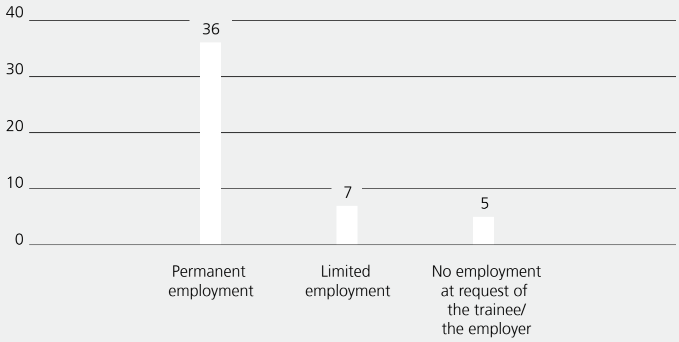
Training rate in Germany

In %



Subsequent employment of trainees

Number



In addition, we offer ten co-op degree programs, such as a Bachelor of Engineering with an industrial engineering major. We employed 20 co-op students in Germany (plus 3 in the USA) in 2019 (prior year: 31 students in Germany). These programs provide a balanced combination of theory and practice. Two graduates from Gerresheimer Regensburg GmbH were awarded a stipend by the German Association of Plastics Converters (GKV). They were thus among the ten best students who ranked top of the class out of 2,400 graduates throughout Germany. As well as the trainees themselves, the companies and vocational schools were also given recognition for providing the optimum conditions for training.

In addition, the Institute of Research & Data Aggregation singled out Gerresheimer for the title of 'Top Apprenticeship 2019' in Germany. The top quality score for training is based on ratings given to different companies by nearly 40,000 trainees and on secondary analysis of studies covering trainer and employer quality.

The second iteration of the *'GxGo!'* global trainee program started in the financial year 2019 with a total of five trainees in the fields of quality, design, small batch production, human resources and financial control. All trainees from the first round have now successfully completed the program and have been taken on in their respective units.

For the attainment of our 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 seek a good fit between our corporate goals and individual career aspirations. We offer coaching, training and development programs to this end worldwide. Furthermore, employees in management positions are able to take part in custom-tailored development programs in order to prepare for the current and future challenges of their roles. For members of 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 teamwork, responsibility, integrity, innovation and excellence. Employees from production ('Leading Blue') and non-production areas ('Leading White') can take part in management training tailored to their specific needs. 'Integrity' was selected as the key corporate value in 2019. We address both the ever-higher demands placed on employees and people's own needs in terms of work-life balance with '*ONELIFE*', a module for employees of all units worldwide developed back in the financial year 2017. This program was successfully continued in 2019. The training is directed at enabling and motivating employees and at retaining them with the Company for the long term. Within the training module, an individual, structured plan is developed with each participant to accommodate their needs and wishes for working and family life.

Back in 2016, the 'Quarterback Program', a five-module, custom-tailored train-the-trainer program for management development, was developed and rolled out in one business unit in order to meet the particular needs of that unit. The fourth module, called 'Play the Game', was completed in 2019. The focus here is on progress with team building in each case and on methods for further improvement of teamwork.

A total of 288,869 hours of further training were provided in the financial year 2019, corresponding to 29.3 hours per employee (prior year: 194,075 hours total and 19.6 hours per employee). Employees in the Americas region accounted for 48.6% of training hours, followed by Germany with 26.4%, the rest of Europe with 12.7% and emerging markets with 12.3%.

Annual interviews were held with a total of 4,654 employees in the financial year 2019, representing 47.1% of all employees (prior year: 4,980 employees). Generally, annual interviews between employee and superior take place once a year and cover the employee's performance in the preceding financial year, targets for the financial year ahead, any development measures and person-culture fit. Annual interviews are not mandatory in all countries, however.

Looking ahead, the digital transformation will result in the creation of different jobs with new requirements and task areas, which will also bring changing demands on the organization. As part of change management, global HR and organizational development continues to support the ongoing global rollout of a manufacturing execution system (MES) in the Primary Packaging Glass Division. Organizational development aims here to clearly present the nature of the changes and to work with and support plants in developing a change architecture.

A further focus of organizational development is the 'Operational Development Program' launched in the financial year 2019. This program's aim is to systematically develop operational employees for future in-plant leadership positions and responsibilities and increase the proportion of internal hires.

DIVERSITY AND CORPORATE CULTURE

Gerresheimer embraces a culture of diverse beliefs, experiences and cultural backgrounds, as is expressly embodied in our 'Corporate Responsibility Guideline'. Our 9,872 employees work in 15 different countries across four continents. 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 entirely without regard to ethnic heritage, gender, religion, sexual identity or any disability.

Gerresheimer's employees in the financial year 2019 come from a total of 57 nations (prior year: 58 nations) and 63.5% work outside of Germany (prior year: 64.4%). Female employees make up 33.0% of the workforce (prior year: 32.5%). Owing to the sometimes physically demanding nature of blue-collar work, there are naturally only a relatively small number of female applicants for such positions. Overall, the percentage of women in the first two levels of management was 19.1% (prior year: 22.5%), thus marking a decrease on the prior year. The separate percentages are 19.9% for the first management level and 18.6% for the second management level (see also under 'Stipulation of targets to promote the participation of women in management positions in accordance with sections 76 (4), 96, and 111 (5) AktG' in the 'Corporate Governance Statement' section).

As a globally operating Group, we also rely on an international management team. Citizens of countries other than Germany accounted for 43% of top-level managers as of November 30, 2019 (prior year: 42%). A total of 14 nations are represented in our executive management (prior year: 12 nations).

Despite its decentralized organizational structure, Gerresheimer fosters a sense of solidarity across national borders and throughout its divisions, plants and departments. We held the fifth consecutive 'ONE Gerresheimer Week' in our plants worldwide during the year under review. The 'ONE Gerresheimer Week' is a key element of our Vision, Mission, Values initiative and the corporate value at its focus this time was innovation (see also under 'Our responsibility toward society').

The 18th Gerresheimer soccer 'world cup' also took place in 2019. Eleven teams from various locations met in Wertheim (Germany) for an action-packed tournament. At the same time, another lineup of impassioned employee teams faced off in women's beach volleyball games.

OCCUPATIONAL SAFETY AND HEALTH 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 safety and health targets that vary according to the specific business orientation of each unit. One example of occupational safety and health in action is the 'STOP program' at Centor in Berlin (Ohio/USA) and in Queretaro (Mexico). There, one performance indicator is the number of employee safe behavior observations collected on 'observation cards'. At our plant in Essen (Germany), target attainment in occupational safety and health is measured by the number of 'five-minute safety briefings'. Recommendations for occupational safety and health measures are incorporated in the Gerresheimer Management System.

We implement preventive measures to avoid potential accidents and health hazards. In this regard, the occupational safety department supports 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 329 employees around the world are members of formal occupational safety committees that verify and ensure compliance with all standards and safety regulations.

The global rate of occupational accidents per million hours worked was 16.7 (prior year: 15.6), marking an increase by 1.1. The number of occupational accidents was 244 (prior year: 228). Out of those 244 occupational accidents, 21.7% (prior year: 27.6%) related to female employees and 78.3% (prior year: 72.4%) to male employees. Most such accidents occurred in Germany (139; prior year: 95), followed by the rest of Europe (69; prior year: 58), emerging markets (28; prior year: 35) and the Americas (8; prior year: 40). Four occupational accidents required a significant halt to production (prior year: four accidents). In total, occupational accidents resulted in 5,582 days' absence (prior year: 3,618 days), representing an increase of 1,964 days. The increase was partly due to the scheduled furnace repair and expansion at one of our German plants, during which there were accidents with several days' absence. Our aim with the measures we implement is to continue further reducing the number of accidents. We had zero fatal occupational accidents in the financial year 2019 (prior year: zero). Due to the nature of their employment, 223 employees (prior year: 206) 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 health days, 'Take Your Bike to Work' day and ergonomically designed workplaces.

EMPLOYEE RIGHTS AND WORKING CONDITIONS

We are fully committed to respecting, supporting and protecting human rights within our remit. This commitment is enshrined in our 'Corporate Responsibility Guideline'. Our Gerresheimer Management System ensures that the subject matter, importance and application of this 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 our 'Corporate Responsibility Guideline'. No cases of human rights violations were reported anywhere in the world in the financial year 2019, as in the prior year.

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: 15)—three women and twelve men (prior year: three women and twelve 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 compliance 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 2019, as in the prior year.

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 and make it easier for them to care for children and family members. A total of 305 employees in Europe (including Germany) were employed part-time in the financial year 2019 (prior year: 298), corresponding to 5.7% of the workforce (prior year: 5.5%).

Gerresheimer employees have the option of taking parental leave, including in countries where there is no statutory provision for doing so. A total of 132 employees made use of this option in the financial year 2019 (prior year: 206). The financial year 2019 saw 73.5% return to employment from parental leave (prior year: 86.4%).

Out of our workforce of 9,872 employees, 5,801 work shifts (prior year: 5,840), 34.5% of whom are women and 65.5% men.

With regard to employee remuneration, we attach great importance to ensuring that pay is nationally and internationally competitive and that there is no gender pay differential. We back this up by benchmarking against external companies and with objective job grading in areas such as executive management and at some locations across all levels of the hierarchy. 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.

Furthermore, we also pay over the local minimum wage in the emerging markets of Brazil and China—by an average of 150%.

For various positions, our remuneration policy provides for a variable element in addition to fixed pay. We had 2,175 bonus-eligible employees in the financial year 2019 (prior year: 1,078). For our global executive management, we also have a Mid-Term Incentive Program relating to the past three financial years. In the financial year 2019, 54 executive management employees received mid-term incentives (prior year: 56).

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 the 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 'ONE Gerresheimer Week' 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. The main directions of our efforts are:

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

Much of these activities are concentrated in 'ONE Gerresheimer Week', which was once again held in the reporting year. Over this one week in the summer of each year, all employees worldwide are called upon to celebrate our values and share them with others. In 2019, the corporate value at the center of the numerous initiatives was innovation. By way of thematic orientation for the many related fundraisers and community activities, the above focal areas were already communicated to all organizing teams during preparation and planning for 'ONE Gerresheimer Week'.

Focus on education and training

Our head office in Duesseldorf has close ties with the district of Gerresheim, where Gerresheimer was first established with the construction of the first glassworks in 1864. For many years, it has supported the Ferdinand Heye elementary school, which is named after our founder. A number of subsidiaries, such as our plants in Horsovsky Tyn (Czech Republic), Berlin (Ohio/ USA) and Kundli (India), likewise provide local schools with various forms of financial and non-financial support.

Training young people, most of all in technical occupations, is an important concern for us. A large number of German plants take part in the Girls' Day initiative, an annual event in Germany geared to enabling young women to find out more about technical professions. Our production locations in Buende, Essen, Tettau and Wackersdorf took part in 2019.

Our Medical Systems Business Unit has a longstanding collaboration with the Amberg-Weiden Technical University of Applied Sciences, among other things with the establishment of an endowed professorship for medical technology and the provision of a cleanroom laboratory. Co-op education programs and numerous dissertations successfully marry scientific theory with industrial practice. A new project cycle began in 2019 in the co-op degree program in medical engineering, for which Gerresheimer Regensburg GmbH provides resources under the Innovative Learning Venues cooperation strategy. Our Czech plant in Horsovsky Tyn (Czech Republic) has likewise offered co-op degree programs on the German model for many years.

In Tettau, Germany, our plant is part of a regional innovation network that collaborates, among others, with Coburg University of Applied Sciences and Arts. Among other activities, the innovation network supported the development and provision of the university's new FutureDesign master's program, which a number of Gerresheimer employees are also completing.

Focus on improving health and well-being

This is a further focal area in which our plants engage in diverse activities, ranging from donations of money and support in kind to individual volunteering. In Kundli (India), for instance, our plant supports a local dialysis center. Our plant in Kosamba (India) made donations to improve local infrastructure in 2019. By building a water filtration plant, we have been able to provide the occupants of a children's home with access to clean drinking water. In Shuangfeng (China), our plant provides support 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 the past, this project has received the German Demography Excellence Award, which is presented for commercial flagship projects that address and develop innovative solutions surrounding the issue of demographic change. Gerresheimer Tettau regularly donates to nonprofits, institutions and other causes in the Rennsteig region in order to promote local infrastructure. In 2019, the plant supported the Bavarian Red Cross and contributed to the purchase of a new emergency response vehicle.

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 children's charity. Our Zaragoza (Spain) plant supports a cancer aid organization and provides food for the needy. In Olten (Switzerland), our subsidiary Sensile Medical supports a local cardiovascular disease foundation.

As part of 'ONE Gerresheimer Week', numerous Gerresheimer locations promoted blood donor campaigns and collected donations in cash and in kind for institutions, nonprofits and projects in their regions. Among other recipients, the proceeds from the action week benefited hospitals, soup kitchens, kindergartens, homeless shelters, parents' initiatives for children with cancer, local food banks, resources for child victims of violence and hospices.

POLITICAL INFLUENCE

The Gerresheimer Group does not exercise political influence beyond the scope of customary industry association activities and Gerresheimer does not have offices for political communication. 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, we exert no influence as an enterprise 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 Gerresheimer's success as a globally operating Group that all Gerresheimer companies are managed responsibly in accordance with ethical business principles and in compliance with the prevailing rules and the law. For Gerresheimer, legally compliant conduct is not only the basis for responsible management but deepens the trust that those we do business with, shareholders and the public have in our Company and our workforce.

GROUP-WIDE COMPLIANCE MANAGEMENT SYSTEM

The Group-wide Gerresheimer Compliance Management System (CMS) has the prime aim of ensuring that all Gerresheimer Group employees adhere to applicable law and our internal rules in order to avoid compliance infringements and minimize compliance risk. To this end, the CMS implements preventive measures. Monitoring instruments built into the CMS help detect conduct that does not comply with rules and the law. If infringements are found, they are remedied and sanctioned appropriately as the individual case requires.

The focus of the Gerresheimer CMS is on combating corruption and adhering to the provisions of antitrust and capital market law. It goes without saying that Gerresheimer also promotes conduct aligned with the rules of compliance in other relevant areas of activity and law.

COMPLIANCE ORGANIZATION

Global responsibility for ensuring that the CMS is appropriate and effective in relation to compliance risks lies with the compliance organization.

The Management Board has appointed the General Counsel as Compliance Officer, who in this capacity is responsible for implementing and updating the guidelines issued by the Management Board and for providing training. Additionally, the Compliance Officer 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.

The Compliance Officer is supported by local compliance officers at subsidiary level. These help ensure that all employees are acquainted with the elements of the Gerresheimer Compliance Program. Local compliance officers are the first point of contact for all compliance-related questions and, in consultation with the Compliance Officer, also conduct training on compliance. The Compliance Officer advises and supports the local compliance officers and local management at all times.

AVOIDING RISK

The Gerresheimer CMS features various preventive elements in order to avoid compliance infringements and minimize compliance risk. These include the Gerresheimer Compliance Program, training and risk analysis.

Gerresheimer's Compliance Program is intended to support employees in correctly applying laws and Company guidelines. 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.

Employees are provided with compliance training at specific intervals. The selection of employees for training follows a risk-based approach. To identify the right participant group, lists of mandatory participants are drawn up for each training module. Training content is delivered both in a classroom setting and via e-learning programs. Classroom training is provided by in-house lawyers or outside experts. Course content is specified by the Compliance Officer and regularly updated.

For analysis and early detection of potential compliance risks, regular risk analysis is performed in which structural risks and business model-specific risks are identified and evaluated in a rating model. Risk analysis consists structurally of reviewing, weighting and aggregating the Company's operating, financial and reputation risks in relation to defined issues, taking into account the monitoring arrangements and processes that are already in place. Based on the outcomes, the scope for further risk reduction is evaluated together with the need for implementing any further monitoring measures.

RISK IDENTIFICATION AND RESPONSE

Conduct that is not in compliance with the law and the rules is contrary to Gerresheimer's interest. All employees, without exception, are under obligation to comply with the applicable laws and rules. The Gerresheimer CMS features various monitoring instruments to ensure that our rules of conduct are observed.

An important such instrument in the Gerresheimer CMS is an electronic whistleblower system for reporting compliance infringements. 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.

Every suspicion of a compliance infringement is investigated. As a matter of policy, compliance infringements are always sanctioned on a case-by-case basis and in accordance with the proportionality principle. Depending on the severity of the infringement, this can lead to disciplinary measures such as dismissal, warning or transfer, together with claims for damages.

EXTERNAL REVIEW OF THE GERRESHEIMER CMS

Review and continuous improvement are basic elements of the Gerresheimer CMS. Accordingly, the appropriateness of the Gerresheimer CMS was reviewed in 2019 by a German public audit firm in accordance with the IDW AuS 980 auditing standard and with reference to ISO 19600. The audit confirmed the appropriateness and implementation of compliance processes in the fields of anti-corruption and capital market, competition and antitrust law.

JUDICIAL OR OFFICIAL PROCEEDINGS

No judicial or official proceedings in connection with focal issues under the CMS were initiated or conducted against Gerresheimer in the financial year 2019.

REMUNERATION REPORT

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 remuneration and pension benefits.

NON-PERFORMANCE-BASED REMUNERATION

The non-performance-based elements comprise the fixed salary plus 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 the corporate planning 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 long-term variable cash remuneration consists of a rolling bonus system which is tied to the 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. If all targets are met, the long-term variable cash remuneration is 40% of the individual fixed salary. The long-term variable cash remuneration is capped at 55% of the individual fixed salary and is 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 full 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 Mr. Schütte for the last time on a pro rata basis for the financial year 2017.

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 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. 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 13 in the financial year 2019 is EUR 66.78.

Under the previous arrangements, members were granted a specific number of stock appreciation rights, 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 10 for Mr. Schütte.

Pension benefits

During the period of the Management Board members' appointment, the Company shall provide those entitled to a pension with an amount equivalent to 20% of the fixed salary plus 20% of the short-term variable cash remuneration attained. 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. All active members of the Management Board on November 30, 2019 have selected option (3).

In the case of the insurance policy in the above options (1) and (2) under the 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 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.

Under the previous old-age pension arrangements, Management Board members were, after leaving the Gerresheimer Group, normally eligible to pension benefits from age 65. The annual pension 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. In the financial year under review, these defined-benefit arrangements related to two former members of the Management Board—Mr. Beaujean and Mr. Schütte—and in the case of Mr. Schütte were handled through a provident fund.

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 benefits equal to three times the annual remuneration less amounts paid during the notice period. Annual remuneration is defined as remuneration for the full financial year, including short-term and long-term variable cash remuneration, but excluding long-term, share-price-based variable remuneration.

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 2019 came to EUR 5,866k (prior year: EUR 11,119k). This comprised EUR 2,808k in non-performance-based remuneration (prior year: EUR 6,209k) and EUR 1,172k in performance-based remuneration (prior year: EUR 2,302k). Pension expenses amounted to EUR 817k in the financial year 2019 (prior year: EUR 924k). Vested stock appreciation rights in the financial year under review came to EUR 1,069k (prior year: EUR 1,684k).

Remuneration of individual Management Board members in the financial year 2019 is presented in the tables below:

Benefits granted in EUR k	Dietmar Siemssen CEO				Dr. Lukas Burkhardt Primary Packaging Glass			
	2019	2019 min.	2019 max.	2018	**2019**	2019 min.	2019 max.	2018
Fixed remuneration	950	950	950	79	570	570	570	523
Non-cash remuneration	13	13	13	3	18	18	18	5
Total	**963**	**963**	**963**	**82**	**588**	**588**	**588**	**528**
Short-term variable remuneration	475	–	665	40[1]	285	–	399	261
Long-term variable remuneration	**380**	**–**	**523**	**32**	**228**	**–**	**314**	**209**
Plan 2018–2021	–	–	–	32[1]	–	–	–	209
Plan 2019–2022	380	–	523	–	228	–	314	–
Phantom Stocks	–	–	–	–	–	–	–	–
Total	**1,818**	**963**	**2,151**	**154**	**1,101**	**588**	**1,301**	**998**
Pension expenses	285	285	285	24	171	171	171	157
Total remuneration	**2,103**	**1,248**	**2,436**	**178**	**1,272**	**759**	**1,472**	**1,155**

[1] As 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] Due to the additional duties assumed and his responsibility as Spokesperson of the Management Board of Gerresheimer AG in the period from February 5, 2018 to October 31, 2018, the Supervisory Board approved a special payment of EUR 450k on the recommendation of the Presiding Committee.

In the financial year 2019, Dr. Metzner received new phantom stock entitlements (tranches 13 to 16) in connection with his 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.

Allocation in EUR k	Dietmar Siemssen CEO		Dr. Lukas Burkhardt Primary Packaging Glass		Dr. Bernd Metzner CFO from May 15, 2019		Rainer Beaujean to April 30, 2019		Andreas Schütte bis 28.02.2019	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Fixed remuneration	950	79	570	523	350	–	725[1]	650	165	648
Non-cash remuneration	13	3	18	5	4	–	8	20	5	21
Total	**963**	**82**	**588**	**528**	**354**	**–**	**733**	**670**	**170**	**669**
Short-term variable remuneration	40	–	245	–	–	–	302	245	304	261
Long-term variable remuneration	**–**	**–**	**–**	**–**	**–**	**–**	**115**	**786**	**166**	**725**
Plan 2015–2018	–	–	–	–	–	–	–	114	–	114
Plan 2016–2019	–	–	–	–	–	–	115	–	166	–
Phantom Stocks	–	–	–	–	–	–	–	672	–	611
Total	**1,003**	**82**	**833**	**528**	**354**	**–**	**1,150**	**1,701**	**640**	**1,655**
Pension expenses	285	24	171	157	112	–	155	373	94	370
Total remuneration	**1,288**	**106**	**1,004**	**685**	**466**	**–**	**1,305**	**2,074**	**734**	**2,025**

[1] Due to the additional duties assumed and his responsibility as Spokesperson of the Management Board of Gerresheimer AG in the period from February 5, 2018 to October 31, 2018, the Supervisory Board approved a special payment of EUR 450k on the recommendation of the Presiding Committee.

	Dr. Bernd Metzner CFO from May 15, 2019				Rainer Beaujean to April 30, 2019				Andreas Schütte to February 28, 2019			
	2019	2019 min.	2019 max.	2018	**2019**	2019 min.	2019 max.	2018	**2019**	2019 min.	2019 max.	2018
	350	350	350	–	725[2)]	725[2)]	725[2)]	650	165	165	165	648
	4	4	4	–	8	8	8	20	5	5	5	21
	354	**354**	**354**	**–**	**733**	**733**	**733**	**670**	**170**	**170**	**170**	**669**
	175	–	245	–	138	–	193	325	83	–	116	324
	140	**–**	**1,729**	**–**	**110**	**–**	**151**	**260**	**66**	**–**	**91**	**259**
	–	–	–	–	–	–	–	260	–	–	–	259
	140	–	193	–	110	–	151	–	66	–	91	–
	–	–	1,536	–	–	–	–	–	–	–	–	–
	669	**354**	**2,328**	**–**	**981**	**733**	**1,077**	**1,255**	**319**	**170**	**377**	**1,252**
	112	112	112	–	155	155	155	373	94	94	94	370
	781	**466**	**2,440**	**–**	**1,136**	**888**	**1,232**	**1,628**	**413**	**264**	**471**	**1,622**

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 to April 30, 2019	Andreas Schütte to February 28, 2019
Portion of total expenses in EUR k	2019	158	159
	2018	233	273
Fair Value in EUR k	2019	–	329
	2018	497	712
Number of phantom stocks	2019	–	50,000
	2018	55,000	100,000

Phantom stocks value-based IFRS:

		Dietmar Siemssen	Dr. Lukas Burkhardt	Dr. Bernd Metzner from May 15, 2019	Rainer Beaujean to April 30, 2019	Andreas Schütte to February 28, 2019
Portion of total expenses in EUR k	2019	247	165	91	135	114
	2018	19	138	–	550	471
Fair Value in EUR k	2019	1,633	1,011	1,090	1,140	759
	2018	1,598	958	–	1,038	690

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	2019	1,946	3,594
	2018	2,213	3,365

The active Management Board members as of November 30, 2019 opted for pension option (3), payout of 20% of the fixed salary and 20% of the short-term variable cash remuneration. The 20% of the fixed salary is paid on February 28 of each year and the 20% of the short-term variable cash remuneration is paid along with short-term variable cash remuneration.

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

in EUR k	**2019**	2018
Fixed remuneration	2,760	6,157
Non-cash remuneration	48	52
Total short-term non-performance-based remuneration	**2,808**	**6,209**
Short-term variable remuneration	891	664
Total short-term variable remuneration	**3,699**	**6,873**
Long-term variable remuneration	281	1,638
Phantom stocks vested in the financial year	1,069	1,684
Pension expenses	817	924
Total long-term remuneration	**2,167**	**4,246**
Total	**5,866**	**11,119**

Payments to former Management Board members

Following his departure on April 30, 2019, Mr. Beaujean received a payment of EUR 713k on the basis of his phantom stock agreement. No further payments were made to Mr. Beaujean in the financial year 2019 after leaving Gerresheimer AG.

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. Under this agreement, an amount of EUR 371k was paid to Mr. Schütte for the period from his departure on February 28, 2019 to November 30, 2019. Following his departure, Mr. Schütte also received a payment of EUR 649k on the basis of his phantom stock agreement. No further payments were made to Mr. Schütte in the financial year 2019 after leaving Gerresheimer AG.

A two-year post-contractual non-compete covenant was agreed in relation to the withdrawal of Mr. Röhrhoff from the Management Board of Gerresheimer AG as of August 31, 2017. Under this agreement, Mr. Röhrhoff was paid an amount of EUR 335k in the financial year 2019. Mr. Röhrhoff also received a payment of EUR 116k on the basis of his long-term variable cash remuneration. No further payments were made to Mr. Röhrhoff in the financial year 2019.

REMUNERATION OF THE SUPERVISORY BOARD

Supervisory Board remuneration is governed by Gerresheimer AG's Articles of Association. The Articles of Association of Gerresheimer AG were amended by the Annual General Meeting on June 6, 2019 and a new Supervisory Board remuneration system was approved. The new remuneration system applied for the first time for the financial year beginning December 1, 2018.

Under the new remuneration system, all Supervisory Board members receive fixed annual remuneration of EUR 70,000.00. 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 members of the Presiding Committee and of the Audit Committee each receive an additional fixed remuneration of EUR 20,000.00, with the chairmen of these committees each receiving twice this amount. The members of the Mediation Committee and of the Nomination Committee each receive an additional fixed remuneration of EUR 10,000.00, with the chairmen of these committees each receiving twice this amount. Remuneration for the chairmanship and membership of the Mediation Committee and Nomination Committee is restricted to years in which the Committee meets. In addition to their annual remuneration, Supervisory Board members each receive a EUR 2,000.00 attendance fee for meetings of the Supervisory Board and of Supervisory Board committees to which they belong, capped at a maximum of EUR 2,000.00 per calendar day. Reasonable expenses are reimbursed against receipts.

Total remuneration of Supervisory Board members for their activity on the Supervisory Board of Gerresheimer AG in the financial year 2019 came to EUR 1,384,000.00.

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

Name	Attendance fees	Fixed remuneration	**Total**
Andrea Abt	14,000.00	90,000.00	**104,000.00**
Heike Arndt	8,000.00	70,000.00	**78,000.00**
Dr. Karin Dorrepaal	6,000.00	70,000.00	**76,000.00**
Francesco Grioli	22,000.00	145,000.00	**167,000.00**
Franz Hartinger	8,000.00	70,000.00	**78,000.00**
Dr. Axel Herberg	22,000.00	235,000.00	**257,000.00**
Dr. Peter Noé	8,000.00	70,000.00	**78,000.00**
Markus Rocholz	22,000.00	110,000.00	**132,000.00**
Paul Schilling	8,000.00	70,000.00	**78,000.00**
Katja Schnitzler	16,000.00	90,000.00	**106,000.00**
Theodor Stuth	16,000.00	110,000.00	**126,000.00**
Udo J. Vetter	14,000.00	90,000.00	**104,000.00**
	164,000.00	**1,220,000.00**	**1,384,000.00**

Supervisory Board member Franz Hartinger receives remuneration of EUR 5,000.00 after the end of each financial year for his membership of the Supervisory Board of Gerresheimer Regensburg GmbH. The remuneration for the financial year 2018 was paid out in the financial year 2019.

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 2018 was paid out in the financial year 2019.

Supervisory Board member Paul Schilling receives remuneration of EUR 5,000.00 after the end of each financial year for his membership of the Supervisory Board of Gerresheimer Bünde GmbH. Mr. Schilling received remuneration of EUR 2,616.44 in the financial year 2019 based on his appointment to the Supervisory Board of Gerresheimer Bünde GmbH as of May 25, 2018. This remuneration covers the period from his appointment date to the end of the financial year 2018.

DISCLOSURES PURSUANT TO SECTION 315a HGB

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, 2019. It is divided into 31.4 million ordinary no-par-value bearer shares with a nominal share in capital stock of EUR 1.00 each. The Company's capital stock is fully paid in.

Restrictions on voting rights or on the transfer of securities

As of the reporting date, there 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, 2019 are fully transferable, carry full voting rights and grant the holder one vote in General Meetings.

Shareholdings exceeding 10% of voting rights

The only direct or indirect shareholdings in the Company's capital stock exceeding 10% of voting rights of which we had been notified were those of NN Group N.V., Amsterdam.

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 June 5, 2021. Increases in the capital stock effected as a result of exercising other authorizations based on authorized or conditional capital during the period of this authorization are taken into account against the increase. Shareholders must normally be granted subscription rights. The subscription right may also be granted in such a way that the shares are taken up by one or more banks or equivalent undertakings within the meaning of the first sentence of section 186 (5) of the AktG with an obligation to offer them to the Company's shareholders for subscription (indirect subscription right).

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

- to exclude fractional amounts from the subscription right;
- to the extent necessary to grant holders of conversion rights or warrants or parties under obligation to exercise conversion rights or warrants attached to bonds issued or yet to be issued by the Company or a Group company a subscription right to new shares to the same extent as they would be entitled 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 6.28m 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 June 6, 2019 are issued by or before June 5, 2021 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 revolving credit facility with a total facility amount of EUR 550.0m, of which EUR 302.3m was drawn, together with drawings of EUR 16.5m on ancillary credit facilities, at the reporting date, may be terminated by the lenders, and would consequently be repayable early and in full, 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 benefits equal to three times the annual remuneration less amounts paid during the notice period. Annual remuneration is defined as remuneration for the full financial year, including short-term and long-term variable cash remuneration, but excluding long-term, share-price-based variable remuneration.

CORPORATE GOVERNANCE STATEMENT STATEMENT PURSUANT TO § 315d HGB

The declaration on corporate governance under sections 315d 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 4, 2019:

"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 6, 2018.

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

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

Justification: Suitability for performing the duties of the Supervisory Board depends in our opinion solely on the respective requirements of the Company and the individual competences 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.

In the financial year 2018, the Management Board set 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 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 as well as 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 loss 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.

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 closing process, the balance sheet, income statement and statement 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 are target-performance 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 2019 year-end audit, the independent auditors examined our early warning system in accordance with section 317 (4) HGB in conjunction with section 91 (2) AktG.

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 recorded completely, 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 annual financial statements and the consolidated financial statements, and discusses with the Management Board and the auditors Gerresheimer AG's annual financial statements, the consolidated financial statements and the management reports on those financial statements.

OPPORTUNITIES OF FUTURE DEVELOPMENTS

The Gerresheimer Group has a wide range of opportunities open to it due to its extensive, global business activities. These are primarily driven by the six megatrends described under 'Group Strategy and Objectives'. They provide numerous opportunities for profitable, sustainable growth. The rise of chronic diseases and the aging population result in increasing volumes of drugs for which we produce primary packaging. We also develop and produce effective solutions for simple and safe drug delivery. Rapid growth in generics likewise means volume growth. Rising healthcare provision in emerging markets is increasing demand for pharmaceutical primary packaging and drug delivery systems, especially considering that emerging markets, too, require such packaging to meet high standards of quality and reliability. We meet stricter regulatory requirements with high-quality pharmaceutical packaging that we can supply reliably worldwide. Cost pressure in health systems also generates opportunities, as we develop and offer solutions for reliable and correct use of medication that cut drug expenditure. New drugs and biotech-based drugs in particular generally require parenteral administration; here, we provide diverse solutions that also meet the special requirements involved with such drugs. Self-medication, personalized medication and digitalization will increase demand for high-quality, convenient and connected solutions for drug packaging and delivery—an area in which we have considerable development and production expertise. We undertook capital expenditure on numerous growth and capacity expansion projects in 2019 and will continue to do so in 2020. Many of our innovative products are already commercially available and others will follow. Our strong innovation pipeline is based on our technical development centers and small-batch production for medical plastic systems and syringes together with the innovative capacity strength of Sensile Medical. We added our new glass and innovation center in the USA in 2019.

Under our strategy (see under 'Group Strategy and Objectives'), we have adopted goals and launched measures geared to generating sustainable and profitable growth on the basis of these diverse opportunities.

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 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 financial implications
Business strategy risks		
Risks from acquisition	possible	significant
Product launches	possible	significant
External and industry-sector-specific		
Customer market risks	possible	moderate
Macroeconomic risks	possible	significant
Risks of change in the regulatory environment	possible	moderate
Risks from the future development of state healthcare systems	possible	significant
Tax risks	improbable	moderate
Operational risks		
Productional risks	improbable	significant
Product liability risks	possible	moderate
Energy and raw material prices	possible	moderate
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. Given the rapid momentum, particularly at Sensile Medical as an innovation driver, we assess the probability of occurrence—unlike in the prior year—to be possible.

Countermeasures:

Functional departments and, where applicable, outside specialists are involved from an early stage to ensure close scrutiny of acquisition projects during due diligence. The process as a whole is managed by our Corporate 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 development of innovative products and their market launch—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 our developments will reach fruition and new products will be commercially successful.

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. In its January forecast, the IMF expects global economic growth of 2.9% for 2019 and somewhat more positive economic growth of 3.3% for 2020. 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. As a result of our continuous quality improvement measures, we now assess the financial impact to be moderate, as against significant in the prior year.

RISKS FROM THE FUTURE DEVELOPMENT OF STATE HEALTHCARE SYSTEMS

Potential impacts:

In the financial year 2019, Gerresheimer generated some 81% of revenues with the pharma and healthcare industry. Governments and health insurance funds in Europe and the USA have endeavored to curb the rate of increase in healthcare costs in recent years. This has led to increased price pressure on 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. Due to timely tax audits and the results of these in the past, we consider the probability of material findings to be low. We therefore assess the probability of occurrence to be improbable versus possible in the prior year.

Countermeasures:

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

OPERATIONAL RISKS

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

PRODUCTION RISKS

Potential impacts:

Unfavorable circumstances and developments can lead to business interruptions and damage at our plants. Alongside the cost of damage repair, the main risk is of a business interruption leading to production downtime and thus jeopardizing the fulfillment of our contractual obligations to customers. Based on our track record of losses, the loss frequency for our business is very low while the potential financial impact is high.

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. As a result of insurance market developments, there is no guarantee that Gerresheimer will be able to obtain adequate insurance cover in the future at present terms and conditions. We thus now rate the potential financial impact to be significant (prior year: moderate).

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 considerable costs for recalls. 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 fully covers any claims and liability risks incurred, meaning that the risk is now largely transferred and we have reduced our assessment of the potential financial impact from significant to moderate.

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 intermediary 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 additionally 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. In the overall assessment, we assess the financial impact to be moderate, unlike in the prior year.

HUMAN RESOURCES RISKS

Potential impacts:

The technical expertise and individual commitment of our employees are crucial to the successful implementation of our growth-driven corporate strategy. Training, recruiting and securing the long-term loyalty of sufficient numbers of qualified personnel for our Company will remain extremely important in the future. Failure to do so 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 and technical training and continuing education, structured succession planning (talent management) and individual fostering of young talent. As a global Group, 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, 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 2019. This included the ongoing rollout of the SAP 2 client strategy. In the area of applications, this notably involved starting the migration of subsidiary Gerresheimer Glass Inc. (Vineland, New Jersey/USA) to the strategic SAP template client and the related introduction of standardized business processes. In the Medical Systems Business Unit, an SAP implementation project was launched at Gerresheimer Skopje DOOEL Ilinden (Ilinden/Republic of North Macedonia), ensuring its integration in the Gerresheimer Group. Implementation of the ZEISS GUARDUS Manufacturing Execution System also continued in the Plastics & Devices Division, thus providing it with a state-of-the-art production control system. In the Primary Packaging Glass Division, implementation of the new solution based on SAP Manufacturing Integration and Intelligence continued. Other standardization activities included the ongoing rollout of the SAP central customer relationship management system and the completion of an implementation project at the Moulded Glass Business Unit.

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. Gerresheimer is well on track with these projects, which will be completed in 2020. We are seeing the initial effects of optimizing the wide-area network, which has allowed us to reduce the downtime of Global Services to a minimum. Gerresheimer is thus well equipped for the future and increased use of the data connection between locations. In addition, Gerresheimer is renewing the security infrastructures of network interfaces to ensure state-of-the-art protection against attacks.

Gerresheimer will continue 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 in 2020. 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 Management System to ensure compliance with laws and regulations worldwide, especially in the areas of corruption prevention, antitrust law and capital market law. All board members as well as employees of Gerresheimer AG and of all subsidiaries must abide by our compliance guidelines. Adherence to the law and conformity with the guidelines under the Gerresheimer Compliance Program are of paramount importance to Gerresheimer AG and its affiliated companies.

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

FINANCIAL RISKS

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

CURRENCY AND INTEREST RATE RISK

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

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

CREDIT RISK

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

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

LIQUIDITY RISK

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

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

A more detailed presentation of the financial risks and their management can be found in 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 consolidated non-financial statement 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 OPPORTUNITIES AND RISK SITUATION

The Gerresheimer Group has a wide range of opportunities open to it due to its extensive, global business activities (see 'Megatrends' in the 'Group strategy and objectives' section). We are active in global growth markets with our core businesses of manufacturing pharmaceutical primary packaging, drug delivery devices and packaging for cosmetics. The megatrends remain the same and our opportunities have not significantly changed as against 2018. Our capital expenditure in the financial year 2019 and the planned capital expenditure on numerous growth projects in 2020 enhance our future potential for sustainable, profitable growth.

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 2019 compared to 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 under the current credit facility agreement was complied with in the financial years 2018 and 2019. Based on our multiple-year budget, we project that this financial covenant will continue to be met in the future.

EVENTS AFTER THE BALANCE SHEET DATE

No events have arisen since November 30, 2019 that have or 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. However, these assessments are subject to uncertainty and present the unavoidable risk that the developments may not actually occur either in line with the tendency or the degree to which they were forecasted.

DEVELOPMENT OF THE ECONOMIC ENVIRONMENT

GLOBAL AND REGIONAL ECONOMIC DEVELOPMENT[10]

Expected growth in gross domestic product

Change in %	2020	2019
World	**3.3**	**2.9**
US	2.0	2.3
Eurozone	1.3	1.2
Germany	1.1	0.5
Emerging markets	4.4	3.7
China	6.0	6.1
India	5.8	4.8
Brazil	2.2	1.2
Russia	1.9	1.1

Source: International Monetary Fund: World Economic Outlook, January 2020.

The IMF forecasts global economic growth of 3.3% in 2020.

For the USA, the IMF expects growth to decrease from 2.3% in 2019 to 2.0% in 2020 and attributes this to the further unwinding of stimulus from the US tax reform.

[10] International Monetary Fund: World Economic Outlook, January 2020.

As to the eurozone, estimates for 2020 project a marginal increase in economic growth to about 1.3%—compared to growth of about 1.2% in 2019. For Germany, by contrast, the IMF expects growth in 2020 to be somewhat more dynamic than the 0.5% recorded in the prior year, at 1.1%.

The IMF's growth rate forecast for emerging markets in 2020 is 4.4%, which is higher than the 3.7% expected for 2019. Specifically, the IMF expects a slight decline in GDP growth for China to 6.0% (2019: 6.1%) and an increase of 5.8% for India (2019: 4.8%); in Brazil, GDP is projected to show growth of 2.2% (2019: 1.2%).

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 sustainable and profitable growth.

PLASTICS & DEVICES

We expect to generate revenue growth in the Plastics & Devices Division in the financial year 2020. Our drug delivery devices remain the main revenue and growth driver in this segment. These primarily comprise insulin pens and inhalers, but also prefillable syringes. Products and solutions for biotech-based drugs play an increasingly important role in this connection. Regionally speaking, our business with 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 the coming financial year, especially in terms of inhaler and syringe sales. This is also reflected in the capital expenditure on small-batch production facilities in Europe and the USA, as well as on expansion in our syringe production site in Buende (Germany). We are building a new plant for the production of drug delivery devices and, in a later expansion phase, for prefillable syringes in Skopje, Republic of North Macedonia.

Revenues from our plastic pharmaceutical primary packaging products are expected to continue performing well in the financial year 2020 in Europe, the USA and emerging markets. We undertook substantial capital expenditure in Brazil in the financial year 2019 and will complete that project in the financial year 2020.

PRIMARY PACKAGING GLASS

In our Primary Packaging Glass Division, we forecast revenue growth with our glass primary packaging, such as pharma jars, ampoules, injection vials, perfume flacons and cream jars. We will continue to invest in automation as well as in expanding our global capacity and product portfolio in the financial year 2020. This will include, for example, a significant expansion of production capacity for high-quality vials. A substantial furnace expansion to increase capacity at a European plant in the Moulded Glass Business Unit is likewise scheduled for 2020. In addition, we are investing above all in standardizing our glass production machinery and in automating processes and quality control. We expect revenue growth in all regions with products for both the pharmaceutical and the cosmetics industry.

ADVANCED TECHNOLOGIES

In the financial year 2018, the Group acquired Sensile Medical. Given the strategic importance of the development and commercialization of modern, connected and smart drug delivery devices, this paved the way for establishing the Advanced Technologies Division. Sensile Medical's patented micro pump technology is an important and promising innovation suitable for use in a wide range of therapeutic areas. It therefore represents a key addition to the Group's innovation and product development capabilities.

As an innovation driver, the Advanced Technologies Division is subject to a high dynamic. On the one hand, a micro-infusion pump for the treatment of Parkinson has already been successfully launched on the market in several European countries. On the other hand, development orders have also been canceled, as with the project to develop a micro pump for diabetes treatment, which resulted in an impairment loss of EUR 113.1m in the financial year 2019, and a project on the treatment of heart failure. These were offset by new projects awarded, including the partnership for the development of a micro pump for the treatment of heart disease. Also in development is a platform to accurately assess inhalation airflow.

More acquisitions and collaborations with universities and other business 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 85.8m in cash and cash equivalents as of November 30, 2019 (prior year: EUR 80.6m). We had EUR 231.2m available as of the reporting date (prior year: EUR 182.3m) under the revolving credit facility with a total facility amount of EUR 550.0m (prior year: EUR 450.0m) including ancillary credit facilities. This puts us in a sound financial position, even in view of the EUR 189.5m promissory loan tranche to be refinanced in November 2020.

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	550.0	September 2024
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 24, 2020, the Management Board and Supervisory Board of Gerresheimer AG will propose that a dividend of EUR 1.20 per share be paid for the financial year 2019 (prior year: EUR 1.15 per share). This represents a total dividend distribution of EUR 37.7m and an increase of 4.3% against the prior-year dividend. The payout ratio of 29.9% in the financial year 2019 is calculated as follows:

in EUR m	**2019**	2018
Adjusted net income after non-controlling interests	225.8	178.0
Other operating income – Derecognition contingent purchase price components	-129.8	–
Other operating expense—contract modification in connection with the termination of a project to develop a micro pump for the treatment of diabetes	9.2	–
Impairment of development costs, which are not part of amortization of fair value adjustments	7.9	–
Negative effect on revenues and adjusted EBITDA in connection with contract modification in connection with the termination of a project to develop a micro pump for the treatment of diabetes	17.3	–
Related tax effects	-4.3	–
Distributable amount	**126.1**	**178.0**
Dividend ratio	29.9%	20.3%

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 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 innovations or a consolidation of our industry.

OVERALL GROUP

The Gerresheimer Group pursues a successful, clear-cut strategy geared to sustainable and profitable growth. Our expectations for the financial year 2020, 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	
Brazil	BRL	4.37
Switzerland	CHF	1.12
China	CNY	7.94
Czech Republic	CZK	25.50
Denmark	DKK	7.45
India	INR	80.50
Republic of North Macedonia	MKD	61.50
Mexico	MXN	22.43
Poland	PLN	4.25
Singapore	SGD	1.59
United States of America	USD	1.12

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 2020. As before, a rise or fall in the US dollar by about one cent against the euro has an impact of around EUR 4m on revenues and EUR 1m on adjusted EBITDA.

Outlook for the financial year 2020:
We anticipate revenue growth in the mid-single-digit percentage range for the financial year 2020, as against the comparative figure at constant exchange rates for the financial year 2019 of EUR 1,405.0m.[11] We also expect adjusted EBITDA growth in the low single-digit percentage range in the financial year 2020, versus a comparative figure for adjusted EBITDA of EUR 296.7m[12] in the financial year 2019. In addition, we expect a positive effect of between EUR 9m and EUR 11m in the financial year 2020 from the transition to IFRS 16 'Leases', a new financial reporting standard which we are required to apply for the first time.

In order for the large-scale capex program launched in the financial year 2019 to be completed in the financial year 2020, we expect to incur net capital expenditure of approximately 12% of revenues.

Preliminary indication for subsequent years in terms of revenues, adjusted EBITDA and capital expenditure:
In the medium-term planning period, we target base-level organic growth in the mid-single-digit range year for year. We aim to deliver this above-market growth by expanding capacity and increasing market share as well as with innovative products such as Gx®Elite Glass, prefillable sterile Gx® ready-to-fill vials and syringes, connected drug delivery devices, products and solutions for biotech-based drugs and significant growth in emerging markets.

Our medium-term expectation for the adjusted EBITDA margin is 23%. This improvement relative to profitability in the financial year 2019 is primarily to be achieved by means of economies of scale, an improved product mix and increased process automation and digitalization.

In light of our plans for mid-single-digit growth, we anticipate capital expenditure at between 8% and 10% of revenues per year. Within this, plant maintenance typically accounts for about four percentage points. The capital expenditure in excess of that is intended for growth projects delivering sustained profitability.

As to net working capital, we target about 16% of revenues at each reporting date. However, 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 about 2.5x to be right, with temporary variation above or below this permitted because M&A activity cannot be planned in exact detail.

[11] Based on the revenues at constant exchange rates for the financial year 2019 translated at the budgeted exchange rates for 2020 less revenues of Gerresheimer Buenos Aires S.A. (Buenos Aires, Argentina) of EUR 2.8m, which was deconsolidated at the end of the financial year 2019, and in the opposite direction the revenues in the Advanced Technologies Division from the canceled project for development of a micro pump for the treatment of diabetes in the amount of EUR 17.3m.

[12] Based on adjusted EBITDA for the financial year 2019 under the financial reporting standards applicable in that financial year (in particular, without application of financial reporting standard IFRS 16 'Leases', which is applicable for the first time in the financial year 2020), translated at the budgeted exchange rates for 2020. The adjusted EBITDA of Gerresheimer Buenos Aires S.A. (Argentina), which was deconsolidated at the end of the financial year 2019, in the amount of EUR 0.1m is to be deducted. The other operating income from the derecognition of contingent purchase price components from the Sensile Medical acquisition is also to be deducted. In contrast, the other operating expense of EUR 9.2m due to the customer's unexpected cancellation of the project to develop a micro pump for the treatment of diabetes is to be added. The cumulative adjustment of the revenues recognized in connection with this cancellation in the amount of EUR 17.3m, which had a corresponding negative impact on adjusted EBITDA at constant exchange rates is also to be added.

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

Financial Year 2019 (December 1, 2018 to November 30, 2019)

in EUR k	Notes	**2019**	2018
Revenues	(8)	1,392,255	1,367,730
Cost of sales	(9)	-1,115,070	-967,599
Gross profit		**277,185**	**400,131**
Selling and administrative expenses	(10)	-274,036	-259,405
Other operating income	(11)	153,733	29,996
Restructuring expenses	(12)	92	-11,274
Other operating expenses	(13)	-33,241	-20,023
Share of profit or loss of associated companies	(20)	25	34
Results of operations		**123,758**	**139,459**
Interest income	(14)	2,653	2,437
Interest expense	(14)	-24,701	-29,746
Other financial expenses	(14)	-3,542	-4,953
Net finance expense		**-25,590**	**-32,262**
Net income before income taxes		98,168	107,197
Income taxes	(15)	-15,487	23,931
Net income		**82,681**	**131,128**
Attributable to equity holders of the parent		80,781	128,965
Attributable to non-controlling interests		1,900	2,163
Diluted and non-diluted earnings per share (in EUR)	(16)	**2.57**	**4.11**

Since December 1, 2018, the new accounting standards IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have been applied. Prior year figures have not been adjusted. For further information, please refer to Note (1) in the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Financial Year 2019 (December 1, 2018 to November 30, 2019)

in EUR k	Notes	**2019**	2018
Net income		**82,681**	**131,128**
Results from the revaluation of defined benefit plans	(29)	-16,530	5,362
Results from the revaluation of equity instruments		567	–
Income taxes		4,662	-1,050
Other comprehensive income that will not be reclassified subsequently to profit or loss		**-11,301**	**4,312**
Changes in the fair value of available-for-sale financial assets		–	-1
Currency translation		16,840	3,557
Other comprehensive income that will be reclassified to profit or loss when specific conditions are met		**16,840**	**3,556**
Other comprehensive income		**5,539**	**7,868**
Total comprehensive income		**88,220**	**138,996**
Attributable to equity holders of the parent		85,965	137,158
Attributable to non-controlling interests		2,255	1,838

Since December 1, 2018, the new accounting standards IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have been applied. Prior year figures have not been adjusted. For further information, please refer to Note (1) in the notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As of November 30, 2019

ASSETS

in EUR k	Notes	Nov. 30, 2019	Nov. 30, 2018
Non-current assets			
Intangible assets	(18)	1,357,174	1,505,679
Property, plant and equipment	(19)	701,937	620,728
Investment property	(19)	9,215	4,611
Investments accounted for using the equity method	(20)	332	297
Income tax receivables		878	1,692
Other financial assets	(21)	7,006	3,683
Other receivables	(22)	2,796	2,871
Deferred tax assets	(23)	17,066	19,495
		2,096,404	**2,159,056**
Current assets			
Inventories	(24)	185,093	171,490
Trade receivables	(25)	224,170	273,531
Contract assets	(26)	5,392	–
Income tax receivables		5,485	5,462
Other financial assets	(21)	15,448	18,025
Other receivables	(22)	23,416	21,825
Cash and cash equivalents	(27)	85,831	80,570
Non-current assets and disposal groups held for sale	(19)	–	955
		544,835	**571,858**
Total assets		**2,641,239**	**2,730,914**

EQUITY AND LIABILITIES

in EUR k	Notes	Nov. 30, 2019	Nov. 30, 2018
Equity			
Subscribed capital	(28)	31,400	31,400
Capital reserve	(28)	513,827	513,827
Other reserve	(28)	-47,563	-67,145
Retained earnings	(28)	427,439	394,578
Equity attributable to equity holders of the parent		**925,103**	**872,660**
Non-controlling interests	(28)	16,454	17,473
		941,557	**890,133**
Non-current liabilities			
Deferred tax liabilities	(23)	142,436	167,862
Provisions for pensions and similar obligations	(29)	153,300	141,583
Other provisions	(31)	11,529	10,945
Trade payables	(32)	35	120
Contract liabilities	(26)	1,471	–
Other financial liabilities	(32)	498,174	751,417
Other liabilities	(33)	1,941	503
		808,886	**1,072,430**
Current liabilities			
Provisions for pensions and similar obligations	(29)	12,936	13,943
Other provisions	(31)	35,332	44,951
Trade payables	(32)	221,454	207,282
Contract liabilities	(26)	8,717	–
Other financial liabilities	(32)	530,560	389,683
Income tax liabilities		5,851	4,873
Other liabilities	(33)	75,946	107,619
		890,796	**768,351**
		1,699,682	**1,840,781**
Total equity and liabilities		**2,641,239**	**2,730,914**

Since December 1, 2018, the new accounting standards IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have been applied. Prior year figures have not been adjusted. For further information, please refer to Note (1) in the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Financial Year 2019 (December 1, 2018 to November 30, 2019)

			Other comprehensive income					
in EUR k	Subscribed capital	Capital reserve	IFRS 9/ 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, 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**
Change in the consolidated group	–	–	–	–	–	–	357	357
Acquisition of non-controlling interests	–	–	–	–	16,979	16,979	-19,438	-2,459
Distribution	–	–	–	–	-34,540	-34,540	-1,746	-36,286
As of November 30/December 1, 2018	**31,400**	**513,827**	**-6**	**-67,139**	**394,578**	**872,660**	**17,473**	**890,133**
Conversion effect first-time adoption IFRS 15	–	–	–	–	55	55	–	55
Conversion effect first-time adoption IFRS 9	–	–	2,533	–	–	2,533	–	2,533
December 1, 2018 adjusted	**31,400**	**513,827**	**2,527**	**-67,139**	**394,633**	**875,248**	**17,473**	**892,721**
Net income	–	–	–	–	80,781	80,781	1,900	82,681
Other comprehensive income	–	–	567	16,482	-11,865	5,184	355	5,539
Total comprehensive income	**–**	**–**	**567**	**16,482**	**68,916**	**85,965**	**2,255**	**88,220**
Distribution	–	–	–	–	-36,110	-36,110	-3,274	-39,384
As of November 30, 2019	**31,400**	**513,827**	**3,094**	**-50,657**	**427,439**	**925,103**	**16,454**	**941,557**

Since December 1, 2018, the new accounting standards IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have been applied. Prior year figures have not been adjusted. For further information, please refer to Note (1) in the notes to the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Financial Year 2019 (December 1, 2018 to November 30, 2019)

in EUR k	Notes	2019	2018
Net income		82,681	131,128
Income taxes	(15)	15,487	-23,931
Amortization/impairment losses of intangible assets	(18)	178,651	44,797
Depreciation/impairment losses of property, plant and equipment	(19)	91,295	92,264
Share of profit or loss of associated companies and other investment income	(20)	-242	-200
Change in other provisions and provisions for employee benefits		-17,584	-3,362
Gain (-)/loss (+) from the disposal of non-current assets/liabilities		-2,761	272
Net finance expense	(14)	25,590	32,262
Interests paid		-20,230	-29,929
Interests received		879	983
Income taxes paid		-38,354	-40,620
Income taxes received		2,194	3,652
Change in inventories		-12,891	-23,575
Change in trade receivables and other assets		44,267	-27,488
Change in trade payables and other liabilities		-153,044	19,362
Other non-cash expenses/income		-3,014	-2,143
Cash flow from operating activities		**192,924**	**173,472**
Cash received from disposals of non-current assets		5,229	279
Cash paid for capital expenditure in intangible assets, property, plant and equipment and financial assets		-164,552	-114,726
Cash received in connection with divestments, net of cash paid	(7)	-388	–
Cash paid for the acquisition of subsidiaries, net of cash received	(7)	-43,499	-172,489
Cash flow from investing activities		**-203,210**	**-286,936**
Acquisition of non-controlling interests	(7)	–	-15,631
Distributions to third parties		-39,409	-36,317
Distributions from third parties		217	166
Raising of loans		384,130	390,270
Repayment of loans		-343,178	-433,213
Cash paid for finance lease/installment purchases		-2,830	-682
Cash flow from financing activities		**-1,070**	**-95,407**
Changes in financial resources		**-11,356**	**-208,871**
Effect of exchange rate changes on financial resources		525	-788
Financial resources at the beginning of the period		61,936	271,595
Financial resources at the end of the period		**51,105**	**61,936**
Components of the financial resources			
Cash and cash equivalents	(27)	85,831	80,570
Bank overdrafts		-34,726	-18,634
Financial resources at the end of the period		**51,105**	**61,936**

Since December 1, 2018, the new accounting standards IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have been applied. Prior year figures have not been adjusted. For further information, please refer to Note (1) in the notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of Gerresheimer AG for the Financial Year 2019
(December 1, 2018 to November 30, 2019)

(1) General Information

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

The consolidated financial statements as of November 30, 2019 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:

› IFRS 9 Financial Instruments
› IFRS 15 Revenue from Contracts with Customers
› Clarifications to IFRS 15 Revenue from Contracts with Customers
› Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
› Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
› Amendments to IAS 40: Transfers of Investment Property
› IFRIC 22 Foreign Currency Transactions and Advance Consideration
› Annual Improvements to IFRSs, 2014–2016 Cycle: The amendments to IFRS 1 and IAS 28

First-time adoption of IFRS 9 and IFRS 15 have had the following significant effects:

IFRS 9 ‘Financial Instruments’ replaces the previous Standard IAS 39 ‘Financial Instruments: Recognition and Measurement’ and introduces a new classification model, new requirements for the measurement and recognition of impairment. Furthermore, the general hedge accounting requirements were revised. With regard to financial liabilities, however, IFRS 9 largely retains the previous requirements unaltered. As permitted under the transitional provisions in IFRS 9, Gerresheimer has opted not to restate prior-year figures. 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. Furthermore, Gerresheimer has opted to continue to apply the requirements of IAS 39 to hedge accounting.

With the introduction of the new classification and measurement model, classification and measurement of financial assets is based on objective characteristics of the financial asset and the operational purpose (business model). Assessment of these conditions results in the following 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 (FVTOCI). The following table shows the reconciliation of the classification and measurement categories for financial assets and liabilities from IAS 39 to IFRS 9:

in EUR k	Measurement category in accordance with IAS 39	Carrying amount in accordance with IAS 39 as of Nov. 30, 2018	Measurement category in accordance with IFRS 9	Carrying amount in accordance with IFRS 9 as of Dec. 1, 2018
Fair value of derivative financial instruments	At fair value through profit or loss	204	At fair value through profit or loss	204
Investments	Available-for-sale financial assets	400	At fair value through other comprehensive income	2,933
Refund claims for pension benefits	Loans and receivables	3,474	At amortized cost	3,474
Refund claims from third parties	Loans and receivables	10,204	At amortized cost	10,204
Other loans	Loans and receivables	1,630	At amortized cost	1,630
	Loans and receivables	5,722	At amortized cost	5,722
Other	Available-for-sale financial assets	74	At fair value through other comprehensive income	74
Trade receivables[1)]	Loans and receivables	273,531	At amortized cost	273,531
Cash and cash equivalents	Loans and receivables	80,570	At amortized cost	80,570
Financial assets		**375,809**		**378,342**
Promissory loans	At amortized cost	674,046	At amortized cost	674,046
Liabilities to banks	At amortized cost	283,270	At amortized cost	283,270
Fair value of derivative financial instruments	At fair value through profit or loss	1,346	At fair value through profit or loss	1,346
	At amortized cost	33,907	At amortized cost	33,907
Other	At fair value through profit or loss	148,531	At fair value through profit or loss	148,531
Trade payables	At amortized cost	207,402	At amortized cost	207,402
Financial liabilities		**1,348,502**		**1,348,502**

[1)] Including receivables from construction contracts in the amount of EUR 55,611k.

From December 1, 2018 onwards, investments which have previously been carried at cost, are measured at fair value on the basis of a discounted cash flow approach and designated to the category ‘measured at fair value through other comprehensive income’. Up to November 30, 2018, these investments were included in the category ‘Available-for-sale financial assets’. The effect from the increase of the carrying amount by EUR 2,533k was recognized in equity (other comprehensive income) as of December 1, 2018.

IFRS 9 replaces the incurred loss model for impairment accounting in IAS 39 with a forward looking expected credit loss model. The new impairment model applies to debt instruments measured at amortized cost or at fair value through other comprehensive income and to contract assets. In this context expected credit losses and their changes must be taken into account at each balance sheet date to reflect changes in the credit risk since the initial recognition of the financial assets. There are practical expedients for trade receivables and for contract assets recognized under IFRS 15. If such items contain a significant financing component, Gerresheimer makes use of the option of accounting for the lifetime expected credit loss by applying the simplified approach. Gerresheimer holds debt instruments almost exclusively in the form of current trade receivables. The impact of transition to the forward-looking model was not material, primarily due to the existence of credit insurance.

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 replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and various revenue-related interpretations. 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 numerous detailed requirements for this purpose are supplemented by extensive notes.

Gerresheimer has opted for the 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 respectively 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 as of December 1, 2018.

In consignment arrangements, where the goods remain property of the Gerresheimer Group until withdrawn by the customer, revenue was until now recognized when the customer withdraws the goods from the consignment store. Under some arrangements, however, customers now obtain control upon delivery of the goods to the consignment store. This leads to revenue being recognized earlier than under the previous rules.

Downpayments made by customers in connection with product deliveries have been previously reported under 'prepayments received on orders' in other liabilities. With the introduction of IFRS 15, these are reported as contract liabilities. Up to now, prepayments received and receivables in connection with customer-specific construction contracts have been reported on a gross basis under trade receivables and under other liabilities. Under IFRS 15, the prepayments received are to be included in the calculation of the respective contract balance; to this extent, there is a balanced presentation of a net contractual item under contract assets or contract liabilities

The effects of the first-time adoption of IFRS 9 and IFRS 15 to the opening balance sheet as of December 1, 2018 are as follows:

Assets in EUR k	**Nov. 30, 2018**	Adjust-ments IFRS 9	Adjust-ments IFRS 15	**Dec. 1, 2018**
Non-current assets				
Deferred tax assets	19,495	–	13	19,508
Other non-current assets	2,139,561	2,533	–	2,142,094
	2,159,056	**2,533**	**13**	**2,161,602**
Current assets				
Inventories	171,490	–	-695	170,795
Trade receivables	273,531	–	-55,611	217,920
Contract assets	–	–	28,131	28,131
Other current assets	126,837	–	–	126,837
	571,858	**–**	**-28,175**	**543,683**
Total assets	**2,730,914**	**2,533**	**-28,162**	**2,705,285**

Equity and Liabilities in EUR k	**Nov. 30, 2018**	Adjust-ments IFRS 9	Adjust-ments IFRS 15	**Dec. 1, 2018**
Equity				
Retained earnings	394,578	–	55	394,633
Other comprehensive income	-67,145	2,533	–	-64,612
Other equity	562,700	–	–	562,700
	890,133	**2,533**	**55**	**892,721**
Non-current liabilities				
Deferred tax liabilities	167,862	–	31	167,893
Other provisions	10,945	–	–	10,945
Trade payables	120	–	–	120
Contract liabilities	–	–	420	420
Other liabilities	503	–	-420	83
Other non-current liabilities	893,000	–	–	893,000
	1,072,430	**–**	**31**	**1,072,461**
Current liabilities				
Other provisions	44,951	–	–	44,951
Trade payables	207,282	–	–	207,282
Contract liabilities	–	–	6,259	6,259
Other liabilities	107,619	–	-34,507	73,112
Other current liabilities	408,499	–	–	408,499
	768,351	**–**	**-28,248**	**740,103**
	1,840,781	**–**	**-28,217**	**1,812,564**
Total equity and liabilities	**2,730,914**	**2,533**	**-28,162**	**2,705,285**

The following table shows the impact of the first-time adoption of IFRS 15 on the affected positions of the consolidated balance sheet as of November 30, 2019 and the consolidated income statement for the financial year 2019. There were no material effects on the consolidated cash flow statement for the financial year 2019.

Impact on the consolidated balance sheet

Assets in EUR k	**Nov. 30, 2019 after accounting changes (IFRS 15)**	Adjustments	**Nov. 30, 2019 before accounting changes (IAS 11/18)**
Non-current assets			
Deferred tax assets	17,066	–	17,066
Other non-current assets	2,079,338	–	2,079,338
	2,096,404	**–**	**2,096,404**
Current assets			
Inventories	185,093	1,477	186,570
Trade receivables	224,170	39,175	263,345
Contract assets	5,392	-5,392	–
Other current assets	130,180	–	130,180
	544,835	**35,260**	**580,095**
Total assets	**2,641,239**	**35,260**	**2,676,499**

Equity and Liabilities in EUR k	**Nov. 30, 2019 after accounting changes (IFRS 15)**	Adjustments	**Nov. 30, 2019 before accounting changes (IAS 11/18)**
Equity			
Retained earnings	427,439	-74	427,365
Other equity	514,118	–	514,118
	941,557	**-74**	**941,483**
Non-current liabilities			
Deferred tax liabilities	142,436	-27	142,409
Other provisions	11,529	–	11,529
Contract liabilities	1,471	-1,471	–
Other liabilities	1,941	1,471	3,412
Other non-current liabilities	651,509	–	651,509
	808,886	**-27**	**808,859**
Current liabilities			
Other provisions	35,332	–	35,332
Trade payables	221,454	–	221,454
Contract liabilities	8,717	-8,717	–
Other liabilities	75,946	44,078	120,024
Other current liabilities	549,347	–	549,347
	890,796	**35,361**	**926,157**
	1,699,682	**35,334**	**1,735,016**
Total equity and liabilities	**2,641,239**	**35,260**	**2,676,499**

Impact on the consolidated income statement

in EUR k	**2019 after accounting changes (IFRS 15)**	Adjustments	**2019 before accounting changes (IAS 11/18)**
Revenues	1,392,255	-823	1,391,432
Cost of sales	-1,115,070	722	-1,114,348
Gross profit	**277,185**	**-101**	**277,084**
Selling and administrative expenses	-274,036	–	-274,036
Other operating income	153,733	–	153,733
Restructuring expenses	92	–	92
Other operating expenses	-33,241	–	-33,241
Share of profit or loss of associated companies	25	–	25
Results of operations	**123,758**	**-101**	**123,657**
Net finance expense	**-25,590**	**–**	**-25,590**
Net income before income taxes	98,168	-101	98,067
Income taxes	-15,487	27	-15,460
Net income	**82,681**	**-74**	**82,607**
Attributable to equity holders of the parent	80,781	-74	80,707
Attributable to non-controlling interests	1,900	–	1,900
Diluted and non-diluted earnings per share (in EUR)	**2.57**	**–**	**2.57**

First-time adoption of the other new or revised IFRS 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. They were not yet applicable in the financial year and were not applied earlier:

› IFRS 16 Leases, effective for financial years beginning on or after January 1, 2019
› Amendments to IFRS 9: Prepayment Features with Negative Compensation, effective for financial years beginning on or after January 1, 2019
› Amendments to IAS 19: Plan Amendment, Curtailment or Settlement, effective for financial years beginning on or after January 1, 2019
› Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures, Uncertainty over Income Tax Treatments, effective for financial years beginning on or after January 1, 2019
› IFRIC 23 Uncertainty over Income Tax Treatments, effective for financial years beginning on or after January 1, 2019
› Annual Improvements to IFRSs, 2015–2017 Cycle: The amendments are to be applied for the first time for financial years beginning on or after January 1, 2019

The new standard **IFRS 16** 'Leases' has replaced the previous standard IAS 17 and various interpretations. It introduces a uniform model for identifying lease arrangements and for accounting by lessees. Lessees are no longer required to distinguish between operating leases and finance leases. Instead, for all leases, lessees will recognize the right to use the leased asset (right-of-use asset) and a corresponding lease liability. In addition, the nature of expenses associated with these leases will change, as IFRS 16 will replace the usage fees for operating leases recognized in profit or loss, with depreciation for right-of-use assets and interest expenses for lease liabilities.

Gerresheimer has opted for the modified retrospective first-time application of the regulations of IFRS 16, therefore the reporting period for the financial year 2020 is presented in accordance with IFRS 16 and the comparative period in the previous year in accordance with IAS 17. After that, the cumulative impact of the first-time adoption is accounted for as a correction to the opening balance sheet value of retained earnings. For leases which were previously classified as operating lease, Gerresheimer will generally recognize a right-of-use asset in the amount of the lease liability at the time of the first-time adoption. Exceptions are made solely for short-term leases with a term of no more than twelve months and leases for assets of low value.

Most leases entered into by Gerresheimer Group companies as lessees in the past have been operating leases. In the current financial year, Gerresheimer has determined the impact of the new regulations on its consolidated financial statements as part of a project to implement IFRS 16. Accordingly, Gerresheimer expects the following effects from the first-time application on December 1, 2019:

› Recognizing new assets and liabilities for its operating leases will have a material effect on the Gerresheimer Group. As a result of capitalization of rights-of-use assets, the balance sheet total will increase between EUR 27m and EUR 30m. The lease liabilities to be recognized also amount to between EUR 27m and EUR 30m. The increase in the lease liabilities results in a corresponding increase in net financial debt. Overall, the Gerresheimer Group expects the equity ratio to decrease insignificantly as a result of the first-time adoption.
› In addition, with regard to the consolidated income statement, the operating lease expense will be replaced with depreciation for right-of-use assets and interest expense on lease liabilities. As a result, adjusted EBITDA will rise by between EUR 9m and EUR 11m in the financial year 2020. The projected changes are solely attributable to the leases in place as of December 1, 2019.
› In the consolidated 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.

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 effect on the consolidated financial statements.

IFRS 16 applies for financial years beginning on or after January 1, 2019. Gerresheimer will apply the standard from December 1, 2019, that is from the beginning of the financial year 2020. For information on the finance leases as well as operating leases, please see Note (34).

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 during the financial year 2019

i) Foundation of Gerresheimer Skopje DOOEL Ilinden

With effective date March 20, 2019, Gerresheimer Skopje DOOEL Ilinden (Ilinden/Republic of North Macedonia) was established. Since the second half of the financial year 2019 Gerresheimer is building a new plant in Skopje for the production of plastic systems for the pharmaceutical and the medical technology sector as well as prefillable syringes.

ii) Deconsolidation of Gerresheimer Buenos Aires S.A.

On December 2, 2019, and with economic effect as of November 30, 2019, Gerresheimer entered into an agreement to sell Gerresheimer Buenos Aires S.A. (Buenos Aires/Argentina) to IMAP SAIC, a leading Argentinean manufacturer of plastic packaging. Due to materiality reasons the deconsolidation of this company was already carried out as of November 30, 2019 and the fair value of the agreed consideration is reported under investments. The deconsolidation resulted in a loss of EUR 1,956k, which comprises the deconsolidation result of EUR -942k, currency losses of EUR 938k and other expenses of EUR 76k. The loss from deconsolidation, which is included in other operating expenses in the consolidated income statement is not considered in the calculation of adjusted EBITDA. Furthermore, there is an interest bearing loan granted to Gerresheimer Buenos Aires S.A., which is to be repaid in three installments no later than 39 months after the settlement of the transaction. This loan is secured by pledges on machines as well as guarantees by the buyer.

iii) Share acquisition respimetrix GmbH

With purchase agreement dated February 21, 2019 Gerresheimer acquired 60% of capital shares and voting rights in respimetrix GmbH (Duesseldorf). As of the reporting date respimetrix GmbH is a research company. For reasons of materiality, full consolidation of respimetrix GmbH was waived. As of November 30, 2019 this company has 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 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. 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 of 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.

The discounted consideration for the acquisition of the company after net working capital and net debt adjustments in the fourth quarter 2018 amounted originally to a total of EUR 334,550k.

Gerresheimer made purchase price payments in the financial years 2018 and 2019 in the amount of EUR 204,100k. 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. In the financial year 2019 contingent purchase price components from the acquisition of Sensile Medical in the amount of EUR 129,801k were derecognized. This derecognition is due to unexpected termination by the customer of projects for the development of a micro pump for the treatment of heart diseases and for the treatment of diabetes as well as project delays. As of November 30, 2019, all obligations of Gerresheimer arising from the acquisition of Sensile Medical are fulfilled.

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 established. This company had no significant impact on the net assets, financial position and results of operations or cash flows of the Gerresheimer Group.

List of shareholdings of Gerresheimer AG as of November 30, 2019:

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 Skopje DOOEL Ilinden, Ilinden (Republic of North Macedonia)	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

in %	Investment (direct and indirect)
Americas	
Centor Inc., Perrysburg, OH (USA)	100.00
Centor Pharma Inc., Perrysburg, OH (USA)	100.00
Centor US Holding Inc., Perrysburg, OH (USA)	100.00
Gerresheimer 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]	
Corning Pharmaceutical Packaging LLC, Wilmington, DE (USA)	25.00
Gerresheimer Buenos Aires S.A., Buenos Aires (Argentina)	99.91
Nouvelles Verreries de Momignies Inc., Larchmont, NY (USA)	100.00
respimetrix GmbH, Duesseldorf (Germany)	60.00

[1] The Company made use of the exemption offered by section 264 paragraph 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**:

	Nov. 30, 2019			Nov. 30, 2018		
in EUR k	**Proportion of ownership interests and voting rights held by non-controlling interests in %**	**Accumu-lated non-controlling interests**	**Distribu-tions to non-controlling interests[1)]**	Proportion of ownership interests and voting rights held by non-controlling interests in %	Accumulated non-controlling interests	Distributions to non-controlling interests[1)]
Subsidiary						
Kimble Chase Holding LLC, Vineland, NJ (USA)	49.0	285	3,300	49.0	3,495	–
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd., Danyang, Jiangsu (China)	40.0	10,024	–	40.0	8,966	381
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang) Co. Ltd., Zhenjiang, Jiangsu (China)	40.0	5,950	–	40.0	4,659	1,336

[1)] Dividends are converted at the respective transaction rate.

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

	Nov. 30, 2019					
in EUR k	**Non-current assets**	**Current assets**	**Non-current liabilities**	**Current liabilities**	**Revenues**	**Net income**
Subsidiary						
Kimble Chase Holding LLC, Vineland, NJ (USA)	–	591	–	9	–	33
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd., Danyang, Jiangsu (China)	13,873	16,744	–	5,265	25,342	2,139
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang) Co. Ltd., Zhenjiang, Jiangsu (China)	5,556	13,158	–	3,568	18,061	2,958

	Nov. 30, 2018					
in EUR k	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

	2019			2018		
in EUR k	**Cash flow from operating activities**	**Cash flow from investing activities**	**Cash flow from financing activities**	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities
Subsidiary						
Kimble Chase Holding LLC, Vineland, NJ (USA)	-41	–	-6,682	-57	–	–
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd., Danyang, Jiangsu (China)	3,459	-1,870	–	1,560	-2,496	-965
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang) Co. Ltd., Zhenjiang, Jiangsu (China)	1,529	-1,020	–	-398	-1,101	-3,402

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. If control is lost, subsidiaries are to be deconsolidated. Non-controlling interests in equity, net income 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 generally 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 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 currency. 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. 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. 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, 2019**	Nov. 30, 2018	**2019**	2018
Argentina	ARS	**65.8231**	42.9161	**52.1201**	31.6806
Brazil	BRL	**4.6459**	4.3843	**4.4093**	4.2536
Switzerland	CHF	**1.0998**	1.1340	**1.1158**	1.1562
China	CNY	**7.7172**	7.8897	**7.7408**	7.8097
Czech Republic	CZK	**25.5150**	25.9570	**25.7102**	25.6524
Denmark	DKK	**7.4713**	7.4622	**7.4654**	7.4507
India	INR	**78.6875**	79.0815	**78.8019**	80.0276
Republic of North Macedonia	MKD	**61.5000**	–	**61.5066**	–
Mexico	MXN	**21.4483**	23.0910	**21.8249**	22.6645
Poland	PLN	**4.3185**	4.2900	**4.3018**	4.2538
Singapore	SGD	**1.5017**	1.5581	**1.5319**	1.5937
United States of America	USD	**1.0982**	1.1359	**1.1224**	1.1834

(5) Accounting Policies as well as Judgment and Estimates

Intangible assets

Intangible assets are carried at cost. Intangible assets with finite useful lives are carried at cost less amortization allocated over their scheduled 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 25 years. Customer bases are amortized over 15 to 20 years.

From the financial year 2020, the useful life of the technologies used by Sensile Medical will be adjusted and extended by ten years. The previous assessment of the useful life was based in particular on the assessment that use is possible until patent protection expires. Based on the current discussions with potential customers and our market observations, we have adjusted our assessment so that we assume a remaining useful life of over 25 years. This is particularly the case against the background of a recently concluded partnership in connection with the development of a micro pump for the treatment of heart diseases.

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.

Gerresheimer expenses research costs as incurred. Gerresheimer only recognizes development costs 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. Obligations from emissions are accounted by Gerresheimer 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 only be taken into account if the emissions exceed the volume covered by the emission allowances held by the Gerresheimer Group. The obligation is recognized at the fair value of the additional emission allowances to be procured. Emission allowances acquired from third parties are recognized at cost and reported under 'other assets' in 'other receivables'.

Property, plant and equipment

Property, plant and equipment is carried at cost less depreciation and any impairment losses. Next to 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 estimates of useful lives as follows:

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

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

Government grants

Gerresheimer recognizes government grants 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 deducted when the carrying amount of the asset is determined by reducing the cost and are therefore recognized in profit or loss in equal annual installments over their useful life.

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

Investment property

Investment property comprises land and buildings 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

The economic owner of leased assets is the party in the leasing agreement who bears the significant risks and rewards of ownership of the leased asset.

If substantially all risks and rewards incidental to ownership of the leased asset are attributable to Gerresheimer as the lessee (finance lease), the leased asset shall be recognized 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. Gerresheimer recognizes a lease liability equal to the carrying amount of the leased asset at the commencement of the lease term. Lease liabilities are reported as part of the financial liabilities. In subsequent periods, the lease liability is reduced using the effective interest method and the carrying amount is adjusted accordingly.

If substantially all risks and rewards are attributable to Gerresheimer as a lessor (operating lease), the leased asset is recognized in the balance sheet. 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 Gerresheimer. Gerresheimer as a lessee in an operating lease recognizes the lease payments made during the term of the lease in profit or loss.

Factoring

For the purpose of accessing new sources of financing a minor portion of the trade receivables is sold to factoring companies. If the associated default risks are transferred to the purchaser (non-recourse factoring) the trade receivables are derecognized from the consolidated balance sheet at the time of the sale. Amounts retained by the factoring company are recognized in current other financial assets. Liabilities from cash receipts for sold receivables, which are not yet transferred to the factoring company, are reported in current other financial liabilities.

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.

Impairment losses recognized in prior periods are reversed if the reasons for impairment cease to exist, except for impairment losses on goodwill is excluded. Impairment losses on goodwill are recognized in other operating expenses, impairment losses on other assets are recognized in the respective functional are expenses and any subsequent impairment reversals are recognized 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 increased or decreased by the change in the proportionate equity of the associated company. 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 in 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

Gerresheimer measures inventories at the lower of cost and net realizable value. The initial recognition is generally at average acquisition or production cost. It 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. With the exception of trade receivables without a significant financing component, which are measured at the transaction price, initial recognition of financial assets is at fair value plus directly attributable transaction costs. 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. Financial assets are derecognized when the contractual rights to the cash flows from the asset expire or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

From December 1, 2018, financial assets in the Gerresheimer Group are grouped into measurement categories as follows in accordance with IFRS 9:

Financial assets measured at amortized cost: Financial assets held in order to collect contractual cash flows that are solely payments of principal and interest are measured at amortized cost. Interest income on such assets is measured using the effective interest method and accounted for in net finance expense. All gains and losses from derecognition, from impairment losses and from currency translation are recognized immediately in the consolidated income statement. At Gerresheimer, this category primarily comprises trade receivables, which are not sold in the context of factoring agreements, cash and cash equivalents, contractual refund claims, other loans and a large number of individual items classified as ‘Other’ within other financial assets.

Financial assets measured at fair value through other comprehensive income: This category comprises financial assets whose contractual cash flows are solely payments of principal and interest and which are held in a business model that consists in holding or selling the assets. Gains or losses not arising from impairment losses or from currency translation are recognized in other comprehensive income. On disposal or reclassification of a financial asset that is a debt instrument, the cumulative gains and losses recognized in other comprehensive income are reclassified to profit or loss in the consolidated income statement. Gerresheimer currently does not hold any financial assets in this category.

The same category also includes equity instruments for which an irrevocable election has been made at initial recognition to present changes in fair value in other comprehensive income. In the Gerresheimer Group, this election is made for various investments on a case-by-case basis. On disposal of such financial assets, the cumulative gains and losses recognized in other comprehensive income are not reclassified to the consolidated income statement and remain instead in other comprehensive income. Dividends from such equity instruments continue to be recognized in other operating income.

Financial assets measured at fair value through profit or loss: This measurement category comprises financial assets that are measured neither at amortized cost nor at fair value through other comprehensive income. At Gerresheimer, these are primarily derivative financial instruments with positive market values that are not in an effective hedging relationship and equity instruments for which the election has not been made to recognize subsequent changes in other comprehensive income. Furthermore, trade receivables that are being sold in the context of factoring agreements, are included in this measurement category. Aside from this, no financial assets that would otherwise be measured at amortized cost or at fair value through other comprehensive income have been designated as measured at fair value through profit or loss. Please see Note (6) for further explanations on derivative financial instruments.

Impairment losses on financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income are recognized on the basis of the expected credit losses. In accordance with the general approach to be applied to all of the above financial assets with the exception of trade receivables or contract assets without a significant financing component, impairment losses are recognized in the amount of the twelve-month expected credit loss unless the credit risk has increased significantly since initial recognition. If the credit risk significantly increases in subsequent periods, the impairment loss is measured as the expected credit losses over the remaining term. For financial assets such as cash and cash equivalents, no impairment for expected credit losses is recognized due to the short terms (in some cases with daily maturities) and the good credit rating of the banks. To determine whether the credit risk has significantly increased, the Gerresheimer Group makes use of all information that is reasonable and available without undue cost or effort.

Contrary to the general approach, the simplified impairment approach is applied for trade receivables and contract assets that do not have a significant financing component. Under this approach, impairment losses are always recognized in the amount of the lifetime expected credit losses. In order to determine the impairment loss, the Gerresheimer Group makes use, among other information, of internal and external customer ratings, default risks available from information service providers and past due information. Where no reliable information on default risk is available, lifetime expected credit losses are determined on the basis of the amounts past due as of the reporting date. The determination of impairment losses also takes into account the existence of credit insurance that covers part of trade receivables.

Impairments are recognized on individual financial assets when there is objective evidence of impairment. Objective evidence of impairment 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 the financial asset or a breach of contract.

There were no reclassifications—which are only permitted in the event of a change in the underlying business model—between the new measurement categories under IFRS 9 during the reporting year.

Up to November 30, 2018, financial assets were categorized and measured in accordance with IAS 39. Specifically, financial assets held by Gerresheimer were categorized as follows:

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.

*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.

In the prior year the category ‘available-for-sale’ includes investments in other companies. 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.

This category includes some individual items of the position 'Other' in other financial assets.

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 from impairment or derecognition are recognized in profit or loss.

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

Indications of impairment for balances in the loans and receivables category give reason for an impairment test. 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.

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 in the prior year.

Other receivables
Tax receivables and other non-financial assets are recognized at nominal values.

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 original terms of three months or less.

Non-current assets and disposal groups held for sale
This item includes non-current assets or groups of assets that are able to be sold in their current condition, their sale is decided by the appropriate management and is highly probable within twelve months.

Non-current assets in a disposal group are no longer depreciated or amortized. They are to be impaired if the fair value less costs to sell is lower than the carrying amount. Impairment losses are 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 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 or 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, however, 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. Gerresheimer calculates the current service cost and the net interest expense on the basis of the assumptions made at the end of the respective prior year. The revaluation of pension obligations, which is based on updated valuation parameters as of the balance sheet date, are recognized by Gerresheimer other comprehensive income. Past service costs from plan changes or curtailments are 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 expenses from compounding the net pension obligations are recognized in net finance expense.

Stock appreciation rights (phantom stocks)
The stock appreciation rights issued by Gerresheimer to members of the Management Board provide for cash compensation in an amount that depends on the performance of the share price. Gerresheimer accounts for the entitlements acquired by the beneficiaries up to each reporting date by allocations to provisions which are recognized in personnel expenses. The total expense to be recognized from the grant date 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, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and if 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, Gerresheimer recognizes an asset in the consolidated balance sheet.

Other provisions also include obligations from partial retirement arrangements 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
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 to be mostly 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 amount on initial recognition and the amount repayable on maturity are recognized as interest expense in the consolidated income statement over the term of the liability.

Contingent consideration in connection with acquisitions and derivative financial instruments not determined to be an effective hedge are accounted for at fair value through profit or 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
Gerresheimer recognizes liabilities from other taxes or social security and other non-financial liabilities at amount payable on the maturity date. Prepayments received on orders as well as the liability balance from construction contracts are now reported as contract liabilities.

Revenue recognition
Gerresheimer recognizes revenues when it transfers control in goods or services to a customer, either over time or at a point in time. A customer has control when the customer can independently direct the use of and obtain the remaining benefits from a product or service. For deliveries of goods, revenues are recognized at a point in time. Such revenues are recognized at the point in time when the risks and rewards of ownership are transferred to the customer, provided that the revenues and costs can be measured reliably, recovery of the consideration is probable, Gerresheimer retains no control of the goods and it is not probable that recognized revenues have to be canceled.

Conversely, revenues from services are recognized over the performance period and based on progress achieved.

Revenues are limited in amount to the consideration that Gerresheimer expects to receive for satisfaction of the performance obligations. Consideration components to be retained for third parties are deducted. Revenues are thus reduced by value added tax as well as by actual and expected sales deductions for discounts and rebates. Sales deductions are estimated primarily on the basis of historical experience and specific contract terms. Revenues are additionally reduced by amounts for expected returns of defective goods, or in connection with contractual agreements for the return of saleable products, at the time of sale or at the point in time when the amount of future returns can be reliably determined. Interest income is recorded using the effective interest method.

Customer-specific construction contracts

Gerresheimer recognizes revenues from customer-specific construction contracts 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 transfer of goods and services to the customer. 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 contract assets. 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 contract liabilities.

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 for 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.

Revenues from customer-specific development contracts within our 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 contract assets. As soon as progress billings exceed project revenue, the surplus is accounted for as development project due to customers as contract liabilities.

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 by independent appraisers. Gerresheimer also uses expertise of 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 for the present value calculation. 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 (29).

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 mostly likely to be expected. The realization of deferred tax assets thus notably depends on the ability to generate sufficient taxable income for the applicable type of tax in the relevant 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).

The fair value of **stock appreciation rights** 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 (binominal model). The parameters used in this model and the fair values of each tranche are presented in Note (30). 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.

Revenues from customer-specific construction contracts are recognized in accordance with the transfer of goods or services to a customer (percentage of completion method). Gerresheimer determines the extent of services rendered to the customer 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 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.

A Group-wide financial risk management monitors centrally the Group’s financial risks. 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. Generally, transaction risks solely represent exposures in currency management. Currency derivatives are generally used to hedge specific hedged items and are recognized as hedging instruments.

Credit risks resulting from the Group’s trade relationships are monitored by credit and receivables management and by the sales divisions management 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 positive fair values 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 immediately recognized immediately in 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 and divestments are presented separately. The position ‘Cash received in connection with divestments, net of cash paid’ reflects the disposal of cash in relation to the deconsolidation of Gerresheimer Buenos Aires S.A. (Buenos Aires/Argentina) as of November 30, 2019. In the reporting period, the item ‘Cash paid for the acquisition of subsidiaries, net of cash received’ includes the second fixed purchase price component paid as of December 17, 2018 and the payment of a contingent purchase price component on July 2, 2019 for the acquisition of Sensile Medical AG (Olten/Switzerland). In the prior year, this item includes the first purchase price component paid for the acquisition of Sensile Medical AG (Olten/Switzerland) as of November 30, 2018. Furthermore, the position ‘Acquisition of non-controlling interests’ in the prior 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, 2018	Cash inflow	Cash outflow	Disposals	Currency effects	New contracts	Fair value changes	**Nov. 30, 2019**
Promissory loans	674,046	–	–	–	–	–	247	**674,293**
Liabilities to banks	265,598	384,130	-343,178	–	1,973	–	–	**308,523**
Capitalized fees	-962	–	-1,365	–	-12	–	855	**-1,484**
Finance lease liabilities/ Liabilities from installment purchases	7,747	–	-2,830	-1,742	199	6,928	–	10,302
	946,429	**384,130**	**-347,373**	**-1,742**	**2,160**	**6,928**	**1,102**	**991,634**

Other financial liabilities as reported in the consolidated balance sheet comprise 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	**2019**	2018
By Division		
Plastics & Devices	758,300	751,337
Primary Packaging Glass	631,486	605,230
Advanced Technologies	6,439	12,860
Segment revenues	**1,396,225**	**1,369,427**
Intra-Group revenues	-3,970	-1,697
Revenues	**1,392,255**	**1,367,730**

in EUR k	**2019**	2018
By Region[1]		
Europe	459,174	459,685
Americas	381,043	374,806
Germany	307,467	304,500
Emerging markets	225,668	206,841
Other regions	18,903	21,898
Revenues	**1,392,255**	**1,367,730**

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

IQVIA did not modify its definition of emerging markets in 2019, 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 51,019k (prior year: EUR 63,778k) of customer-specific contract revenue recognized. In this case, revenue is recognized over time. Other revenues mainly result from sales of goods, whereby revenue is recognized at a point in time.

Revenues in the Advanced Technologies Division were negatively impacted in the financial year 2019, as the project to develop a micro pump for the treatment of diabetes was canceled unexpectedly by the customer in the fourth quarter of 2019. This termination led to a cumulative adjustment of revenues in the amount of EUR 17,326k at the time of the contract modification.

For information on contract balances, please see Note (26).

(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 224,719k (prior year: EUR 99,045k) of depreciation, amortization and impairment losses, of which amortization and impairment losses of fair value adjustments from purchase price allocations amount to EUR 127,654k (prior year: EUR 10,284k).

Due to the unexpected termination of the project to develop a micro pump for the treatment of diabetes by a customer, impairment losses on three patents in the amount of EUR 3,633k were recognized on the level of the cash-generating unit Sensile Medical. The impairment test on the level of the cash-generating unit Sensile Medical resulted in a need for impairment losses of fair value adjustments on technologies in the amount of EUR 102,972k and impairment losses on development costs of EUR 4,250k.

For further information, please see Note (18).

The cost of inventories recognized as an expense during the financial year was EUR 362,179k (prior year: EUR 365,587k).

(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 depreciation and amortization of EUR 33,427k (prior year: EUR 32,163k), of which amortization of fair value adjustments from purchase price allocations amount to EUR 31,046k (prior year: EUR 30,323k). Furthermore impairment losses of fair value adjustments of brand names in the amount of EUR 864k are included in the Advanced Technologies Division. The impairment losses result from the annual impairment test on goodwill. For further information, please see Note (18).

Administrative expenses mainly comprise personnel and non-personnel expenses for administrative functions, depreciation and amortization amounting to EUR 6,467k (prior year: EUR 5,718k).

(11) Other Operating Income

Other operating income break down as follows:

in EUR k	2019	2018
Derecognition of contingent purchase price components	129,801	–
Income from refund claims against third parties	6,593	13,303
Income from the derecognition of liabilities	4,721	5,991
Income from the reversal of provisions	4,225	4,678
One-off income	2,941	1,086
Income from sale of scrap	1,152	1,071
Income from other tax claims	455	57
Income from the disposal of intangible assets and property, plant and equipment	200	30
Exchange gains	–	225
Sundry other income	3,645	3,555
Other operating income	**153,733**	**29,996**

Significant components of other operating income of EUR 153,733k (comparative prior-year period: EUR 29,996k) represent income from the derecognition of contingent purchase price components from the acquisition of Sensile Medical in the amount of EUR 129,801k. The derecognition is due to the fact that the contractually agreed milestones were not reached due to unexpected termination by the customers of projects for the development of a micro pump for the treatment of heart diseases and for the treatment of diabetes as well as project delays.

Income from refund claims against third parties of EUR 2,673k is attributable to income from insurance reimbursements for furnace damage in one of our plants in the United States. This is offset by, inter alia, expenses for repairs and from business interruption, which are included in the cost of sales. This item also includes EUR 3,317k from reimbursement claims against various suppliers and customers (prior year: EUR 11,957k).

The income from the derecognition of liabilities in the amount of EUR 4,721k (prior year: EUR 5,991k) results from liabilities, which have been accounted for in prior periods and for which a claim is no longer probable and where 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 (31).

Furthermore one-off income amounts to EUR 2,941k (prior year: EUR 1,086k). This is mainly attributable to a book gain from the sale of a piece of land in Switzerland, which was reported as a non-current asset held for sale in the consolidated balance sheet as of November 30, 2018. One-off income of the prior year mainly refers to the reversal of a provision.

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 reported in the net 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.

Gerresheimer reported income of EUR 92k in the reporting period. This compound income from the release of the provision for the closure of our plant in Kuessnacht (Switzerland), and, in contrast, expenses from additions to the restructuring provision for the plant closure announced in the financial year 2017 in the Primary Packaging Glass Division. In the financial year 2019 an amount of EUR 456k was reversed in connection with the restructuring provision recognized in 2018.

In the prior financial year 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 of 2018. On the other hand, 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 (31)).

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	**2019**	2018
One-off expenses	9,334	11,031
Contract modification in connection with the termination of a project to develop a micro pump for the treatment of diabetes	9,241	–
Impairment goodwill	5,014	–
Research and development	3,591	2,919
Supervisory Board remuneration and expense reimbursement	1,408	1,193
Loss from the disposal of intangible and fixed assets	371	302
Expenses from network charges	–	1,352
Loss from the fair value measurement of the put option Triveni	–	1,120
Currency losses	27	–
Sundry other expenses	4,255	2,106
Other operating expenses	**33,241**	**20,023**

Significant components of other operating expenses represent one-off expenses of EUR 9,334k (prior year: EUR 11,031k). In the current financial year, the one-off expenses of EUR 2,401k in connection with a strategic and structural personnel adjustment due to automation and digitalization as well as cost reduction measures as a result of the improvement and further integration of the cooperation between the business units Moulded Glass and Tubular Glass. Furthermore, expenses of EUR 1,887k in relation to the closure of our plant in Kuessnacht (Switzerland), which are not to be classified as restructuring expenses are incorporated in this position. Essentially, this refers to expenses for the production transfer for other customers of this plant. This position also includes the result from the deconsolidation of our subsidiary Gerresheimer Buenos Aires S.A. (Buenos Aires/Argentina) in the amount of EUR 1,956k.

In the financial year 2019, contract assets of the subsidiary Sensile Medical in the amount of EUR 26,567k (prior year: EUR 0k) were derecognized as a result of a changed estimate of the transaction price. This was prompted by the unexpected termination by the customer of the project to develop a micro pump for the treatment of diabetes. The change in estimate led to a reversal of the revenue recognized for this project in the financial year 2019 in the amount of EUR 17,326k (see Note (8)). The excess amount of EUR 9,241k is included in other operating expenses.

The impairment losses on goodwill of the cash-generating unit Sensile Medical in the amount of EUR 5,014k results from the annual goodwill impairment test. For further information we refer to Note (18).

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 reported in net 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	**2019**	2018
Interest income	2,653	2,437
Interest expense	-24,701	-29,746
Other financial expenses	-3,542	-4,953
Net finance expense	**-25,590**	**-32,262**
Thereof: Net interest expense on the defined benefit liability	*-2,973*	*-2,770*

Interest expense comprises interest expenses on liabilities to banks, promissory loans, finance lease liabilities, liabilities from installment purchases as well as other financial liabilities. The item 'Other financial expenses' mainly comprises exchange gains and exchange losses from financing activities as well as related gains and losses from hedging transactions.

All interest income from financial assets and all other expenses from financial liabilities relate to the category 'at amortized cost'.

(15) Income Taxes

in EUR k	2019	2018
Current income taxes	-36,319	-30,941
Deferred income taxes	20,832	54,872
Income taxes	**-15,487**	**23,931**

Income taxes in the financial year 2019 result in a tax expense of EUR 15,487k after tax income of EUR 23,931k in the prior year. It should be noted here that the other operating income of EUR 129,801k from the derecognition of contingent purchase price components in connection with the acquisition of Sensile Medical recognized in the financial year 2019 is not taxable. In addition, in connection with the unexpected termination by the customer of the project for the development of a micro pump for the treatment of diabetes and the resulting impairment losses in the amount of EUR 113,100k in the cash-generating unit Sensile Medical, there were effects on the net income before income taxes and effects on the income taxes themselves. In the prior year, income from income taxes were significantly influenced by the revaluation of the recognized deferred taxes of our US subsidiaries included in the consolidated financial statements in the amount 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. Excluding these one-off effects in both reporting periods this would result in a comparable tax rate of 29.3% for the financial year 2019 and 27.6% for the prior year.

Deferred income taxes in connection with items which are recognized in the other comprehensive income result in an increase of equity by EUR 4,662k (prior year: decrease of equity by EUR 1,050k), which fully 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	2019	2018
Net income before income taxes	98,168	107,197
Expected tax expense: 29% (prior year: 29%)	**-28,469**	**-31,087**
Differences:		
Loss carryforwards without deferred tax assets	-3,486	-2,500
Different foreign tax rates	-5,737	7,238
Non-deductible expenses	-4,895	-1,494
Tax-free income and tax benefits	37,549	-186
Effects from changes in tax rates	-7,822	45,630
Change in value allowance for deferred tax assets	-2,929	7,400
Taxes from prior periods	455	-931
Other	-153	-139
Total differences	**12,982**	**55,018**
Income taxes	**-15,487**	**23,931**
Tax rate	**15.8%**	**-22.3%**

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 0.0% and 34.0% (prior year: 14.1% and 34.0%). Some of the subsidiaries in China benefited from temporary tax privileges with a resulting tax rate of 10.0% respectively 15.0%. The subsidiary in the Republic of North Macedonia is exempt from income taxes for a period of ten years.

Effects from profit and loss transfer agreements

In the financial year 2019 there were two tax groups for income tax purposes in Germany. The tax result of Gerresheimer Holdings GmbH was attributed to Gerresheimer AG as the fiscal unity parent. The tax results of twelve additional German consolidated subsidiaries are attributed to the Gerresheimer Group GmbH as the fiscal unity parent of the income tax group existing in the financial year 2019.

The formation of the tax group with Gerresheimer Group GmbH with effect from December 1, 2018 allowed utilization of loss carryforwards in the financial year 2019. The loss carryforwards of the Gerresheimer Group GmbH were largely utilized in the current financial year. At the level of the Gerresheimer AG as fiscal unity parent, loss carryforwards for corporate tax purposes in the amount of EUR 21,967k and for trade tax purposes in the amount of EUR 18,984k were incurred in the financial year 2019. Deferred tax assets of EUR 5,936k were recognized on these loss carryforwards in the current financial year, since we expect these loss carryforwards to be utilized in the following financial years.

Deferred taxes on tax loss carryforwards

Deferred tax assets were not recognized for tax loss carryforwards in the amount of EUR 93,637k (prior year: EUR 75,400k) 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 11k) and trade tax loss carryforwards of EUR 9,170k (prior year: EUR 15,151k) for domestic subsidiaries.

Deferred tax assets of EUR 2,098k (prior year: EUR 9,344k) were recognized for tax loss carryforwards at foreign Group companies despite losses in the current financial year and in the prior year, as the companies concerned expect to generate future taxable profits. There is sufficient reliability that the tax loss carryforwards can be realized.

Temporary loss carryforwards in the amount of EUR 60,773k, which can be used in the period from 2020 to 2027, relate in their entirety to foreign companies.

Deferred tax liabilities for taxable temporary differences from investments in fully consolidated subsidiaries in the amount of EUR 34,629k (prior year: EUR 34,769k) 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 2019 and 2018, such that the weighted average number of shares is 31,400,000 in both financial years.

The phantom stock program (see Note (30)) 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	**2019**	2018
Net income	**82,681**	**131,128**
Thereof: Attributable to equity holders of the parent	80,781	128,965
Thereof: Attributable to non-controlling interest	1,900	2,163

in thousand	**2019**	2018
Weighted average number of ordinary shares	31,400	31,400

in EUR	**2019**	2018
Diluted and non-diluted earnings per share	**2.57**	**4.11**

OTHER INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

(17) Personnel Expenses

Personnel expenses break down as follows:

in EUR k	**2019**	2018
Wages and salaries	358,081	348,401
Social security and other benefit costs	63,290	60,662
Pension costs	3,468	2,118
Personnel expenses	**424,839**	**411,181**

The Gerresheimer Group had an average of 9,880 employees in the financial year 2019 (prior year: 9,887), comprising 2,436 white-collar employees (prior year: 2,424), 7,243 blue-collar employees (prior year: 7,251) and 201 trainees (prior year: 212).

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, 2019					
Prior year carrying amount	670,587	789,267	25,127	20,698	**1,505,679**
Currency translation	6,809	11,645	36	9	**18,499**
Additions	–	–	5,857	6,199	**12,056**
Disposals	224	–	–	9	**233**
Reclassifications	–	–	-7	-169	**-176**
Amortization	–	55,728	2,571	3,619	**61,918**
Impairment losses	5,014	103,836	7,883	–	**116,733**
Carrying amount	**672,158**	**641,348**	**20,559**	**23,109**	**1,357,174**
Cost	681,022	1,080,678	36,751	52,249	**1,850,700**
Accumulated amortization and impairment losses	8,864	439,330	16,192	29,140	**493,526**
Carrying amount	**672,158**	**641,348**	**20,559**	**23,109**	**1,357,174**
As of November 30, 2018					
Prior year carrying amount	656,783	418,141	6,460	19,845	1,101,229
Change in 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**

Significant intangible assets result from business combinations. Amortization of those intangible assets which are capitalized in the course of purchase price allocation from business combinations is described by Gerresheimer as amortization of fair value adjustments. Amortization of intangible assets is disclosed in the functional areas cost of sales and selling expenses. Brand names—with the exception of two companies—have indefinite useful lives.

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

in EUR k	**Nov. 30, 2019**	Nov. 30, 2018
Plastics & Devices		
Plastic Packaging	86,191	87,882
Medical Systems	115,468	115,468
Centor	280,838	271,517
Primary Packaging Glass		
Converting	63,341	64,386
Moulded Glass	126,320	126,320
Advanced Technologies		
Sensile Medical	–	5,014
Goodwill	**672,158**	**670,587**

To assess the recoverability of goodwill, Gerresheimer has tested whether the recoverable amount of each of the cash-generating units at least covers the carrying amount of the net assets. The recoverable amount is determined as the higher of value in use and the fair value less costs of disposal. Gerresheimer determines the value in use using cash flow projections budgeted for the financial years 2020 to 2024 (prior year: 2019 to 2023). Corporate planning considers factors in historical developments and current market expectations. As in the prior year, the growth rate used to extrapolate for subsequent years was 1.0%. Future cash flows are discounted using the weighted average cost of capital (WACC). Both the beta factor used to determine the cost of equity and borrowing costs were derived on the basis of a peer group.

Corporate planning takes into account a steadily growing market for pharma products. This assumption is based on the demographic development, which leads to an increase in medical care since there is a growing world population in combination with an increasing live expectancy of the population. This development is also reflected in the relevant mega trends (we refer to the section on 'Mega trends' in the Management Report).

In contrast to the general procedure, the impairment test for the cash-generating unit Sensile Medical is based on a finite planning period. The test is based on the useful lives of the technologies that distinguish the cash-generating unit. Since determining the value in use of this cash-generating unit involves estimation uncertainty, Gerresheimer carried out a scenario analysis. This was based on three different scenarios, which were weighted according to their likelihood of occurring as defined by the management team. In the event of project cancellations or delays that have not been factored in by the management, the carrying amount could change significantly.

The WACC before tax was determined iteratively from the WACC after tax and breaks down as follows for the cash-generating units:

in %	**2019**	2018
Plastics & Devices		
Plastic Packaging	7.5	6.0
Medical Systems	7.7	6.7
Centor	5.9	5.1
Primary Packaging Glass		
Converting	6.0	6.0
Moulded Glass	7.1	6.3
Advanced Technologies		
Sensile Medical	8.1	4.8

The increase in the WACC before tax is mainly due to higher equity costs. This reflects opposing factors. The sharp decline in the base rate was more than offset by the higher market risk premium and higher beta factor. The underlying borrowing costs decreased as against the prior year.

Impairment testing at the level of the cash-generating unit Sensile Medical, which is assigned to the Advanced Technologies Division, resulted in the recognition of impairment losses in the financial year 2019 due to unexpected project cancellations by customers—particularly the cancellation of the project to develop a micro pump for the treatment of diabetes. As of the reporting date, the recoverable amount of this cash-generating unit was EUR 280,102k, which is EUR 113,100k lower than its carrying amount of EUR 393,202k. The recoverable amount corresponds to the value in use. Of the impairment losses recognized, EUR 5,014k was allocated to the goodwill of the cash-generating unit Sensile Medical, EUR 102,972k to technologies, EUR 4,250k to development costs, and EUR 864k to Sensile Medical brand names. In the consolidated income statement, goodwill impairment is recognized in other operating expenses, while impairment losses on technologies, development costs and brand names are included in the cost of sales resepctively selling expenses. In contrast, the cancellation and postponement of projects by customers also resulted in the recognition of other operating income of EUR 129,801k from the derecognition of contingent purchase price components.

There was no need to recognize impairment losses for the other cash-generating units, as in each case the recoverable amount exceeded their carrying amount. The goodwill of the cash-generating unit Plastic Packaging decreased by EUR 224k due to the deconsolidation of Gerresheimer Buenos Aires S.A. (Buenos Aires/Argentina). Other changes in the carrying amounts of the goodwill result only from currency effects.

For each cash-generating unit to which goodwill was allocated as of November 30, 2019, no reasonable change of the underlying assumptions to determine the value in use would cause the carrying amount of the cash-generating unit to exceed their net realizable value considerably.

Brand names existing as of November 30, 2019 are allocated to the Plastics & Devices Division in the amount of EUR 24,484k (prior year: EUR 24,676k) and to the Advanced Technologies Division in the amount of EUR 2,157k (prior year: EUR 3,374k). Brand names with an indefinite useful life are recorded with a carrying amount of EUR 21,258k as of November 30, 2019 (prior year: EUR 21,358k), which is allocated to the cash-generating unit Medical Systems in the amount of EUR 4,957k (prior year: EUR 4,957k) and to the cash-generating unit Plastic Packaging in the amount of EUR 16,301k (prior year: EUR 16,401k). The change in the carrying amount of brand names with indefinite useful lives results exclusively from currency effects.

In the financial year 2019, research and development spending of EUR 3,591k (prior year: EUR 2,919k) was recognized in the consolidated income statement as other operating expenses. The Group also capitalized development costs in the amount of EUR 5,857k (prior year: EUR 1,264k). The increase in capitalized development costs as against the prior year is largely attributable to capital expenditure on a project newly awarded to Sensile Medical to develop a micro pump for the treatment of heart disease and capital expenditure related to the growth strategy in the Tubular Glass Business Unit.

The impairment losses recognized under 'development costs' are fully attributable to the cash-generating unit Sensile Medical. The loss of the project to develop a micro pump for the treatment of diabetes led to the impairment of three patents in the amount of EUR 3,633k. The remaining impairment losses of EUR 4,250k result from the impairment test on the cash-generating unit Sensile Medical.

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, 2019						
Prior-year carrying amount	170,441	312,865	26,117	111,305	620,728	4,611
Currency translation	1,190	4,034	93	-5	5,312	–
Additions	4,933	56,239	5,461	106,662	173,295	–
Disposals	478	828	325	313	1,944	–
Reclassifications	-1,474	43,249	4,360	-50,335	-4,200	4,645
Depreciation	8,377	74,701	8,170	–	91,248	41
Impairment losses	–	6	–	–	6	–
Carrying amount	**166,235**	**340,852**	**27,536**	**167,314**	**701,937**	**9,215**
Cost	255,126	892,896	91,641	167,429	1,407,091	12,062
Accumulated depreciation and impairment losses	88,891	552,043	64,104	115	705,154	2,847
Carrying amount	**166,235**	**340,852**	**27,536**	**167,314**	**701,937**	**9,215**
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 held for sale and discontinued operations	–	–	–	–	–	-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**

Property, plant and equipment include leased assets in the amount of EUR 8,275k (prior year: EUR 8,086k). As of the end of the reporting period, these comprise plant, warehouse and office land and buildings in the amount of EUR 1,888k (prior year: EUR 6,082k), technical equipment and machinery in the amount of EUR 6,247k (prior year: EUR 1,859k) and other property, plant and equipment in the amount of EUR 140k (prior year: EUR 145k).

Land and buildings owned by the group with a book value of EUR 1,449k as of November 30, 2019 (prior year: EUR 1,610k) 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 just a low asset risk to be enlisted from these collaterals for the Gerresheimer Group.

The investment property refers to leasehold land as well as non-operating property with a carrying amount of EUR 9,215k (prior year: EUR 4,611k) and a fair value of EUR 24,962k (prior year: EUR 6,629k). Due to the closure of our plant in Kuessnacht (Switzerland) there was a change in use of the land with buildings in the financial year 2019; consequently it was reclassified into investment property as of September 1, 2019. The fair value 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 2019 (prior year: EUR 28k). Expenses of EUR 18k were incurred (prior year: EUR 18k) that are entirely attributable to investment property, which generated rental income during the period.

Of the impairment losses, 100.0% (prior year: 3.5%) refer to the Primary Packaging Glass Division and 0.0% (prior year: 96.5%) to the Plastics & Devices Division.

(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, 2019**	Nov. 30, 2018
Assets	3,802	2,827
Equity	1,062	971
Liabilities	2,740	1,856
Revenues	3,684	2,825
Profit or loss	340	307

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, 2019	
Prior-year carrying amount	297
Currency translation	10
Share of profit or loss of associated companies	25
Carrying amount	**332**
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**

(21) Financial Assets

Financial assets break down as follows:

	Nov. 30, 2019			Nov. 30, 2018		
in EUR k	**Total**	***Thereof: Current***	***Thereof: Non-current***	Total	*Thereof: Current*	*Thereof: Non-current*
Fair value of derivative financial instruments	194	*194*	–	204	*204*	–
Investments	3,749	–	*3,749*	400	–	*400*
Refund claims for pension benefits	3,260	*270*	*2,990*	3,474	*251*	*3,223*
Refund claims from third parties	6,712	*6,712*	–	10,204	*10,204*	–
Other loans	292	*25*	*267*	1,630	*1,570*	*60*
Other	8,247	*8,247*	–	5,796	*5,796*	–
Other financial assets	**22,454**	***15,448***	***7,006***	**21,708**	***18,025***	***3,683***
Trade receivables	224,170	*224,170*	–	273,531	*273,531*	–
Cash and cash equivalents	85,831	*85,831*	–	80,570	*80,570*	–
Financial assets	**332,455**	***325,449***	***7,006***	**375,809**	***372,126***	***3,683***

As of November 30, 2019 the investments are mainly attributable to the investment in Securetec Detektions-Systeme AG, Neubiberg (Germany) in the amount of EUR 3,251k (prior year: EUR 150k), which is designated from December 1, 2018 onwards into the category 'At fair value through other comprehensive income' according to IFRS 9. In the prior year this investment was measured at acquisition cost according to IAS 39.

Non-current other loans as of November 30, 2019 mainly relate to a loan in the amount of EUR 207k granted to Gerresheimer Buenos Aires S.A. (Buenos Aires/Argentina), which was deconsolidated. This loan is secured with pledges on machines and guarantees by the purchaser.

In the course of the acquisition of property in Switzerland in the financial year 2019, the tenant loan shown in current other loans in the prior year was offset against the purchase price.

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 low historical and expected default rates and the high creditworthiness of the debtors, no impairment expenses were recognized for expected credit losses on refund claims for pension benefits, refund claims from third parties, other loans as well as on bills of exchange and receivables from rebate agreements which are included in the item 'Other'.

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 25% of trade receivables were covered by credit insurance in the financial year 2019 (prior year: approximately 24%). The risk concentration in relation to trade receivables and contract assets is considered to be low due to the world wide activities of the Gerresheimer Group and the diversification on a large number of customers.

In the financial year 2019 as well as in the prior year no financial assets were pledged as collateral for liabilities or contingent liabilities.

For further details on the fair values of derivative financial instruments, please see the information provided in Note (35).

(22) Other Receivables

Other receivables break down as follows:

in EUR k	**Nov. 30, 2019** Total	**Nov. 30, 2019** Thereof: Current	**Nov. 30, 2019** Thereof: Non-current	Nov. 30, 2018 Total	Nov. 30, 2018 Thereof: Current	Nov. 30, 2018 Thereof: Non-current
Other tax receivables	13,201	*12,584*	*617*	13,920	*13,022*	*898*
Prepaid assets	5,853	*4,725*	*1,128*	5,587	*4,634*	*953*
Other assets	7,158	*6,107*	*1,051*	5,189	*4,169*	*1,020*
Other receivables	**26,212**	***23,416***	***2,796***	**24,696**	***21,825***	***2,871***

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 supply agreements with major customers.

(23) Deferred Taxes

Deferred tax assets break down as follows:

in EUR k	**Nov. 30, 2019** Realization expected within 12 months	**Nov. 30, 2019** Realization expected after 12 months	Nov. 30, 2018 Realization expected within 12 months	Nov. 30, 2018 Realization expected after 12 months
Tax benefits				
Tax loss carryforwards	6,895	12,488	10,161	11,709
	6,895	**12,488**	**10,161**	**11,709**
Temporary differences				
Non-current assets	901	3,129	771	2,069
Inventories	1,067	–	709	–
Receivables and other assets	212	180	138	–
Provisions for pensions	677	26,777	664	20,862
Other provisions	5,372	1,912	5,214	1,795
Payables and other liabilities	2,205	1,412	1,853	1,398
Other financial assets/liabilities	13	2	–	2
	10,447	**33,412**	**9,349**	**26,126**
	17,342	**45,900**	**19,510**	**37,835**
Offset	-46,176		-37,850	
Deferred tax assets	**17,066**		**19,495**	

Deferred tax liabilities break down as follows:

	Nov. 30, 2019		Nov. 30, 2018	
in EUR k	**Realization expected within 12 months**	**Realization expected after 12 months**	Realization expected within 12 months	Realization expected after 12 months
Temporary differences				
Non-current assets	8,363	173,754	8,971	188,781
Inventories	2,138	259	2,222	82
Receivables and other assets	489	877	2,481	680
Other provisions and liabilities	1,742	990	1,740	755
	12,732	**175,880**	**15,414**	**190,298**
Offset	-46,176		-37,850	
Deferred tax liabilities	**142,436**		**167,862**	

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 if 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, 2019**	Nov. 30, 2018
Raw materials, consumables and supplies	60,356	52,944
Work in progress	18,749	16,078
Finished goods and merchandise	102,302	97,749
Prepayments made	3,686	4,719
Inventories	**185,093**	**171,490**

Write-downs of inventories totaling EUR 7,065k (prior year: EUR 3,978k) 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 263k (prior year: EUR 264k) in the financial year. These are mainly attributable to the increase of the net realizable value of finished goods and merchandise 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, 2019.

(25) Trade Receivables

Trade receivables break down as follows:

in EUR k	**Nov. 30, 2019**	Nov. 30, 2018
Trade receivables	226,738	275,446
Less bad debt allowances	2,568	1,915
Net trade receivables	**224,170**	**273,531**

Trade receivables relate to unconditional payment claims of the Group for completed and invoiced services. Trade receivables generally do not include any interest component.

The customer-specific payment terms are usually between 30 and 60 days. In addition, some agreements on discounts exist.

In the prior year the balances from customer-specific construction contracts were as follows:

in EUR k	Nov. 30, 2018
Costs incurred and recognized profits	118,611
Less progress billing	63,000
Net amount due from customers for contract work	**55,611**
Thereof: Amounts due from customers for contract work	*55,611*
Thereof: Amounts due to customers for contract work (other liabilities)	–

Contract assets from customer-specific construction and development contracts recognized in the financial year 2019 are shown in Note (26).

As of the balance sheet date, the age structure of unimpaired trade receivables breaks down as follows:

in EUR k	**Nov. 30, 2019**	Nov. 30, 2018
Carrying amount	224,170	273,531
General bad debt allowances	1,648	884
Specific bad debt allowances	920	1,031
Gross carrying amount of receivables for which specific bad debt allowances were recognized	-966	-1,096
Trade receivables not impaired	**225,772**	**274,350**
Thereof as of the balance sheet date		
not past due	*197,784*	*252,392*
past due by up to 30 days	*9,700*	*14,437*
past due by 31 to 60 days	*4,694*	*2,477*
past due by 61 to 90 days	*956*	*2,048*
past due by 91 to 120 days	*8,648*	*910*
past due by more than 120 days	*3,990*	*2,086*
	225,772	**274,350**

The gross carrying amount of trade receivables individually determined to be impaired is EUR 966k (prior year: EUR 1,096k). The corresponding bad debt allowance is EUR 920k (prior year: EUR 1,031k). The net carrying amount of trade receivables individually determined to be impaired is therefore EUR 46k (prior year: EUR 65k). 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. The impairment for expected credit losses to be recognized according to IFRS 9 from December 1, 2018 onwards, is insignificant due to the good creditworthiness of the contractual partners as well as the measures taken within the credit and receivables management.

Bad debt allowances developed as follows:

in EUR k	General bad debt allowances/ expected credit losses	Specific bad debt allowances	Total allowances
As of December 1	884	1,031	1,915
Additions	917	77	994
Utilizations	-120	-58	-178
Reversals	-58	-116	-174
Currency translation	25	-14	11
As of November 30	**1,648**	**920**	**2,568**

(26) Contract Assets and Contract Liabilities

The following table provides information on contractual assets and contract liabilities from contracts with customers:

in EUR k	**Nov. 30, 2019**	Dec. 1, 2018
Contract assets	5,392	28,131
Contract liabilities	10,188	6,679

The contract assets mainly relate to the Group's rights to consideration for services from construction contracts not yet invoiced as of the balance sheet date. The amounts recognized as contract assets are reclassified to trade receivables as soon as the Group has an unconditional right to consideration. In the financial year 2019, contract assets of the subsidiary Sensile Medical in the amount of EUR 26,567k (prior year: EUR 0k) were derecognized as a result of a changed estimate of the transaction price. This was prompted by the unexpected termination by the customer of the project to develop a micro pump for the treatment of diabetes. The change in estimate led to a reversal of the revenue recognized for this project in the financial year 2019 in the amount of EUR 17,326k (see Note (8)). The excess amount of EUR 9,241k is included in other operating expenses (see Note (13)).

The contractual assets consist on the one hand of the netted contract position from prepayments received from customers for non-current construction contracts and on the other hand from consignment warehouse contracts, in which the customers obtain control upon delivery of the goods to the consignment store.

In the reporting period, the following changes in contract liabilities were significant:

in EUR k	2019
As of December 1	6,679
Additions to contract liabilities	7,874
Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period	2,732
Other	-1,633
As of November 30	**10,188**

The performance obligations (unfulfilled or partially unfulfilled) in the amount of EUR 40,038k, which are partly netted in the contract assets, have an original contract term of more than one year. Management expects that approximately 60% of the transaction price allocated to the unfulfilled performance obligations at the end of fiscal year 2019 will be recognized as revenue in the next reporting period. The remaining 40% is expected to be recognized as revenue in subsequent financial years.

For the other remaining performance obligations in the amount of EUR 5,509k relate to Gerresheimer´s obligation to transfer goods or services to customers for whom prepayments have already been received. The Group assumes that approximately 70% of the related revenue will be recognized within one year. The remaining 30% are expected to be recognized as revenue in the following financial years.

(27) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits not subject to risk of changes in value.

(28) Equity and Non-controlling Interests

As of November 30, 2019, 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 36,110k was paid out for the financial year 2018. This corresponds to a dividend of EUR 1.15 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 24, 2020 to distribute a dividend of EUR 1,20 per share for the financial year 2019 (prior year: EUR 1.15 per share). This corresponds to a dividend payment of EUR 37,680k, which is an increase of 4.3% compared to the prior-year dividend payment. The dividend ratio of 29.9% in the financial year 2019 is calculated as follows:

in EUR k	2019	2018
Adjusted net income after non-controlling interests	225,839	177,998
Other operating income—Derecognition contingent purchase price components	-129,801	–
Other operating expense—contract modification in connection with the termination of a project to develop a micro pump for the treatment of diabetes	9,241	–
Impairment of development costs, which are not part of amortization of fair value adjustments	7,883	–
Negative effect on revenues and adjusted EBITDA in connection with contract modification in connection with the termination of a project to develop a micro pump for the treatment of diabetes	17,326	–
Related tax effects	-4,345	–
Distributable amount	**126,143**	**177,998**
Dividend ratio	29.9%	20.3%

Furthermore, it will be proposed that the residual retained earnings of the Company of EUR 89,712k should be carried forward to new account.

in EUR	2019	2018
Retained earnings before dividend payment	127,391,567.38	185,886,668.78
Dividend payment	37,680,000.00	36,110,000.00
Carryforward to new account	**89,711,567.38**	**149,776,668.78**

(29) 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 89.6% of the Gerresheimer Group's total provisions for pensions and similar obligations.

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 have to be 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	**2019**	2018
As of December 1	155,526	158,684
Utilizations	-10,872	-11,857
Additions	3,842	3,142
Change in the consolidated group	–	9,520
Impact of revaluation	16,530	-5,362
Currency translation	1,210	1,399
As of November 30	**166,236**	**155,526**
Thereof: Current	*12,936*	*13,943*

Provisions of EUR 122,103k (prior year: EUR 116,953k) were recognized in connection with various pension plans and individual agreements entered into by German Group companies; an amount of EUR 44,133k (prior year: EUR 38,573k) relates to foreign subsidiaries, in particular Group entities in the USA and Switzerland. 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, 2019**	Nov. 30, 2018	**Nov. 30, 2019**	Nov. 30, 2018
Discount rate	0.69	1.58	0.00 – 7.01	1.06 – 8.19
Increase in salaries	3.25	3.25	0.50 – 6.61	0.62 – 6.63
Increase in pensions	1.00	1.00	–	–
Increase in medical costs	–	–	5.00 – 5.33	5.00 – 5.67

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, 2019**	Nov. 30, 2018
As of December 1	220,290	210,495
Current service cost	2,188	2,530
Interest expense	4,428	4,008
Employee contributions	615	714
Benefit payments	-11,452	-17,518
Actuarial gains/losses	20,236	-7,073
Financial assumptions	*26,115*	*-6,777*
Demographic assumptions	*-1,133*	*341*
Experience assumptions	*-4,746*	*-637*
Past service cost	–	-2,319
Change in the consolidated group	–	27,077
Administration costs	440	361
Settlement	-14,984	-1,145
Currency translation and other changes	2,756	3,160
As of November 30	**224,517**	**220,290**

Changes in the fair value of plan assets are as follows:

in EUR k	**Nov. 30, 2019**	Nov. 30, 2018
As of December 1	64,764	51,811
Interest income on plan assets	1,455	1,238
Actual return on plan assets, excluding interest income on plan assets	3,706	-1,711
Employee contributions	615	714
Employer contributions	955	1,557
Benefit payments	-1,535	-7,218
Change in the consolidated group	–	17,557
Settlement	-13,225	-945
Currency translation and other changes	1,546	1,761
As of November 30	**58,281**	**64,764**

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, 2019**	Nov. 30, 2018	**Nov. 30, 2019**	Nov. 30, 2018
Plan assets with quoted market price	5,427	5,029	45,634	42,302
Shares (held directly)	*2,399*	*890*	*16,062*	*13,837*
Fixed-interest securities	*2,996*	*4,106*	*20,465*	*18,013*
Liquidity	*32*	*33*	*723*	*2,555*
Insurance contracts	–	–	–	*2*
Real estate	–	–	*5,142*	*4,397*
Other	–	–	*3,242*	*3,498*
Plan assets with non-quoted market price	7,111	6,215	109	11,218
Insurance contracts	*7,038*	*6,139*	*109*	*11,218*
Other	*73*	*76*	–	–
Plan assets	**12,538**	**11,244**	**45,743**	**53,520**

The expected contributions to plan assets in the next financial year are estimated at EUR 1,577k. Contributions are mainly paid by the employer.

The main pension funds relate to the pension plans in the USA (EUR 24,796k), Switzerland (EUR 20,566k) and Germany (EUR 12,538k). Their investment policy, besides complying with regulatory requirements, is geared to the risk structure within the defined benefit obligation.

Pension expenses included in the consolidated income statement are calculated as follows:

in EUR k	**2019**	2018
Current service cost	*2,188*	*2,530*
Past service cost	–	*-2,319*
Settlement	*-1,759*	*-200*
Service cost	**429**	**11**
Interest expense	*4,428*	*4,008*
Interest income on plan assets	*-1,455*	*-1,238*
Net interest expense	**2,973**	**2,770**
Administration costs	**440**	**361**
	3,842	**3,142**
Thereof: Expense for pension benefits for which there are reimbursement rights	*68*	*66*

With the exception of net interest expense, all expenses and income are recognized on a net basis in personnel expenses, which is included in functional costs. 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	2020	2021	2022	2023
Expected benefit payments	12,936	12,455	12,218	12,263

The weighted average duration of the defined benefit obligation is between 12.2 years in Germany and between 6.3 and 15.1 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 obligations of US Group companies to partially assume the medical costs of retired employees. The obligation was determined assuming a cost inflation rate of 5.3% (prior year: 5.7%) decreasing 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	**2019**	2018
Increase in discount rate by 0.5 percentage points	**-13,195**	-12,495
Decrease in discount rate by 0.5 percentage points	**15,501**	13,906
Increase in salaries by 0.25 percentage points	**655**	768
Decrease in salaries by 0.25 percentage points	**-674**	-775
Increase in medical costs by 1.0 percentage points	**1,328**	1,351
Decrease in medical costs by 1.0 percentage points	**-1,219**	-1,235

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 1,805k (prior year: EUR 1,403k) in the financial year, mainly at US Group companies.

EUR 13,819k (prior year: EUR 13,314k) in statutory pension insurance contributions were paid in Germany.

(30) Long-term Share-price-based Variable Cash Remuneration (Phantom Stocks)

The Company has agreed long-term share-price-based variable cash remuneration with all current members of the Management Board. Under these agreements, members of the Management Board receive a value-based allocation, according to the share price, for each year of Management Board service. Management Board members are awarded an entitlement 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. 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 13 in the financial year 2019 is EUR 66.78.

Before approval of the new remuneration system at the Annual General Meeting on April 30, 2015, phantom stock agreements applied under which the members of the Management Board 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 entitles the holder to a payment based on the change in the share price of Gerresheimer AG, subject to a performance threshold. As a consequence of this performance threshold payment to the holder is made only if the Company's share price has exceeded the initial price for the relevant tranche by at least 12% or has increased by a larger percentage than the MDAX during the corresponding period. Stock appreciation rights can be exercised during a 16-month exercise period following a four-year vesting 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 10 of a former member of the Management Board.

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 29.7% p.a. (prior year: 25.5% p.a.) and the turnover rate within the Management Board as 3.6% p.a. (prior year: 3.5% 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 (2015)	Tranche 10 old (2016)	Tranche 10 (2016)	Tranche 11 (2017)	Tranche 12 (2018)	Tranche 13 (2019)
Grant date	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	January 1, 2018/ November 1, 2018/ May 15, 2019
Term of tranche	June 16, 2022	October 31, 2021	June 10, 2023	June 9, 2024	June 11, 2025	July 22, 2026
End of the vesting period	June 16, 2020	June 10, 2020	June 10, 2021	June 9, 2022	June 11, 2023	July 22, 2024
Issue price (in EUR)	51.89	68.87	68.87	74.61	67.42	66.78
Target price (in EUR)	62.27	77.13	82.64	89.53	80.90	80.14
Maximum target price (in EUR)	72.65	86.09	96.42	104.45	94.39	93.49
Number of stock appreciation rights issued	Entitlement	50,000	Entitlement	Entitlement	Entitlement	Entitlement
Exercise threshold (in %)	20	12	20	20	20	20
Fair value (in EUR k)	616	329	846	1,138	1,162	1,117
Maximum pay-out amount (in EUR k)	616	861	1,120	1,624	1,512	1,493

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 2020 to 2022 tranches (tranches 14 to 16) is EUR 2,267k as of the balance sheet date.

The phantom stocks developed as follows:

Members of the Management Board	Tranche 9 old (2015)	Tranche 10 old (2016)
As of November 30, 2015	**105,000**	**–**
Allocated	–	50,000
Exercised	–	–
Expired during the period	–	–
As of November 30, 2016	**105,000**	**50,000**
Allocated	–	–
Exercised	–	–
Expired during the period	–	–
As of November 30, 2017	**105,000**	**50,000**
Allocated	–	–
Exercised	–	–
Expired during the period	–	–
As of November 30, 2018	**105,000**	**50,000**
Allocated	–	–
Exercised	105,000	–
Expired during the period	–	–
As of November 30, 2019	**–**	**50,000**

In the current financial year, an amount of EUR 1,362k was paid for tranche 9 old to the beneficiaries.

The provision for the phantom stock program amounted to EUR 4,400k as of the reporting date (prior year: EUR 4,312k). The expenses amounted to EUR 1,450k for the financial year 2019 (prior year: EUR 2,563k).

(31) Other Provisions

Other provisions developed as follows:

in EUR k	As of Dec. 1, 2018	Change in the consolidated group	Reclassifi-cations	Utilizations	Reversals	Additions	Currency translation	**As of Nov. 30, 2019**	*Thereof: Current*	*Thereof: Non-current*
Tax provisions	3,804	–	–	3,752	–	1,593	12	1,657	*1,657*	–
Personnel obligations	19,245	–	-83	5,892	969	5,247	192	17,740	*9,382*	*8,358*
Warranties	8,502	–	–	2,759	2,312	4,029	86	7,546	*7,290*	*256*
Sales bonuses, rebates and discounts	4,558	–	–	3,418	153	3,371	36	4,394	*4,394*	–
Restructuring provisions	13,622	–	83	5,161	456	364	106	8,558	*5,966*	*2,592*
Other	6,165	–	–	1,258	819	2,877	1	6,966	6,643	323
Other provisions	**55,896**	**–**	**–**	**22,240**	**4,709**	**17,481**	**433**	**46,861**	***35,332***	***11,529***

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***

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 and the Group's obligation to replace deficient products within the given warranties. 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 two main issues, which have been started in prior periods. On the one hand it includes adjustments of employee capacities within the Plastics & Devices Division. On the other hand it comprises a provision for the shut down of a plant in the Primary Packaging Glass Division. The restructuring provisions of EUR 8,558k at the financial year-end (prior year: EUR 13,622k) 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.

Interest expenses relating to the compounding of non-current provisions amount to EUR 300k (prior year: EUR 153k).

Outflows of economic benefits in relation to provisions are expected in the amount of EUR 35,332k (prior year: EUR 44,951k) within one year, EUR 11,529k (prior year: EUR 10,945k) between two and five years and EUR 0k (prior year: EUR 0k) after more than five years.

(32) Financial Liabilities

Financial liabilities break down as follows:

	Nov. 30, 2019			Nov. 30, 2018		
in EUR k	**Total**	***Thereof: Current***	***Thereof: Non-current***	Total	*Thereof: Current*	*Thereof: Non-current*
Promissory loans	674,293	*189,429*	*484,864*	674,046	–	*674,046*
Liabilities to banks	341,766	*337,461*	*4,305*	283,270	*283,270*	–
unsecured	*341,766*	*337,461*	*4,305*	*283,270*	*283,270*	–
Derivative financial instruments	789	*789*	–	1,346	*1,346*	–
Other	11,886	*2,881*	*9,005*	182,438	*105,067*	*77,371*
Other financial liabilities	**1,028,734**	***530,560***	***498,174***	**1,141,100**	***389,683***	***751,417***
Trade payables	221,489	*221,454*	*35*	207,402	*207,282*	120
Financial liabilities	**1,250,223**	***752,014***	***498,209***	**1,348,502**	***596,965***	***751,537***

For further details of derivative financial instruments, please see Note (35).

The following table shows maturities, interest rates and fair values for promissory loans and liabilities to banks:

November 30, 2019

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	-707	2020–2027[1]	0.60–2.04	**-707**	-707
					674,293	**674,293**
Liabilities to banks	PLN	63,858	2020	1.97–2.28[4]	**14,787**	14,787
	EUR	320,671	2020	0.27–1.55	**320,671**	320,671
	BRL	20,000	2021	6.05–6.58	**4,305**	4,305
	INR	274,399	–[3]	9.45–9.85[4]	**3,487**	3,487
Capitalized fees	EUR	-1,320	2024	–	**-1,320**	-1,320
	USD	-180	2024	–	**-164**	-164
					341,766	**341,766**
					1,016,059	**1,016,059**

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	–[3]	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**

[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] Operating loan facility, indefinite term.
[4] The indicated positions refer to variable interest.

The interest rates shown are the interest rates at the balance sheet date.

In connection with the refinancing of the syndicated loan, a revolving credit facility agreement of EUR 550,000k was signed on September 26, 2019 with a five-year term to maturity plus two one-year extension options. As of the reporting date drawings on the revolving credit facility were EUR 302,318k and on the ancillary lines were EUR 16,456k. In the table above this is included in liabilities to banks.

As of November 30, 2019 the promissory loans shown in the table above consist of promissory loans for a total of EUR 425,000k with maturities of five, seven and ten years issued on November 10, 2015 and promissory loans for a total of EUR 250,000k with maturities of five, seven and ten years issued on September 27, 2017.

The position 'Other' in other financial liabilities includes among other things finance lease liabilities, liabilities from installment purchases and accrued interest liabilities. Regarding lease agreements, please refer to Note (34).

(33) Other Liabilities

Other liabilities break down as follows:

	Nov. 30, 2019			Nov. 30, 2018		
in EUR k	**Total**	***Thereof: Current***	***Thereof: Non-current***	Total	*Thereof: Current*	*Thereof: Non-current*
Prepayments received	–	–	–	34,927	*34,507*	*420*
Liabilities from other taxes	9,904	*9,904*	–	9,677	*9,677*	–
Liabilities from social security obligations	5,197	*5,197*	–	5,636	*5,636*	–
Other	62,786	*60,845*	*1,941*	57,882	*57,799*	*83*
Other liabilities	**77,887**	***75,946***	***1,941***	**108,122**	***107,619***	***503***

Since December 1, 2018 prepayments received as well as the excess amount of prepayments received and the services performed in connection with customer-specific construction contracts are shown in the position 'contract liabilities'. For further details please see Note (26).

The position 'Other' primarily relates to obligations to employees.

(34) Other Financial Obligations

Other financial obligations not recognized in the consolidated balance sheet break down as follows:

in EUR k	**Nov. 30, 2019**	Nov. 30, 2018
Obligations under rental and operating lease agreements	39,273	37,905
Capital expenditure commitments	26,636	26,943
Sundry other financial obligations	10,274	7,703
Other financial obligations	**76,183**	**72,551**

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	987	266	721	12,082
Due 1 to 5 years	3,936	883	3,053	23,482
Due after 5 years	6,297	1,459	4,838	3,709
Nov. 30, 2019	**11,220**	**2,608**	**8,612**	**39,273**

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
Nov. 30, 2018	**8,884**	**1,137**	**7,747**	**37,905**

EUR 14,412k (prior year: EUR 13,647k) was recognized as expense in the consolidated income statement in the financial year 2019 in connection with rentals and operating leases.

(35) 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, 2019 amounts to EUR 942,721k (prior year: EUR 886,409k) and net working capital is EUR 182,980k (prior year: EUR 202,692k).

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

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, 2019			
	At amortized cost		At fair value	
in EUR k	Carrying amount	*For information purposes: Fair value*	Carrying amount	**Balance sheet amount**
Trade receivables	224,170	*224,170*	–	224,170
At amortized cost	224,170	*224,170*	–	
Other financial assets	18,437	*18,437*	4,017	22,454
At fair value through other comprehensive income	–	–	3,324	
At fair value through profit or loss	–	–	693	
At amortized cost	18,437	*18,437*	–	
Cash and cash equivalents	85,831	*85,831*	–	85,831
At amortized cost	85,831	*85,831*	–	85,831
Financial assets	**328,438**	***328,438***	**4,017**	**332,455**
Other financial liabilities	1,027,945	*1,027,945*	789	1,028,734
At amortized cost	1,027,945	*1,027,945*	–	
At fair value through profit or loss	–	–	789	
Trade payables	221,489	*221,489*	–	221,489
At amortized cost	221,489	*221,489*	–	
Financial liabilities	**1,249,434**	***1,249,434***	**789**	**1,250,223**

	Nov. 30, 2018			
	At amortized cost		At fair value	
in EUR k	Carrying amount	*For information purposes: Fair value*	Carrying amount	**Balance sheet amount**
Trade receivables	217,920	*217,920*	–	217,920[1]
Loans and receivables	217,920	*217,920*	–	
Other financial assets	21,430	*21,030*	278	21,708
Available-for-sale financial assets	400[2]	–	74	
At fair value through profit or loss	–	–	204	
Loans and receivables	21,030	*21,030*	–	
Cash and cash equivalents	80,570	*80,570*	–	80,570
Financial assets	**319,920**	***319,520***	**278**	**320,198**
Other financial liabilities	991,223	*991,223*	149,877	1,141,100
At amortized cost	991,223	*991,223*	–	
At fair value through profit or loss	–	–	149,877	
Trade payables	207,402	*207,402*	–	207,402
At amortized cost	207,402	*207,402*	–	
Financial liabilities	**1,198,625**	***1,198,625***	**149,877**	**1,348,502**

[1] Additionally, receivables under construction contracts in the amount of EUR 55,611k are recognized in the consolidated balance sheet.
[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 is waived. The valuation standard is the acquisition cost.

Liabilities measured at amortized cost include finance lease liabilities for which Group companies are the lessees. As of November 30, 2019, these liabilities amount to EUR 8,612k (prior year: EUR 7,747k).

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 and other financial liabilities measured at amortized cost as well as cash and cash equivalents do not differ significantly from their carrying amounts.

Information on fair values

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, 2019			
in EUR k	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets designated 'at fair value through other comprehensive income'				
Investments	–	3,251	–	3,251
Securities	73	–	–	73
Financial assets designated 'at fair value through profit and loss'				
Investments	–	499	–	499
Derivative financial assets	–	194	–	194
Measured at fair value	**73**	**3,944**	**–**	**4,017**
Financial liabilities designated 'at fair value through profit and loss'				
Derivative financial liabilities	–	789	–	789
Measured at fair value	**–**	**789**	**–**	**789**

	Nov. 30, 2018			
in EUR k	Level 1	Level 2	Level 3	Total
Financial assets designated 'available-for-sale'				
Securities	74	–	–	74
Financial assets designated 'at fair value through profit and loss'				
Derivative financial assets	–	204	–	204
Measured at fair value	**74**	**204**	**–**	**278**
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
Measured at fair value	**–**	**1,346**	**148,531**	**149,877**

The development of the fair values of financial liabilities allocated to level 3 is shown in the following table:

in EUR k	
Net book value Nov. 30, 2018	**-148,531**
Income/Loss through profit or loss (-)	129,801
Payment of liabilities (+)	18,730
Net book value Nov. 30, 2019	**–**

In the financial year 2019, contingent purchase price components from the acquisition of Sensile Medical were paid in the amount of EUR 18,730k and derecognized in the amount of EUR 129,801k. The derecognition is due to the fact that the contractually agreed milestones were not reached due to unexpected termination by the customer of projects for the development of a micro pump for the treatment of heart diseases and for the treatment of diabetes as well as project delays. The gain from the derecognition of contingent purchase price components is recognized in other operating income.

Maturity analysis

The Group continually monitors liquidity risk. The maturities of the Group's financial liabilities as of November 30, 2019 are as follows. The amounts are stated on the basis of the contractual, non-discounted payments.

Nov. 30, 2019

in EUR k	Due or due in 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	**Total**
Promissory loans	–	–	189,500	305,500	180,000	**675,000**
Liabilities to banks	338,194	300	451	4,305	–	**343,250**
Interest payments on promissory loans and liabilities to banks	394	287	8,140	17,746	2,868	**29,435**
Trade payables	143,535	68,008	9,911	35	–	**221,489**
Finance lease liabilities	109	203	675	3,936	6,297	**11,220**
Liabilities from installment purchases	52	140	472	1,025	–	**1,689**
Other	105	–	10	88	–	**203**
	482,389	**68,938**	**209,159**	**332,635**	**189,165**	**1,282,286**

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**

The liabilities to banks existing as of November 30, 2019 in the amount of EUR 343,250k include EUR 302,318k (prior year: EUR 264,397k) drawings on the revolving credit facility and on the ancillary lines in the amount EUR 16,456k. 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, 2019	Nov. 30, 2018
in EUR k	**Exchange rate hedges**	Exchange rate hedges
Nominal value (gross)	136,020[1)]	130,874[1)]
Fair value (net)	-595	-1,142
Residual term	05/2020	05/2019
Carrying amount (underlying assets)	45,212	37,007
Carrying amount (underlying liabilities)	2,642	3,955

1) This also includes forward exchange contracts for receivables and payables between consolidated companies in the amount of EUR 82,802k (prior year: EUR 89,912k) 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.

Foreign exchange hedges

In accordance with internal financing guidelines, the Gerresheimer Group used forward exchange contracts and currency swaps in the financial year 2019 to hedge currency risks on foreign currency-denominated receivables and payables. The sole risk exposure in connection with currency management relates to transaction risks. Due to their short maturity, Gerresheimer did not designate the currency derivatives used to hedge currency risks as hedging instruments. Changes in their fair value are recognized in profit or loss in accordance with the general rules of derivatives accounting.

Losses from derivative financial instruments of EUR 4,862k were recognized in profit and loss in the financial year 2019 (prior year: EUR 7,080k losses).

Sensitivity analyses

Interest rate risk is presented using sensitivity analyses. The following section describes the sensitivity of net income before income taxes 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, 2019 (prior year: 100 basis points higher or 100 basis points lower), net income before income taxes would have been EUR 2,371k lower or EUR 53k higher (prior year: EUR 2,762k lower or EUR 2,762k 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, 2019, net income before income taxes would have decreased by EUR 314k or increased by EUR 388k (prior year using the same sensitivities: decrease of EUR 75k or increase of EUR 199k).

OTHER NOTES

(36) 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.

Activities in this division include developing and producing 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, medical technology products 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 eye droppers and nasal spray vials, as well as special containers for tablets and powders. In addition, the range also 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 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. Moulded glass products meet market and customer needs with a diverse range of injection, infusion, dropper and syrup bottles. We also produce high-quality specialty products such as injection vials, ampoules and cartridges made with borosilicate glass tubing. On this basis, we offer a virtually complete range of pharmaceutical packaging made of tubular and molded 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 produce clear, colored and opal glass products. A wide range of 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 liquid foods and 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 forms the basis of this division, where 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 Parkinson´s or heart failure, for example. Also in development is a platform to accurately assess inhalation airflow.

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 2019 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, contract assets and prepayments made less contract liabilities 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	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Segment revenues at constant exchange rates[2]	753,077	753,570	624,665	608,726	6,439	12,860	–	–	1,384,181	1,375,156
Exchange rate effects	5,223	-2,233	6,821	-3,496	–	–	–	–	12,044	-5,729
Segment revenues	758,300	751,337	631,486	605,230	6,439	12,860	–	–	1,396,225	1,369,427
Intra-Group revenues	-3,970	-1,615	–	-82	–	–	–	–	-3,970	-1,697
Revenues with third parties	**754,330**	**749,722**	**631,486**	**605,148**	**6,439**	**12,860**	**–**	**–**	**1,392,255**	**1,367,730**
Adjusted EBITDA at constant exchange rates[2]	194,078	204,160	121,307	115,183	-23,443	2,955	104,116[6]	-22,123	396,058	300,175
Exchange rate effects	2,366	-1,154	1,581	-469	–	–	–	–	3,947	-1,623
Adjusted EBITDA	196,444	203,006	122,888	114,714	-23,443	2,955	104,116	-22,123	400,005	298,552
Depreciation and amortization	-42,287	-45,017	-50,015	-47,848	-2,613	-1,097	-2,564	-647	-97,479	-94,609
Impairment[3]	–	-1,780	-6	-65	-7,883	–	–	–	-7,889	-1,845
Adjusted EBITA[4]	154,157	156,209	72,867	66,801	-33,939	1,858	101,552	-22,770	294,637	202,098
Net working capital	76,878	86,564	104,130	106,676	4,865	12,581	-2,893	-3,129	182,980	202,692
Operating cash flow	111,586	140,182	48,472	60,219	-20,582	-9,291	102,123	-24,711	241,599	166,399
Capital expenditure[5]	93,782	64,728	82,926	47,755	4,855	449	3,788	1,782	185,351	114,714
Employees (average)	4,476	4,490	5,176	5,170	112	113	116	114	9,880	9,887

[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] Translated at budget rates 2019, which can be found in the outlook section of the Group Management Report.
[3] Impairment losses in the financial year 2019 include impairment losses on three patents of EUR 3,633k and impairment losses on development costs of EUR 4,250k relating to the cash-generating unit Sensile Medical.
[4] Adjusted EBITA: Net income before income taxes, net finance expense, amortization/ impairment losses of fair value adjustments, restructuring expenses, and one-off income and expenses.
[5] Capital expenditure reflect the additions to intangible assets and property, plant and equipment, which were not fully cash-effective in the financial year.
[6] This includes in the financial year 2019 EUR 129,801k from the derecognition of contingent purchase price liabilities from the acquisition of Sensile Medical.

Key indicators by region[1]

	Europe		Germany		Americas		Emerging markets		Other regions		Group	
in EUR k	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Revenues by target region[2]	459,174	459,685	307,467	304,500	381,043	374,806	225,668	206,841	18,903	21,898	1,392,255	1,367,730
Revenues by region of origin[3]	250,509	267,391	545,047	521,518	349,878	354,745	246,821	224,076	–	–	1,392,255	1,367,730
Non-current assets	441,567	554,315	711,679	656,821	726,568	739,301	192,518	185,442	–	–	2,072,332	2,135,879
Employees (average)	1,812	1,921	3,575	3,448	1,082	1,086	3,411	3,432	–	–	9,880	9,887

[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.

Reconciliation from adjusted segment EBITA of the divisions to net income is shown in the following table:

in EUR k	2019	2018
Adjusted segment EBITA	193,085	224,868
Head office/consolidation	101,552	-22,770
Adjusted Group EBITA	**294,637**	**202,098**
Acquisition Sensile Medical	–	-1,628
Portfolio optimization	-3,928	-14,506
One-off expenses and income	-2,373	-5,898
Amortization of fair value adjustments	-55,728	-40,607
Impairment goodwill	-5,014	–
Impairment of fair value adjustments	-103,836	–
Result of operations	**123,758**	**139,459**
Net finance expense	-25,590	-32,262
Income taxes	-15,487	23,931
Net income	**82,681**	**131,128**

(37) 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	2019	2018
Financial statements auditing	590	619
Other assurance services	67	67
Auditor fees	**657**	**686**

The auditor fees mainly comprised compensation for group audit activities as well as for the audit of Gerresheimer AG and its subsidiaries. In the financial year 2019, other services refer to the audit of non-financial information and to a small extent to agreed audit activities of financial information which are not part of the year-end audit (other assurance service).

(38) 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 associated companies, 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 (39) and to the remuneration report in the Group Management Report.

The table below shows transactions with related parties:

	2019		**November 30, 2019**	
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	3,428	–	465	–
Associated companies	2	2,273	–	116
Non-consolidated companies	257	–	7	–
	3,687	**2,273**	**472**	**116**

	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**

The transactions carried out are attributable to the Vetter Pharma-Fertigung GmbH & Co. KG, Ravensburg (Germany), which is related to a member of the Supervisory Board.

The transactions carried out with associated companies are fully attributable to the companies Gerresheimer Tooling LLC, Peachtree City (Georgia/USA) and PROFORM CNC Nastrojarna spol. s r.o., Horsovsky Tyn (Czech Republic).

The transactions carried out with non-consolidated companies completely refer to the Gerresheimer Buenos Aires S.A. (Buenos Aires/Argentina), which has been deconsolidated as of November 30, 2019.

All transactions are conducted at market prices and on arm's length terms.

(39) Total Remuneration of the Members of the Supervisory Board and Management Board

Total remuneration of the members of the Supervisory Board and Management Board of Gerresheimer AG break down as follows:

in EUR k	**2019**	2018
Short-term employee benefits	4,267	3,034
Post-employment benefits	249	743
Other long-term benefits	281	1,638
Termination benefits	–	4,020
Share-based payments	1,069	1,684
Total compensation of the Management Board	**5,866**	**11,119**
Short-term benefits of the Supervisory Board members	**1,384**	**1,141**
Total compensation of the Management Board and Supervisory Board members	**7,250**	**12,260**

The present value of the defined benefit obligation for former members of management and their dependents, before offset against plan assets, is EUR 38,512k (prior year: EUR 29,252k). Regular payments for pensions and other benefits amounted to EUR 1,303k (prior year: EUR 1,287k).

Remuneration of the members of the Supervisory Board of Gerresheimer AG totaled EUR 1,384k in the financial year 2019 (prior year: EUR 1,141k). Thereof, the main portion results from fixed remuneration in the amount of EUR 1,220k, which will be due as soon as the Annual General Meeting has passed a resolution on formal approval of the activities of the Supervisory Board members for the respective financial year. The remaining portion of EUR 164k results from attendance fees.

Further information on the remuneration of the members of the Management Board is provided in the Remuneration Report section of the Group Management Report.

(40) 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 4, 2019:

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 6, 2018. 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.

The declaration is available on the Company website (www.gerresheimer.com/en/investor-relations).

(41) Events after the Balance Sheet Date

There were no subsequent events after November 30, 2019, that are expected to have a material impact on the net assets, financial position or results of operations of the Gerresheimer Group.

Duesseldorf, Germany, January 29, 2020

Dietmar Siemssen Dr. Bernd Metzner Dr. Lukas Burkhardt

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, January 29, 2020

Dietmar Siemssen Dr. Bernd Metzner Dr. Lukas Burkhardt

INDEPENDENT AUDITOR'S REPORT

To Gerresheimer AG, Düsseldorf/Germany

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF 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 consolidated balance sheet as at 30 November 2019, the consolidated statement of profit and loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 December 2018 to 30 November 2019, and 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 financial year from 1 December 2018 to 30 November 2019. In accordance with the German legal requirements, we have not audited the content of the section "Consolidated non-financial statement pursuant to Section 315b (HGB)" included in the group management report nor the content of the consolidated corporate governance statement included in the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 30 November 2019 and of its financial performance for the financial year from 1 December 2018 to 30 November 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the "Consolidated non-financial statement pursuant to Section 315b HGB", and the content of the consolidated corporate governance statement referred to above.

Pursuant to Section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) EU Audit Regulation, we declare that we have not provided non-audit services prohibited under 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 on 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 financial year from 1 December 2018 to 30 November 2019. 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 audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Balance sheet effects of the termination of customer-related projects in the Advanced Technologies segment

2. Recoverability of goodwill

3. Deferred taxes on deductible temporary valuation differences and on loss carryforwards

Our presentation of these key audit matters has been structured as follows:

a) description of matters (including reference to corresponding information in the consolidated financial statements)

b) auditor's response

1 Balance sheet effects of the termination of customer-related projects in the Advanced Technologies segment

a) The basis of the Advanced Technologies segment is Sensile Medical AG, Olten/Switzerland, which was acquired on 11 July 2018 and has specialized in developing micropumps – combined with electronics and networking of drug delivery devices – for self-treatment of Parkinson's disease or heat diseases. As part of this acquisition, specific advanced cooperation agreements with pharmaceutical companies, by means of which the patented technologies of Sensile Medical AG were to be brought to market maturity in specific customer projects, were major assets also acquired. The termination of customer projects at the level of Sensile Medical AG in the financial year 2018/2019 had the following major effects on the consolidated financial statements for the period ended 30 November 2019:

– The purchase agreement on the acquisition of the shares in Sensile Medical AG had included arrangements on contingent purchase price components depending on contractually defined milestones to be reached. The prior year measurement of these contingent purchase price components had been based on the executive board's assessment that the milestones would be reached. Accordingly, contingent purchase price liabilities of mEUR 148.5 had been carried as a liability. Since customer projects were terminated in the reporting year, given milestones which can no longer be reached were identified and contingent purchase price liabilities of mEUR 129.8 were derecognized and charged against income. This amount is included on other operating income.

– The impairment test of goodwill under IAS 36 for the cash-generating unit having the same name, which Sensile Medical had been allocated to at the time of acquisition, showed a deficit as at the balance sheet date of the realizable amount determined compared to the carrying amount. As a result, besides the goodwill (mEUR 5.0), a further impairment loss of mEUR 108.1 was recognized for intangible fixed assets, with technologies, development services, and trademark rights accounting for mEUR 102.9, mEUR 4.3, and mEUR 0.9, respectively. Impairment losses of mEUR 107.2 and mEUR 0.9 have been taken into account in cost of sales and distribution costs, respectively. The impairment loss of goodwill is included on other operating expenses.

– A project for developing a micropump for treating diabetes was eventually terminated through the customer. As a result of this termination, an impairment loss of patents totaling mEUR 3.6 was recorded. At the time of the termination, there were contractual assets totaling mEUR 26.6. The termination of the existing development contract was deemed to be a modification of the existing development contract, leading to a cumulative adjustment of revenue totaling mEUR 17.3 as at the time of contract termination in accordance with IFRS 15.21(b). The residual mEUR 9.3 were derecognized via other operating expenses.

On account of the complexity of the contractual relationships as well as the various effects on the consolidated financial statements, as well as accounting-related assumptions and estimates of the executive board involving judgments, we classified the termination of customer-related projects as a key audit matter. In addition, there is a risk that the comprehensive related disclosures required to be made in the notes to the consolidated financial statements under IAS 36 are incomplete or inappropriate.

The Company's disclosures on the income from derecognition of the contingent purchase price liabilities, and on the cumulative revenue adjustment including the derecognized residual contractual assets are included in note 11 and in notes 8, 13 and 26 of the notes to the consolidated financial statements. The Company's disclosures on the impairment test of goodwill under IAS 36 are made in note 18 of the notes to the consolidated financial statements.

b As part of our audit, we assessed the major effects of the termination of customer projects, and satisfied ourselves of that these are appropriately presented in the consolidated financial statements. For this purpose, we familiarized ourselves with the contractual bases.

– In auditing the other operating income from the derecognition of contingent purchase price liabilities, we reconciled the written communication concerning the termination of customer-related projects with the conditions for reaching the payment-relevant milestones defined in the purchase agreement on the shares in Sensile Medical AG, and audited the booking of the resulting income in the accounting records.

– As part of our audit as to whether the goodwill of the cash-generating unit Sensile Medical is recoverable, we audited, in addition to our procedure in testing goodwill for impairment, which we present in the key audit matter "recoverability of goodwill", the effects of the termination of customer project taken into account by the executive board in the budget planning, and critically assessed the assumptions made by the executive board. Furthermore, we audited, and reconciled with the contractual bases, the allocation of the impairment loss to the goodwill, and to the further non-current assets in compliance with IAS 36.104, as well as the allocation of the impairment losses to function costs in the consolidated statement of profit and loss.

– As part of our audit of the effects on the existing contractual assets of the terminated project for the development of a micropump for treating diabetes, we assessed by means of the regulations under IFRS 15 the assessment that this is a contract modification. Furthermore, we audited the determination of the cumulative revenue adjustment under IFRS 15.21(b) by means of the contractual arrangements with the customer and the computation data for determining the revenue adjustment. In respect of the derecognition of the residual mEUR 9.2, we assessed the disclosure as other operating expenses in the consolidated statement of profit and loss on the basis of the evaluation of the applicable financial accounting regulations, as well as comprehensive research into commentary literature.

We assessed whether the disclosures under IAS 36 in the notes to the consolidated financial statements are complete and appropriate in respect of the impairment of the cash-generating unit Sensile Medical.

2 Recoverability of goodwill

(a) In the consolidated financial statements of Gerresheimer AG, goodwill totaling mEUR 672.2 (25.4% of the balance sheet total) is disclosed under the balance sheet item "intangible fixed 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 was a key audit matter. In the financial year 2018/2019, the realizable amount determined was lower than the carrying amount of the cash-generating unit. In this context, we refer to our key audit matter "balance sheet effects of the termination of customer-related projects in the Advanced Technologies segment."

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 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 17.1 net of deferred tax liabilities (before netting mEUR 63.2; of which mEUR 19.4 related to tax loss carryforwards) are disclosed in the group balance sheet. No deferred tax assets were recognized for tax loss carryforwards totaling mEUR 93.6 because these are not expected to be realized within the next five years. 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.

Other information

The executive board is responsible for the other information. The other information comprises:

- › the section "Consolidated non-financial statement pursuant to Section 315b HGB" included in the group management report,
- › the consolidated corporate governance statement pursuant to Section 315d HGB included in the group management report,
- › the corporate governance report according to No 3.10 of the German Corporate Governance Code,
- › the executive board's confirmation regarding the consolidated financial statements and the group management report pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, respectively, and
- › the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

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

- › is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- › otherwise appears to be materially 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 that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive board is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive board is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive board is responsible for the preparation of the group management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions 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 of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, 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 knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on 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 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- › identify and assess the risks of material misstatement of the consolidated financial statements and of 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of 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 audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive board and the reasonableness of estimates made by the executive board and related disclosures.
- 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 a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able 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 present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on 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 conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive board in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the 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 period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 EU Audit Regulation

We were elected as group auditor by the general meeting on 6 June 2019. We were engaged by the supervisory board on 5 September 2019. We have been the group auditor of Gerresheimer AG, Düsseldorf/Germany, without interruption since the financial year 2008/2009.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is René Kadlubowski.

Düsseldorf/Germany, 29 January 2020

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 2019

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-Fertigung GmbH & Co. KG

Francesco Grioli
Deputy Chairman of the Supervisory Board
Member of the Governing Board of IG Bergbau, Chemie, Energie
a) Continental AG

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
Petrofac Ltd., Jersey

Heike Arndt
Regional Deputy Director Westphalia of IG Bergbau, Chemie, Energie
a) RAG Verkauf GmbH
Evonik Performance Materials GmbH (since October 2, 2019)
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) (until November 15, 2019)
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

Katja Schnitzler
Director Group Business Excellence and Continuous Improvement of Gerresheimer AG

Theodor Stuth
Auditor and Certified Tax Advisor
Managing Director of hpulcas GmbH
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-Fertigung GmbH & Co. KG (Chairman)
HSM GmbH & Co. KG
Navigo GmbH (Chairman)
OncoBeta International GmbH (Chairman)
OncoBeta GmbH (Chairman)
Paschal India Pvt. Ltd., India (Chairman)
Gland Pharma Ltd., India

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 2019

Dietmar Siemssen
Chairman
a) BFC Fahrzeugteile GmbH
Gerresheimer Regensburg GmbH (Chairman) (since February 16, 2019)
Gerresheimer Bünde GmbH (Chairman) (since February 16, 2019)
b) Gerresheimer Boleslawiec S.A., Poland (Deputy Chairman) (since February 15, 2019)
Gerresheimer Denmark A/S, Denmark (Chairman) (since February 16, 2019)
Gerresheimer Vaerloese A/S, Denmark (Chairman) (since February 16, 2019)
Sensile Medical AG, Switzerland (Chairman) (since May 27, 2019)
Centor US Holding Inc., USA (Chairman) (since February 16, 2019)
Centor Inc., USA (Chairman) (since February 16, 2019)
Centor Pharma Inc., USA (Chairman) (since February 16, 2019)
Gerresheimer Glass Inc., USA (Chairman) (since February 15, 2019)
Triveni Polymers Pvt. Ltd., India (since July 2, 2019)
respimetrix GmbH (Chairman) (since February 21, 2019)

Dr. Bernd Metzner (since May 15, 2019)
a) Gerresheimer Tettau GmbH (Deputy Chairman) (since May 15, 2019)
Gerresheimer Regensburg GmbH (Deputy Chairman) (since May 15, 2019)
Gerresheimer Bünde GmbH (Deputy Chairman) (since May 15, 2019)
Sixt Leasing SE (until July 18, 2019)
Döhler Group SE
b) Gerresheimer Glass Inc., USA (since May 15, 2019)
Kimble Chase Holding LLC, USA (Chairman) (since May 15, 2019)
Centor US Holding Inc., USA (since May 15, 2019)
Centor Inc., USA (since May 15, 2019)
Centor Pharma Inc., USA (since May 15, 2019)
Corning Pharmaceutical Packaging LLC, USA (since May 15, 2019)
Sensile Medical AG, Switzerland (since May 27, 2019)

Dr. Lukas Burkhardt
a) Gerresheimer Tettau GmbH (Chairman)
b) Gerresheimer Boleslawiec S.A., Poland (Chairman) (since February 15, 2019)
Gerresheimer Momignies S.A., Belgium (Chairman)
Gerresheimer Glass Inc., USA
Corning Pharmaceutical Packaging LLC, USA
Gerresheimer Queretaro S.A., Mexico (Chairman)
Gerresheimer Pharmaceutical Packaging Mumbai Pvt. Ltd., India
Neutral Glass and Allied Industries Pvt. Ltd., India
Gerresheimer Shuangfeng Pharmaceutical Glass (Danyang) Co. Ltd., China (Chairman)
Gerresheimer Shuangfeng Pharmaceutical Packaging (Zhenjiang) Co. Ltd., China (Chairman)

Rainer Beaujean (until April 30, 2019)
a) Gerresheimer Tettau GmbH (Deputy Chairman) (until April 30, 2019)
Gerresheimer Regensburg GmbH (Deputy Chairman) (until April 30, 2019)
Gerresheimer Bünde GmbH (Deputy Chairman) (until April 30, 2019)
b) Gerresheimer Glass Inc., USA (Chairman) (until April 30, 2019)
Corning Pharmaceutical Packaging LLC, USA (until April 30, 2019)
Sensile Medical AG, Switzerland (until April 30, 2019)
Kimble Chase Holding LLC, USA (Chairman) (until April 30, 2019)
Centor US Holding Inc., USA (until April 30, 2019)
Centor Inc., USA (until April 30, 2019)
Centor Pharma Inc., USA (until April 30, 2019)

Andreas Schütte (until February 28, 2019)
a) Gerresheimer Regensburg GmbH (Chairman) (until February 15, 2019)
Gerresheimer Bünde GmbH (Chairman) (until February 15, 2019)
b) Gerresheimer Denmark A/S, Denmark (Chairman) (until February 15, 2019)
Gerresheimer Vaerloese A/S, Denmark (Chairman) (until February 15, 2019)
Gerresheimer Zaragoza S.A., Spain (Deputy Chairman) (until February 18, 2019)
Gerresheimer Plasticos Sao Paulo Ltda., Brazil (until February 14, 2019)
Gerresheimer Boleslawiec S.A., Poland (Chairman) (until February 15, 2019)
Sensile Medical AG, Switzerland (Chairman) (until February 28, 2019)
Triveni Polymers Pvt. Ltd., India (until February 28, 2019)
Centor US Holding Inc., USA (Chairman) (until February 15, 2019)
Centor Inc., USA (Chairman) (until February 15, 2019)
Centor Pharma Inc., USA (Chairman) (until February 15, 2019)

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
Buende, Germany
Changzhou, China
Dongguan City, China
Haarby, Denmark
Horsovsky Tyn, Czech Republic
Indaiatuba, Brazil
Kosamba III, India
Kundli, India
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
Skopje, Republic of North Macedonia
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, 2019

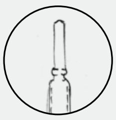
PRODUCT OVERVIEW BY DIVISION

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.

DRUG DELIVERY SYSTEMS

Drug delivery systems transport drugs simply and rapidly into the body. These 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

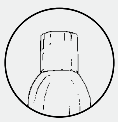
Gerresheimer also produces special plastic-based vials for eye drops and nasal sprays. These user-friendly containers, which can be complemented by different drop, spray or pump system components, facilitate precise drug dosage and application.

CONTAINERS FOR PARENTERAL APPLICATIONS: COP VIALS

These primary packaging containers (2 to 100 ml) from Gerresheimer offer our customers an alternative packaging solution if the substance to be filled is not compatible with glass vials. The metal ion-free and extremely break-resistant COP polymer's notable properties include high transparency and a non-polar surface, which is ideal for sensitive new-generation parenteral medicines. Furthermore, it be can used for storage at freezing temperatures.

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

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.

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 various therapeutic areas.

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.

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, 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®

Batch
› Furnace

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®
Brand name used by our Japanese partner Taisei Medical Co., Ltd. The Gx RTF® ClearJect® syringe is the first COP (cyclic olefin polymer) syringe made by Gerresheimer in Europe. The new Gx RTF® ClearJect® syringe with cannula offers key advantages notably for sensitive active ingredients manufactured using biotechnology.
› Gx RTF® ClearJect®

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
› Gx RTF® ClearJect®

COP vials
These primary packaging containers (2 to 100 ml) from Gerresheimer offer our customers an alternative packaging solution if the substance to be filled is not compatible with glass vials. The metal ion-free and extremely break-resistant COP polymer's notable properties include high transparency and a non-polar surface, which is ideal for sensitive new-generation parenteral medicines. Furthermore, it be can used for storage at freezing temperatures.

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 ingredients 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 ingredients 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® lite 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® 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) syringe made by Gerresheimer in Europe. The new Gx RTF® ClearJect® syringe with cannula offers key advantages for sensitive active ingredients manufactured using biotechnology. ClearJect® is a brand created by our Japanese partner company Taisei Medical Co. Ltd.
› ClearJect®

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
Gerresheimer's two core competencies—molding vials from glass tubing and the ready-to-fill process for prefillable syringes—are combined in producing the new Gx® RTF vials, available in customized packaging configurations or the well-known Ompi EZ-fill® packaging format. Made of type I borosilicate glass, 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.

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.

Inhaler
Device used in the treatment of asthma, bronchitis and other chronic or acute respiratory ailments. It transports aerosol and powder-based medications into the upper and lower respiratory tracts.

Injection vial
› Vial

Inner surface treatment
Special surfacing process for the inside of a pharmaceutical container, e.g. to ensure compatibility with the medication.

Insulin pen system
An insulin pen is a special injection system for safe and near-painless delivery of insulin from a cartridge.

Integrated moisture absorber
A moisture absorber protects medication from the effects of moisture during storage and absorbs atmospheric humidity entering the container as a result of it being repeatedly opened. Gerresheimer integrates the desiccant in a capsule affixed to the inside of the Duma® Twist-Off cap.

Lancet
Plastic-coated blood-sampling needle for insertion into a skin-prick aid for diabetic patients.

Lancet magazine
Magazine with integrated lancets in a drum housing.

Laser coding
In the new laser coding process for syringes, a tiny data matrix code uniquely identifying the respective packaging container's type and origin is indelibly laser-etched onto the finger flange. In this way, Gerresheimer offers an innovative track-and-trace solution for pharma containers and helps combat drug counterfeiting.

Luer system (luer lock/luer cone)
The luer system is a connector system, standardized under the DIN EN ISO 80369 standards series, for syringes, cannulas and various medical tube systems. A seal is achieved in the luer system by the tapered design of the connecting parts, known as the luer cone. The inner cone of the one connector end is referred to as female and the outer cone of its counterpart as male. On Gx RTF® syringes, the female part is made of glass and is integral to the syringe barrel. Where the connection to the female cone is secured with an inside thread, the system is referred to as a luer lock. The connection is made and undone with a half-turn and cannot be released inadvertently.

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.

Molded glass
Molded glass packaging is produced in a single operation directly after the melting process.

Molecular diagnostics
Molecular diagnostics refers to analysis methods based on examination of genetic material (DNA or RNA). These allow more precise information to be obtained than with traditional diagnostic procedures so that illnesses can be detected faster.

Multifunctional closure system
Gerresheimer closures feature secure, air-tight opening and closure systems to meet varied requirements. All caps conform to ISO standards and can be combined with our glass and plastic packaging containers for liquids and solids. The multifunctional closures are tamper-evident, child-resistant, senior-friendly and moisture-absorbing.

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

PCR/PIR glass
Glass is a 100% recyclable raw material that can be endlessly reprocessed into glass in a circular economy. With this in mind, pharma jars and glass cosmetics packaging are produced using large quantities of recycled glass (cullet) as a substitute for raw materials. This is sourced from Gerresheimer's own internal material cycle (post-industrial recycled (PIR) glass) and, subject to controls, from household recycling (post-consumer recycled (PCR) glass). By using recycled glass, new high-quality glass packaging can be produced while conserving resources. The higher the proportion of recycled glass included, the lower the energy requirements for production. In cooperation with its customers, Gerresheimer has developed a cosmetic glass, which has the highest proportion of recycled glass (PCR glass) available today.

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.

R-PET
Personal care products are often packaged in PET bottles and containers, because PET (polyethylene terephthalate) has a low intrinsic weight, is versatile, easy to mold and break-resistant. Used and recycled PET, known as R-PET, is suitable for producing new R-PET packaging products. For years, Gerresheimer has been offering its PET ranges with various mixtures of post-industrial recycled (PIR) and post-consumer recycled (PCR) materials and is able to produce containers made of up to 100% R-PET.

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. 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 (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 9, 2020	Publication 1st Quarter 2020
June 24, 2020	Annual General Meeting 2020
July 14, 2020	Publication 2nd Quarter 2020
October 13, 2020	Publication 3rd Quarter 2020

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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.

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	**2019**	2018	Change in %[4]
Revenues at constant exchange rates[1], [2]	**753.1**	753.6	-0.1
Revenues[1]	**758.3**	751.3	0.9
Adjusted EBITDA at constant exchange rates[2], [3]	**194.1**	204.1	-4.9
Adjusted EBITDA[3]	**196.4**	203.0	-3.2
in % of revenues	**25.9**	27.0	–
Capital expenditure	**93.8**	64.7	44.9

› 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, plus special glass containers for the food and beverage industry.

in EUR m	**2019**	2018	Change in %[4]
Revenues at constant exchange rates[1], [2]	**624.7**	608.7	2.6
Revenues[1]	**631.6**	605.2	4.3
Adjusted EBITDA at constant exchange rates[2], [3]	**121.3**	115.2	5.3
Adjusted EBITDA[3]	**122.9**	114.7	7.1
in % of revenues	**19.5**	19.0	–
Capital expenditure	**82.9**	47.8	73.6

› 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 forms the basis of this division, where 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 Parkinson’s or heart failure, for example. Also in development is a platform for smart inhalation measurement systems.

in EUR m	**2019**	2018	Change in %[4]
Revenues at constant exchange rates[1], [2]	**6.4**	12.9	-49.9
Revenues[1]	**6.4**	12.9	-49.9
Adjusted EBITDA at constant exchange rates[2], [3]	**-23.4**	3.0	–
Adjusted EBITDA[3]	**-23.4**	3.0	–
in % of revenues	**–**	23.0	–
Capital expenditure	**4.9**	0.5	>100.0

1) Revenues by division include intercompany revenues.
2) Translated at budget rates 2019, which can be found in the outlook section of the Group Management Report of the financial year 2018.
3) Adjusted EBITDA: Net income before income taxes, net finance expense, amortization/impairment losses of fair value adjustments, depreciation and amortization, impairment losses, restructuring expenses, and one-off income and expenses.
4) Change calculated on a EUR k basis.