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CONSOLIDATED FINANCIAL STATEMENTS

OVERVIEW OF SELECTED CONSOLIDATED COMPANIES

C.H. BOEHRINGER SOHN AG & CO. KG, INGELHEIM AM RHEIN

BOEHRINGER INGELHEIM VETMEDICA GMBH, INGELHEIM AM RHEIN

ARGENTINA (D)
Boehringer Ingelheim Animal Health Argentina S.A., *Buenos Aires*

AUSTRALIA (D, R)
Boehringer Ingelheim Animal Health Australia Pty. Ltd., *North Ryde*

BELGIUM (D)
Boehringer Ingelheim Animal Health Belgium S.A., *Brussels*

BRAZIL (D, P, R)
Boehringer Ingelheim Animal Health do Brasil Ltda., *São Paulo*

CANADA (D)
Merial Canada, Inc., *Burlington*

CHINA (D, P, R)
Nanchang Boehringer Ingelheim Animal Health Co., Ltd., *Nanchang*

Boehringer Ingelheim Animal Health (Shanghai) Co., Ltd., *Shanghai*

DENMARK (D, P, R)
Boehringer Ingelheim Animal Health Denmark A/S, *Copenhagen*

FRANCE (D, P, R)
Merial S.A.S., *Lyon*

GREAT BRITAIN (D, P)
Boehringer Ingelheim Animal Health UK Limited, *Bracknell*

ITALY (D, P)
Boehringer Ingelheim Animal Health Italia S.p.A., *Milan*

JAPAN (D, R)
Boehringer Ingelheim Animal Health Japan Co., Ltd., *Tokyo*

MEXICO (D)
Boehringer Ingelheim Animal Health México S.A. de C.V., *Mexico City*

NETHERLANDS (D, P)
Boehringer Ingelheim Animal Health Netherlands B.V., *Alkmaar*

NEW ZEALAND (D, P, R)
Boehringer Ingelheim Animal Health New Zealand Ltd., *Manukau City*

PUERTO RICO (P)
Boehringer Ingelheim Animal Health Puerto Rico LLC, *Barceloneta*

SOUTH AFRICA (D)
Boehringer Ingelheim Animal Health South Africa Pty Ltd., *Randburg*

SOUTH KOREA (D)
Boehringer Ingelheim Animal Health Korea Ltd., *Seoul*

SPAIN (D)
Boehringer Ingelheim Animal Health España, S.A., *Barcelona*

TAIWAN (D)
Boehringer Ingelheim Animal Health Taiwan Co., Ltd., *Taipei*

THAILAND (D)
Boehringer Ingelheim Animal Health (Thailand) Limited, *Bangkok*

USA (D, P, R)
Boehringer Ingelheim Animal Health USA, Inc., *Wilmington, Delaware*

GERMANY (D, P, R)
Boehringer Ingelheim Corporate Center GmbH, *Ingelheim am Rhein*

Boehringer Ingelheim GmbH, *Ingelheim am Rhein*

Boehringer Ingelheim Pharma GmbH & Co. KG, *Ingelheim am Rhein*

Boehringer Ingelheim microParts GmbH, *Dortmund*

Boehringer Ingelheim Venture Fund GmbH, *Ingelheim am Rhein*

Boehringer Ingelheim Biopharmaceuticals GmbH, *Ingelheim am Rhein*

Boehringer Ingelheim Veterinary Research Center GmbH & Co. KG, *Hanover*

Boehringer Ingelheim Middle East and Africa GmbH, *Ingelheim am Rhein*

D *Distribution*

P *Production*

R *Research and Development*

C.H. BOEHRINGER SOHN GRUNDSTÜCKSVERWALTUNG GMBH & CO. KG, INGELHEIM AM RHEIN

BOEHRINGER INGELHEIM INTERNATIONAL GMBH, INGELHEIM AM RHEIN

ARGENTINA D P

Boehringer Ingelheim S.A., *Buenos Aires*

AUSTRALIA D P

Boehringer Ingelheim Pty. Ltd., *North Ryde*

AUSTRIA D P R

Boehringer Ingelheim RCV GmbH & Co. KG, *Vienna*

Forschungsinstitut für molekulare Pathologie Gesellschaft mbH, *Vienna*

BELGIUM D

SCS Boehringer Ingelheim Comm.V., *Brussels*

BRAZIL D P

Boehringer Ingelheim do Brasil Química e Farmaceutica Ltda., *São Paulo*

Solana Agro Pecuária Ltda., *Arapongas*

CANADA D

Boehringer Ingelheim (Canada) Ltd., *Toronto*

CHILE D

Boehringer Ingelheim Ltda., *Santiago de Chile*

CHINA D P R

Boehringer Ingelheim Shanghai Pharmaceuticals Co., Ltd., *Shanghai*

Boehringer Ingelheim Biopharmaceuticals (China) Co., Ltd., *Shanghai*

Boehringer Ingelheim (China) Investment Co., Ltd., *Shanghai*

Boehringer Ingelheim International Trading (Shanghai) Co., Ltd., *Shanghai*

Boehringer Ingelheim Vetmedica (China) Co., Ltd., *Taizhou*

COLOMBIA D

Boehringer Ingelheim S.A., *Santa Fé de Bogotá*

CZECH REPUBLIC D

Boehringer Ingelheim, spol. s.r.o., *Prague*

DENMARK D

Boehringer Ingelheim Danmark A/S, *Copenhagen*

ECUADOR D

Boehringer Ingelheim Del Ecuador Cia. Ltda., *Quito*

FINLAND D

Boehringer Ingelheim Finland Ky, *Espoo*

FRANCE D

Boehringer Ingelheim France S.A.S., *Paris*

GREAT BRITAIN D

Boehringer Ingelheim Ltd., *Bracknell*

GREECE D P

Boehringer Ingelheim Ellas A.E., *Athens*

HONG KONG D

Boehringer Ingelheim (Hong Kong) Ltd., *Hong Kong*

INDIA D

Boehringer Ingelheim India Private Ltd., *Mumbai*

INDONESIA D P

PT Boehringer Ingelheim Indonesia, *Jakarta*

ISRAEL D

Boehringer Ingelheim Israel Ltd., *Tel Aviv*

ITALY D P R

Boehringer Ingelheim Italia S.p.A., *Milan*

Bidachem S.p.A., *Fornovo S. Giovanni*

JAPAN D P R

Nippon Boehringer Ingelheim Co., Ltd., *Tokyo*

Boehringer Ingelheim Seiyaku, *Yamagata*

Boehringer Ingelheim Japan, Inc., *Tokyo*

MEXICO D P R

Boehringer Ingelheim Mexico S.A. de C.V., *Mexico City*

Boehringer Ingelheim Vetmedica S.A. de C.V., *Guadalajara*

NETHERLANDS D

Boehringer Ingelheim B.V., *Alkmaar*

NEW ZEALAND D

Boehringer Ingelheim (N.Z.) Ltd., *Auckland*

NORWAY D

Boehringer Ingelheim Norway KS, *Asker*

PHILIPPINES D

Boehringer Ingelheim (Philippines), Inc., *Manila*

POLAND D

Boehringer Ingelheim Sp. z o.o., *Warsaw*

PORTUGAL D

Unilfarma-Uniao Internacional de Laboratórios Farmacêuticos, Lda., *Lisbon*

RUSSIAN FEDERATION D

OOO Boehringer Ingelheim, *Moscow*

SOUTH AFRICA D

Ingelheim Pharmaceuticals (Proprietary) Ltd., *Randburg*

SOUTH KOREA D

Boehringer Ingelheim Korea Ltd., *Seoul*

Boehringer Ingelheim Vetmedica Korea Ltd., *Seoul*

SPAIN D P

Boehringer Ingelheim España S.A., *Barcelona*

SWEDEN D

Boehringer Ingelheim Aktiebolag, *Stockholm*

SWITZERLAND D

Boehringer Ingelheim (Schweiz) GmbH, *Basel*

TAIWAN D

Boehringer Ingelheim Taiwan Ltd., *Taipei*

THAILAND V

Boehringer Ingelheim (Thai) Limited, *Bangkok*

TURKEY D

Boehringer Ingelheim Ilaç Ticaret A.S., *Istanbul*

USA D P R

Boehringer Ingelheim Pharmaceuticals, Inc., *Wilmington, Delaware*

Boehringer Ingelheim Fremont, Inc., *Wilmington, Delaware*

Boehringer Ingelheim USA Corporation, *Wilmington, Delaware*

VIETNAM D

Boehringer Ingelheim Animal Health Vietnam Limited Liability Company, *Ho Chi Minh City*

CONSOLIDATED BALANCE SHEET

Assets (in EUR million)	Notes [1)]	31.12.2018	31.12.2017
Intangible assets	(3.1)	5,120	5,372
Tangible assets	(3.2)	4,280	3,867
Financial assets	(3.3)	6,058	5,830
Fixed assets		**15,458**	**15,069**
Inventories	(3.4)	3,312	3,087
Accounts receivable and other assets	(3.5)	4,573	4,506
Cash and cash equivalents		4,303	3,071
Current assets		**12,188**	**10,664**
Prepaid expenses		377	334
Deferred tax assets		2,784	2,307
Exceeding amount of plan assets		81	12
Total assets		**30,888**	**28,386**

Equity and liabilities (in EUR million)	Notes [1)]	31.12.2018	31.12.2017
Shareholders' capital		178	178
Group reserves		12,453	10,868
Balance sheet currency conversion difference		−298	−388
Equity attributable to the parent company		**12,333**	**10,658**
Non-controlling interests		1	−1
Group equity		**12,334**	**10,657**
Difference from capital consolidation		**1,511**	**1,729**
Provisions	(3.6)	13,752	12,728
Accounts payable and loans	(3.7)	2,142	2,004
Liabilities		**15,894**	**14,732**
Deferred income		463	514
Deferred tax liabilities		686	754
Total equity and liabilities		**30,888**	**28,386**

[1)] For explanations, see relevant section in the notes to the consolidated financial statements.

CONSOLIDATED PROFIT AND LOSS STATEMENT

(in EUR million)	Notes [1]	2018	2017
Net sales	(4.1)	**17,498**	**18,056**
Changes in finished goods and work in process		244	−291
Other own work capitalised		13	16
Other operating income	(4.2)	1,872	3,411
Total revenues		**19,627**	**21,192**
Cost of materials	(4.3)	−3,058	−3,474
Personnel expenses	(4.4)	−5,276	−4,934
Amortisation of intangible assets and depreciation of tangible assets	(4.5)	−1,089	−963
Other operating expenses	(4.6)	−6,732	−8,334
Operating income		**3,472**	**3,487**
Financial income	(4.7)	−654	−330
Holding income	(4.8)	358	−301
Income before taxes		**3,176**	**2,856**
Income taxes [2]	(4.9)	−1,101	−3,085
Income after taxes		**2,075**	**−229**
Net income/loss	(4.10)	2,075	−229
Non-controlling interests		0	6
Group profit/loss		**2,075**	**−223**

[1] For explanations, see relevant section in the notes to the consolidated financial statements.
[2] Due to legal requirements the shareholders’ personal taxes arising from group business activities are shown as withdrawals from the group reserves.

CASH FLOW STATEMENT

(in EUR million)	2018
Income after taxes (including non-controlling interests)	2,075
Amortisation / reversal of write-downs of intangible assets and depreciation / reversal of write-downs of tangible assets	1,081
Change in provisions for pensions and similar obligations (without acquiring or generating of plan assets)	711
Change in other provisions	414
Other non-cash income and expenses	– 515
Gain from disposals of consolidated companies	– 4
Gain/loss from disposals of fixed assets	– 1
Grants received	– 7
Change in inventories	– 229
Change in accounts receivable and other assets not related to investing or financing activities	– 478
Change in trade accounts payable and other liabilities not related to investing or financing activities	8
Interest income/interest expenses	93
Other income from investments	– 13
Income/expenses of extraordinary magnitude or significance	– 87
Income taxes	1,101
Income taxes paid	– 1,161
Cash flow from operating activities	**2,988**
Payments to acquire intangible fixed assets	– 123
Payments to acquire tangible fixed assets	– 950
Payments to acquire financial fixed assets [1)]	– 43
Payments to acquire or generate plan assets	– 367
Investments in consolidated companies	– 99
Proceeds from disposals of intangible fixed assets	0
Proceeds from disposals of tangible fixed assets	12
Proceeds from disposals of financial fixed assets [1)]	33
Cash receipts relating to the purchase price adjustment of consolidated companies	7
Cash receipts of extraordinary magnitude or significance	96
Interest received	18
Income from dividends	13
Cash flow from investing activities	**– 1,403**

CASH FLOW STATEMENT

(in EUR million)	2018
Cash receipts from grants	7
Interest paid	– 62
Cash payments from shareholders of the parent company	62
Cash payments to shareholders of the parent company	– 217
Proceeds from loans / cash repayments of loans	2
Cash flow from financing activities	**– 208**
Change in financial funds from cash relevant transactions	**1,377**
Changes in financial funds due to change of consolidated companies	5
Changes in financial funds due to exchange rate movements	– 58
Financial funds [2] as of 1.1.	**8,130**
Financial funds [2] as of 31.12.	**9,454**

[1] Excl. investment securities.
[2] Cash and cash equivalents and investment securities within fixed assets.
(+) = source of funds, (-) = use of funds

STATEMENT OF CHANGES IN GROUP EQUITY

(in EUR million)	Shareholders' capital [1]	Group reserves [2]	Balance sheet currency conversion difference	Equity attributable to the parent company	Non-controlling interests	Group equity
Balance as of 31.12.2016	**178**	**11,220**	**– 71**	**11,327**	**0**	**11,327**
Withdrawals	0	– 145	0	– 145	0	– 145
Net loss	0	– 223	0	– 223	– 6	– 229
Changes in consolidated companies	0	16	– 21	– 5	5	0
Currency effects	0	0	– 296	– 296	0	– 296
Balance as of 31.12.2017	**178**	**10,868**	**– 388**	**10,658**	**– 1**	**10,657**
Contributions	0	62	0	62	0	62
Withdrawals	0	– 544	0	– 544	0	– 544
Net income	0	2,075	0	2,075	0	2,075
Changes in consolidated companies	0	– 8	– 2	– 10	2	– 8
Currency effects	0	0	92	92	0	92
Balance as of 31.12.2018	**178**	**12,453**	**– 298**	**12,333**	**1**	**12,334**

[1] The shareholders' capital consists of the equity of C.H. Boehringer Sohn AG & Co. KG and C.H. Boehringer Sohn Grundstücksverwaltung GmbH & Co. KG. The shareholders' capital consists only of the limited partner's capital contribution.
[2] The shareholders' personal taxes arising from group business activities are shown as withdrawals from the group reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Principles and methods

1.1 General principles

The consolidated financial statements of Boehringer Ingelheim for the 2018 financial year were prepared in accordance with Section 264a of the German Commercial Code (HGB), in line with the legal requirements to prepare consolidated financial statements under Section 290 et seq. HGB.

In accordance with Section 297 (1) HGB, the consolidated financial statements consist of the consolidated balance sheet, the consolidated profit and loss statement, the notes to the consolidated financial statements, the cash flow statement and the statement of changes in equity.

The consolidated financial statements were prepared in euros in accordance with Section 298 (1) in conjunction with Section 244 HGB.

To improve the clarity and transparency of the consolidated financial statements, individual items of the consolidated balance sheet and the consolidated profit and loss statement have been combined. These items are presented and explained separately in the notes. The additional disclosures required for the individual items can also be found in the notes.

1.2 Registry information

The parent company is registered under the name C.H. Boehringer Sohn AG & Co. KG, with its headquarters in Ingelheim am Rhein, in the commercial register of Mainz district court under the number HRA 21732.

1.3 Information on the group of consolidated companies

The parent company of the Boehringer Ingelheim Group is C.H. Boehringer Sohn AG & Co. KG, Ingelheim am Rhein. Boehringer AG, Ingelheim am Rhein, is the sole, personally liable, managing shareholder of this company.

Besides C.H. Boehringer Sohn AG & Co. KG, there is C.H. Boehringer Sohn Grundstücksverwaltung GmbH & Co. KG, Ingelheim am Rhein, whose general partner is controlled by C.H. Boehringer Sohn AG & Co. KG.

The Boehringer Ingelheim Group consists of a total of 176 affiliated companies in Germany and abroad. The consolidated financial statements of C.H. Boehringer Sohn AG & Co. KG include 152 fully consolidated subsidiaries. C.H. Boehringer Sohn Grundstücksverwaltung GmbH & Co. KG is consolidated as a special purpose entity because the majority of the risks and rewards from its business activities is attributable to C.H. Boehringer Sohn AG & Co. KG. In the remaining subsidiaries, C.H. Boehringer Sohn AG & Co. KG, directly or indirectly, holds a majority of the voting rights.

In accordance with Section 296 (2) HGB, 21 affiliated companies were not included in the consolidation in the reporting year, as they are individually and collectively insignificant to the Group’s net assets, financial and earnings position. The total amount of the sales, equity and net income for the year of the affiliated companies not included in consolidation accounts for less than 1% of the aggregated Group financial statements totals. For two further affiliated companies, there are ongoing restrictions on control due to the terms of the articles of association. These companies were also not consolidated in accordance with Section 296 (1) No. 1 HGB.

The total number of affiliated companies decreased by five compared to the previous year:

- One new company was founded.
- One company was acquired.
- Six companies lost their separate legal identity through merger.
- One affiliated company was liquidated.

ViraTherapeutics GmbH, Innsbruck, was acquired on 10 September 2018.

The following subsidiaries were exempt from the duty to prepare and disclose annual financial statements and management reports in accordance with Section 264 (3) HGB:

- Boehringer Ingelheim GmbH, Ingelheim am Rhein
- Boehringer Ingelheim Europe GmbH, Ingelheim am Rhein
- Boehringer Ingelheim Secura Versicherungsvermittlungs GmbH, Ingelheim am Rhein
- Boehringer Ingelheim Grundstücksgesellschaft mbH, Ingelheim am Rhein
- Boehringer Ingelheim Finanzierungs GmbH, Ingelheim am Rhein
- Boehringer Ingelheim R&D Beteiligungs GmbH, Ingelheim am Rhein
- Boehringer Ingelheim Venture Fund GmbH, Ingelheim am Rhein
- Boehringer Ingelheim Invest GmbH, Ingelheim am Rhein

The following subsidiaries were exempt from the duty to prepare and disclose annual financial statements and management reports in accordance with Section 264b HGB:

- C.H. Boehringer Sohn AG & Co. KG, Ingelheim am Rhein
- C.H. Boehringer Sohn Grundstücksverwaltung GmbH & Co. KG, Ingelheim am Rhein
- Boehringer Ingelheim Pharma GmbH & Co. KG, Ingelheim am Rhein
- Boehringer Ingelheim Veterinary Research Center GmbH & Co. KG, Hanover

Two joint ventures have been included at cost instead of either using the proportionate method or the equity method due to their lack of significance.

In accordance with Section 311 (2) HGB, associated companies were not valuated using the equity method due to their lack of significance.

1.4 Consolidation methods

For inventories and fixed assets, receivables, liabilities, and income and expense items, transactions between the companies included in consolidation were eliminated as part of debt consolidation procedures in accordance with Section 303 HGB, procedures to eliminate intercompany profits in accordance with Section 304 HGB and income and expenses consolidation procedures in accordance with Section 305 HGB.

The acquisition method was applied when including subsidiaries in the consolidation for the first time in accordance with Section 301 HGB. Companies were included in the consolidation for the first time on the date at which the company became a subsidiary.

The book value of the shares held by the parent company was offset against the corresponding equity of the subsidiary. Equity was carried at the amount of the fair value of the assets, liabilities, prepaid expenses and deferred income and special reserves included in the consolidated financial statements as at the time of consolidation. Any remaining positive balance was recorded as goodwill; any remaining negative balance was recorded as a difference from capital consolidation.

1.5 Currency translation

Assets and liabilities resulting from foreign currency transactions were translated using the average spot exchange rate as at the balance sheet date. The realisation principle (Section 298 (1) in conjunction with Section 252 (1) No. 4 half-sentence 2 HGB) and the historical cost convention (Section 298 (1) in conjunction with Section 253 (1) sentence 1 HGB) were applied to items with a remaining term of more than one year.

In these consolidated financial statements, the financial statements of foreign subsidiaries domiciled in a state outside the eurozone that are denominated in a foreign currency have been converted into euros in accordance with Section 308a HGB using the modified closing date rate method.

Using the modified closing date rate method, the asset and liability items of the annual financial statements prepared in foreign currency were translated into euros using the average spot exchange rate as at the balance sheet date, with the exception of equity, which was translated using the historical rate. Items included in the profit and loss statement were translated into euros using the average rate. The resulting translation difference was reported within consolidated equity below the reserves in “Balance sheet currency conversion difference”.

The exchange rates for the Group’s most important currencies changed as follows during the reporting year (basis: EUR 1):

	Closing rate		Average annual rate	
	31.12.2018	31.12.2017	2018	2017
US dollar	1.15	1.20	1.18	1.13
Japanese yen	125.85	135.01	130.41	126.66
Chinese renminbi	7.88	7.80	7.81	7.63
Pound sterling	0.89	0.89	0.88	0.88

2 Accounting policies

2.1 Fixed assets

Acquired intangible assets and tangible fixed assets are carried at cost, less scheduled straight-line amortisation and depreciation, considering technical and economic circumstances. This is based on the following useful lives:

Intangible assets	2 to 15 years
Buildings	20 years
Technical equipment and machinery	10 years
Other equipment, operating and office equipment	3 to 10 years

Only straight-line depreciation and amortisation are used in the consolidated financial statements. Additional write-downs are recorded to reflect impairments when the value of assets has been considered permanently impaired. Manufacturing costs include materials and labour manufacturing costs, an appropriate portion of materials and labour overheads, and the depreciation of fixed assets (to the extent caused by production). Manufacturing costs do not include financing costs.

All capitalised intangible assets have finite useful lives.

A useful life of ten years was applied to the goodwill for ViraTherapeutics GmbH, acquired this year, as past experience of products and sales markets together with the business conditions of ViraTherapeutics GmbH indicates that this presents a true and fair view.

Financial assets primarily include investment securities, shareholder rights and loans and were carried at the lower of cost or fair market value, if impaired. Once the reasons for the impairment made in previous financial years no longer existed, appropriate write-ups were made.

2.2 Current assets, prepaid expenses, deferred charges and exceeding amount of plan assets

Inventories are carried at the lower of cost or fair market value.

Raw materials, consumables and supplies are capitalised at the lower of average acquisition prices or fair market value on the balance sheet date.

Finished goods and work in progress are measured at manufacturing cost on the basis of individual calculations, taking into account the directly attributable costs of materials, direct labour costs, special direct costs, and an appropriate portion of material and production overhead costs and production-related depreciation.

Goods for resale are valued at the lower of either acquisition cost or fair market value.

All identifiable risks in inventories arising from above-average storage periods, diminished marketability and lower replacement costs were taken into account by recording appropriate valuation adjustments.

Inventories are valued loss-free, i. e. deductions were made from the expected sales prices to reflect costs yet to be incurred.

Receivables and other assets were recognised at cost less allowances for specific risks and general credit risk. Low-interest or non-interest-bearing receivables with a term of more than one year were discounted.

Cash and cash equivalents, consisting of cash, balances at banks and cheques were recognised at the lower of cost or fair market value.

Prepaid expenses recorded in accordance with Section 250 (1) HGB include expenses paid in advance in respect of a defined period of time after the balance sheet date.

Deferred income recorded in accordance with Section 250 (2) HGB include proceeds that represent income relating to a defined period of time after the balance sheet date.

The fair market value of plan assets and the corresponding present value of pension obligation have been offset according to German GAAP. The exceeding amount of plan assets has been capitalised separately.

2.3 Difference from capital consolidation

The difference from capital consolidation reported on 31 December 2018 was primarily a result of the business swap of Boehringer Ingelheim's consumer health care business and Sanofi's animal health business, which was completed on 1 January 2017. This resulted in a difference from capital consolidation of EUR 1,986 million. The difference is amortised over an estimated period of 15 years. The remaining balance of the difference amounted to EUR 1,495 million at 31 December 2018.

The difference from capital consolidation reported on 31 December 2018 also included an amount arising from the acquisition of a US company in 2011. The original difference amounted to EUR 157 million. The difference is amortised over an estimated period of ten years. The remaining balance of this difference amounted to EUR 16 million at 31 December 2018.

The income from the release of the difference arising from capital consolidation is included in other operating income. The release is made corresponding to the amortisation of those assets of the acquired company identified in the purchase price allocation not previously recognised in that company's balance sheet.

2.4 Group reserves

Group reserves include the retained earnings of the consolidated subsidiaries from prior and current years and consolidation entries that affect earnings.

2.5 Provisions

Tax provisions and other provisions include all uncertain liabilities and expected losses from executory contracts. They were carried at the amount required to settle the obligation based on reasonable prudent commercial judgement (i. e. including future cost and price increases). Provisions with a remaining maturity of more than one year were discounted using the matched-term, average market interest rate. In the case of pension provisions, this interest rate results from the last ten years average and in the case of other provisions, from the last seven years average (in accordance with the Rückstellungsabzinsungsverordnung – German Regulation on the Discounting of Provisions).

2.6 Accounts payable and loans

Accounts payable and loans were recognised at settlement amount.

2.7 Deferred taxes

To calculate deferred taxes arising from temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the group financial statements and their carrying amounts for tax purposes or tax loss carryforwards, the amounts of the resulting tax benefits and expenses at the time that the differences will reverse were measured using tax rates specific to the respective consolidated company (4% - 39%). Deferred tax balances are not discounted. Differences due to consolidation measures in accordance with Sections 300 to 305 HGB were also measured using the company specific tax rates applicable at the time of the expected reversal of the difference. Deferred tax assets on loss carryforwards were taken into account if it is likely that they will be used within the next five years.

Deferred tax assets and liabilities were reported without offsetting.

3 Notes to the consolidated balance sheet

3.1 Intangible assets

(in EUR million)	Acquired concessions/ similar rights	Goodwill	Advance payments	Total
Acquisition/manufacturing costs				
Balance as of 1 January 2017	**1,815**	**6**	**12**	**1,833**
Currency conversion difference	–625	–1	–1	–627
Changes in consolidated companies	5,635	0	–1	5,634
Additions	137	0	14	151
Disposals	–290	0	–1	–291
Reclassifications	4	0	–4	0
Balance as of 31 December 2017	**6,676**	**5**	**19**	**6,700**
Currency conversion difference	182	0	0	182
Changes in consolidated companies	80	24	0	104
Additions	102	0	21	123
Disposals	–145	0	0	–145
Reclassifications	13	0	–14	–1
Balance as of 31 December 2018	**6,908**	**29**	**26**	**6,963**
Accumulated amortisation				
Balance as of 1 January 2017	**1,280**	**3**	**0**	**1,283**
Currency conversion difference	–72	0	0	–72
Changes in consolidated companies	–164	0	0	–164
Additions	442	0	0	442
Write-ups	0	0	0	0
Disposals	–161	0	0	–161
Reclassifications	0	0	0	0
Balance as of 31 December 2017	**1,325**	**3**	**0**	**1,328**
Currency conversion difference	36	0	0	36
Changes in consolidated companies	0	0	0	0
Additions	537	0	0	537
Write-ups	0	0	0	0
Disposals	–58	0	0	–58
Reclassifications	0	0	0	0
Balance as of 31 December 2018	**1,840**	**3**	**0**	**1,843**
Book value as of 31 December 2017	**5,351**	**2**	**19**	**5,372**
Book value as of 31 December 2018	**5,068**	**26**	**26**	**5,120**

3.2 Tangible assets

(in EUR million)	Land and buildings	Technical facilities and machines	Other facilities/ operating equipment	Advance payments/ construction in progress	Total
Acquisition/manufacturing costs					
Balance as of 1 January 2017	**2,962**	**3,147**	**2,153**	**468**	**8,730**
Currency conversion difference	–170	–101	–77	–34	–382
Changes in consolidated companies	802	536	18	162	1,518
Additions	50	88	135	599	872
Disposals	–134	–132	–175	–58	–499
Reclassifications	117	179	64	–360	0
Balance as of 31 December 2017	**3,627**	**3,717**	**2,118**	**777**	**10,239**
Currency conversion difference	34	24	18	1	77
Changes in consolidated companies	0	1	0	0	1
Additions	62	88	124	676	950
Disposals	–19	–52	–101	–1	–173
Reclassifications	221	192	69	–481	1
Balance as of 31 December 2018	**3,925**	**3,970**	**2,228**	**972**	**11,095**
Accumulated depreciation					
Balance as of 1 January 2017	**1,698**	**2,296**	**1,691**	**0**	**5,685**
Currency conversion difference	–88	–65	–58	0	–211
Changes in consolidated companies	376	318	12	0	706
Additions	141	218	162	0	521
Write-ups	0	0	0	0	0
Disposals	–72	–109	–148	0	–329
Reclassifications	1	–1	0	0	0
Balance as of 31 December 2017	**2,056**	**2,657**	**1,659**	**0**	**6,372**
Currency conversion difference	22	18	15	0	55
Changes in consolidated companies	0	0	0	0	0
Additions	162	232	158	0	552
Write-ups	–3	–5	0	0	–8
Disposals	–13	–48	–95	0	–156
Reclassifications	–1	3	–2	0	0
Balance as of 31 December 2018	**2,223**	**2,857**	**1,735**	**0**	**6,815**
Book value as of 31 December 2017	**1,571**	**1,060**	**459**	**777**	**3,867**
Book value as of 31 December 2018	**1,702**	**1,113**	**493**	**972**	**4,280**

3.3 Financial assets

(in EUR million)	Investments in affiliated companies	Loans to affiliated companies	Investments in related companies	Advance payments	Investment securities	Other loans	Total
Acquisition/manufacturing costs							
Balance as of 1 January 2017	**7**	**0**	**965**	**18**	**5,000**	**196**	**6,186**
Currency conversion difference	0	0	– 1	– 2	– 1	– 20	– 24
Changes in consolidated companies	0	0	16	– 16	0	0	0
Additions	0	0	16	0	107	14	137
Disposals	0	0	– 5	0	– 30	– 17	– 52
Reclassifications	0	0	0	0	0	0	0
Balance as of 31 December 2017	**7**	**0**	**991**	**0**	**5,076**	**173**	**6,247**
Currency conversion difference	0	0	0	0	2	3	5
Changes in consolidated companies	0	0	0	0	0	0	0
Additions	5	0	31	0	117	7	160
Disposals	0	0	– 21	0	– 29	– 145	– 195
Reclassifications	0	0	0	0	0	0	0
Balance as of 31 December 2018	**12**	**0**	**1,001**	**0**	**5,166**	**38**	**6,217**
Accumulated amortisation							
Balance as of 1 January 2017	**0**	**0**	**75**	**0**	**16**	**3**	**94**
Currency conversion difference	0	0	– 1	0	– 1	0	– 2
Changes in consolidated companies	0	0	0	0	1	0	1
Additions	0	0	324	0	1	0	325
Write-ups	0	0	– 1	0	0	0	– 1
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Balance as of 31 December 2017	**0**	**0**	**397**	**0**	**17**	**3**	**417**
Currency conversion difference	0	0	0	0	0	0	0
Changes in consolidated companies	0	0	0	0	0	0	0
Additions	0	0	2	0	1	0	3
Write-ups	0	0	– 256	0	– 3	0	– 259
Disposals	0	0	– 2	0	0	0	– 2
Reclassifications	0	0	0	0	0	0	0
Balance as of 31 December 2018	**0**	**0**	**141**	**0**	**15**	**3**	**159**
Book value as of 31 December 2017	**7**	**0**	**594**	**0**	**5,059**	**170**	**5,830**
Book value as of 31 December 2018	**12**	**0**	**860**	**0**	**5,151**	**35**	**6,058**

As in the previous year, the “Other loans” item does not include any loans to shareholders.

3.4 Inventories

(in EUR million)	31.12.2018	31.12.2017
Raw materials and supplies	626	575
Unfinished goods	1,602	1,547
Finished goods and goods for resale	1,071	951
Advance payments to suppliers	13	14
	3,312	**3,087**

3.5 Accounts receivable and other assets

(in EUR million)	31.12.2018	Residual term over 1 year	31.12.2017	Residual term over 1 year
Trade accounts receivable	3,540	0	3,146	1
Receivables from affiliated companies	24	0	29	0
Receivables from related companies	27	0	28	0
Other assets	982	67	1,303	79
	4,573	**67**	**4,506**	**80**

The “Other assets” item included receivables from shareholders of around half a million euro (previous year: EUR 87 million).

Receivables from affiliated companies almost exclusively consisted of receivables from loans.

Receivables from related companies primarily consisted of trade accounts receivable.

3.6 Provisions

(in EUR million)	31.12.2018	31.12.2017
Pension provisions and similar obligations	4,712	4,289
Tax provisions	1,812	1,750
Other provisions	7,228	6,689
	13,752	**12,728**

Provisions for pensions and similar obligations

The provisions for pensions and similar obligations were determined on the basis of actuarial calculations using the projected unit credit method, taking into account future adjustments in salaries and pensions.

In addition to local biometric data (e.g. for Germany, mortality tables 2018 G published by Prof. Dr Klaus Heubeck which have been adjusted for group-specific death probabilities and invalidity rates), pension obligations in the significant countries were calculated on the basis of the following actuarial parameters:

(in % as of 31 December 2018)	Germany	USA	Japan
Discount rate	3.21	4.20	1.23
Salary increase	3.50	4.00	4.18
Pension increase	1.88	3.00	0.00

Discounting rates were determined by reference to average market rates for 15-year maturities in accordance with the German Regulation on the Discounting of Provisions of 11 March 2016. The interest rates used to discount significant foreign pension obligations (USA and Japan) were determined with comparable parameters, in line with the German Regulation on the Discounting of Provisions of 11 March 2016.

The difference calculated in accordance with Section 253 (6) HGB amounts to EUR 767 million.

The plan assets intended solely to cover pension and similar obligations that are unavailable to all other creditors (plan assets as defined in Section 246 (2) sentence 2 HGB) were measured at fair market value, which is essentially derived from stock market prices, and offset against the underlying pension and similar obligations. The fair market value of the plan assets on the balance sheet date was EUR 1,845 million. The related amount of pension obligations and similar obligations was EUR 6,477 million. Gains and losses from plan assets and interest expense relating to pension and similar obligations were offset in accordance with Section 246 (2) sentence 2 HGB. In total, EUR 81 million in losses from plan assets and EUR 562 million in interest expense relating to pension and similar obligations are included under “Interest expense relating to pensions and similar obligations and other provisions” within the financial result.

Tax provisions

The tax provisions also include provisions for double taxation risks, which have resulted following the implementation of the action plans of the Organisation for Economic Co-operation and Development (OECD) as part of their international initiative known as the “Action Plan on Base Erosion and Profit Shifting” (BEPS).

Other provisions

Other provisions mainly include provisions for discounts and guarantees, personnel-related provisions, provisions for outstanding invoices, as well as provisions for litigation, legal claims and compensation for damages.

3.7 Accounts payable and loans

(in EUR million)	Residual term less than 1 year	greater than 1 year	of which greater than 5 years	31.12.2018	31.12.2017	Residual term less than 1 year
Bank loans	412	8	0	420	439	373
Other accounts payable	1,685	37	20	1,722	1,565	1,381
of which:						
- Trade accounts payable	*852*	*3*	*0*	*855*	*880*	*875*
- Advance payments received	*142*	*22*	*13*	*164*	*131*	*131*
- Accounts payable to affiliated companies	*4*	*5*	*5*	*9*	*6*	*1*
- Accounts payable to related companies	*1*	*0*	*0*	*1*	*1*	*1*
*- Other liabilities**	*686*	*7*	*2*	*693*	*547*	*373*
	2,097	**45**	**20**	**2,142**	**2,004**	**1,754**

* Of which:	31.12.2018	31.12.2017
- from taxes (EUR million)	*225*	*189*
- social security liabilities (EUR million)	*40*	*37*

As in the previous year, there were no liabilities secured by mortgages or similar collateral rights on the balance sheet date.

At the end of the year, there were liabilities to shareholders of EUR 255 million (previous year: EUR 22 million). These are presented within the “Other liabilities” item.

Accounts payable to affiliated companies include loans amounting to EUR 4 million (previous year: EUR 5 million) and trade accounts payable amounting to EUR 5 million (previous year: EUR 1 million).

4 Notes to the consolidated profit and loss statement

The structure of the consolidated profit and loss statement was based on the total cost format. Other taxes are included in other operating expenses.

4.1 Net sales

by businesses (in EUR million)	2018	2017
Human Pharmaceuticals	12,559	12,621
Animal Health	3,960	3,901
Biopharmaceuticals	734	678
Other sales	40	43
Dicontinued Operations	205	813
	17,498	**18,056**

by geographic region (in EUR million)	2018	2017
Europe	5,316	5,690
of which: Germany	888	982
Americas	8,088	8,141
of which: USA	6,924	6,861
Asia/Australia/Africa	4,094	4,225
of which: Japan	1,323	1,601
	17,498	**18,056**

4.2 Other operating income

Other operating income includes income from currency translation of EUR 783 million (previous year: EUR 1,040 million).

4.3 Cost of materials

(in EUR million)	2018	2017
Costs of raw material, supplies and goods for resale	2,172	2,431
Expenditure on services	886	1,043
	3,058	**3,474**

4.4 Personnel expenses

(in EUR million)	2018	2017
Wages and salaries	4,260	4,078
Social benefits and retirement benefits	1,016	856
of which: retirement benefits	305	154
	5,276	**4,934**

All interest effects of the measurement of the provisions for pensions and similar obligations were shown as a separate item of financial income.

Average headcount	2018	2017
Production	16,380	16,361
Administration	5,964	5,826
Marketing and Sales	18,762	18,123
Research and Development	8,566	8,589
Apprentices	698	711
	50,370	**49,610**

The allocation of employees among their different functions was restated for 2017 as many former Merial employees were not allocated to their respective function in the first year that Merial was consolidated, but rather reported within Administration.

4.5 Amortisation of intangible assets and depreciation of tangible assets

Amortisation of intangible assets and depreciation of tangible fixed assets include extraordinary write-downs of EUR 116 million (previous year: EUR 16 million).

4.6 Other operating expenses

Other operating expenses include expenses from currency translation of EUR 779 million (previous year: EUR 2,060 million).

In addition, other items included in operating expenses are mainly the charges made to record provisions for legal risks and restructuring, as well as third-party services for research, development, medicine and marketing purposes, administrative expenses, fees and contributions, commissions, rent, freight and expenses for repairs carried out by third parties.

4.7 Financial income

(in EUR million)	2018	2017
Interest expense relating to pensions and similar obligations and other provisions	– 665	– 321
Other interest expense and similar expenditure	– 149	– 153
Interest expense and similar expenditure	**– 814**	**– 474**
Amortisation of and loss on disposal of financial fixed assets and short-term investments	– 1	– 1
Income from other investment securities and from long-term loans	104	104
Other interest income and similar income	57	41
	– 654	**– 330**

4.8 Holding income

(in EUR million)	2018	2017
Write-downs on financial fixed assets	– 2	– 324
Write-ups of financial fixed assets	256	1
Income from related companies	104	22
of which: from disposal of related companies	91	10
	358	**– 301**

4.9 Income taxes

(in EUR million)	2018	2017
Current income taxes	1,588	2,333
Deferred taxes	– 487	752
	1,101	**3,085**

Current income taxes primarily include the corporation and trade tax expenses of the consolidated companies.

The total balance of deferred tax assets at the balance sheet date amounted to EUR 2,784 million (previous year: EUR 2,307 million). Deferred tax assets primarily arise on the difference between the book values of provisions for pension obligations and for discounts, tax goodwill, intangible fixed assets, inventories and on tangible fixed assets. Deferred tax liabilities of EUR 686 million (previous year: EUR 754 million) were recorded. These primarily relate to differences between the book values of intangible fixed assets, tangible fixed assets, inventories and provisions.

4.10 Net income

The net income for 2018 was positively influenced by prior-period operating income (mainly from the reversal of other provisions and tax refunds for prior years) of EUR 352 million (previous year: EUR 724 million) and negatively influenced by prior-period operating expenses (mainly due to additional payment of taxes for prior years) of EUR 511 million (previous year: EUR 170 million).

5 Notes to the cash flow statement

The cash flow statement shows the changes in cash and cash equivalents (cash and long-term investment securities that can be sold at any time) of the Boehringer Ingelheim Group resulting from cash inflows and outflows in the reporting year. In accordance with the German Accounting Standard on the cash flow statement (DRS 21), the cash flow statement has been broken down according to cash flows from operating activities and cash flows from investing and financing activities.

The changes in the balance sheet items of the affiliated companies included were translated using average rates for the year. As on the balance sheet, cash and cash equivalents are carried at the closing rate. The effect of exchange rate changes on cash and cash equivalents has been shown separately.

The financial funds also include financial assets with a remaining maturity exceeding three months on the date of acquisition which can be converted into cash in the short term.

The financial funds as of 31 December 2018 comprised the following items:

(in EUR million)	2018
Cash and cash equivalents	4,303
Financial assets	5,151
	9,454

The financial funds included EUR 492 million in restricted funds at the balance sheet date.

6 Other disclosures

6.1 Contingent liabilities

(in EUR million)	31.12.2018	31.12.2017
Liabilities from guarantees	21	21
Warranties and the granting of securities for third-party liabilities	235	159
	256	**180**

The risk of utilisation of these contingent liabilities is assessed as low on account of the good net assets, financial and earnings position.

6.2 Other financial commitments and off-balance sheet transactions

(in EUR million)	31.12.2018	31.12.2017
Rental and lease obligations	512	445
Residual other financial commitments	1,465	1,392
of which: pension-related	**10**	**0**

There are rental and lease obligations of EUR 512 million (previous year: EUR 445 million), EUR 12 million of which (previous year: EUR 11 million) relate to long-term rental obligations with non-consolidated affiliated companies.

The purpose of the lease agreements is the lower capital commitment compared to acquired property and the absence of the resale risk. Risks could arise from the term of the lease should it not be possible to continue to utilise the properties fully, of which there are no indications at this time.

Residual other financial commitments include future expenditure-effective investments of EUR 1,125 million (previous year: EUR 1,120 million).

6.3 Derivative financial instruments and valuation units

Due to its extensive international structure, the Boehringer Ingelheim Group is highly dependent on developments in the world's currencies and interest rates. To hedge these risks, particularly those emerging from goods, services and financing, currency forwards and options are generally used for currency risks. Interest rate swaps and options are used for interest rate risks.

The use of derivative financial instruments and the organisational processes are set out in internal guidelines. There is a strict separation between trading, processing, documentation and control.

Risk positions are regularly tracked, analysed and measured in a special Group-wide financial report. The positions entered into are periodically re-evaluated and monitored. The fair value of the derivative financial instruments is calculated using generally accepted market valuation methods (currency forwards based on the present value method) taking into account the market data as of the balance sheet date.

Provisions of EUR 49 million were recognised for currency forwards not included in hedge accounting for which there was a negative fair value within one currency as at the balance sheet date. In line with the imparity principle, positive fair values within one currency were not recognised.

On the balance sheet date, the derivative financial instruments not included in hedge accounting valuation units were as follows:

	Nominal value		Fair value	
(in EUR million)	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Foreign exchange forward contracts	3,906	4,105	−27	−23

To the extent that the requirements for hedge accounting of foreign currency forward exchange contracts with highly probable forecasted transactions in accordance with Section 254 HGB were met, the foreign currency forward exchange contracts were not recognised in the balance sheet in line with the net hedge presentation method.

The following accounting policies apply to the recognition of valuation groups in accordance with Section 254 HGB:

Economic hedges are accounted for in the financial statements by the use of valuation units. The valuation units are recognised for each foreign currency based on the net amount of highly probable forecasted transactions and currency forwards that match the forecasted net cash flow in terms of maturity, nominal amount and foreign currency (macro hedge). The highly probable forecasted transactions (incoming and outgoing payments for planned sales and purchases) are derived from company planning. Ex-post analysis of planning has shown that the planned transactions are highly probable.

The opposing changes in value of the hedged item and the hedging instrument are fully offset as the critical terms (maturity, nominal amount and foreign currency) match. An effective hedge can therefore be assumed both prospectively and retrospectively. The critical term match method is exclusively used to measure the prospective and retrospective effectiveness of hedges. Excess amounts under hedging transactions are not included in the valuation units.

As at 31 December 2018, hedges for highly probable forecasted net cash flows were recognised as follows:

January to December 2019:

Net cash flow (in EUR million)		Foreign exchange forward contracts (in EUR million)			
	Nominal value		Nominal value		Fair value
USD	1,460	USD	–1,453	USD	–39
JPY	720	JPY	–481	JPY	–6
AUD	127	AUD	–113	AUD	2
MXN	103	MXN	–62	MXN	–2
CAD	266	CAD	–116	CAD	1
GBP	153	GBP	–109	GBP	1

January to December 2020:

Net cash flow (in EUR million)		Foreign exchange forward contracts (in EUR million)			
	Nominal value		Nominal value		Fair value
USD	1,505	USD	–880	USD	–34
JPY	711	JPY	–361	JPY	–8
AUD	24	AUD	–16	AUD	0
MXN	14	MXN	–11	MXN	–1
CAD	44	CAD	–16	CAD	0
GBP	56	GBP	–39	GBP	0

January to December 2021:

Net cash flow (in EUR million)		Foreign exchange forward contracts (in EUR million)			
	Nominal value		Nominal value		Fair value
USD	1,495	USD	–384	USD	–13
JPY	709	JPY	–188	JPY	–5

January to February 2022:

Net cash flow (in EUR million)		Foreign exchange forward contracts (in EUR million)			
	Nominal value		Nominal value		Fair value
USD	186	USD	– 51	USD	– 2
JPY	88	JPY	– 26	JPY	– 1

For the year 2019, there were also hedge accounting valuation units from long and short positions of derivatives. The offsetting nominal values amount to +/– EUR 64 million from Japanese yen.

Furthermore, as at 31 December 2018, valuation units for foreign currency receivables were recognised as follows:

Receivables (in EUR million)		Foreign exchange forward contracts (in EUR million)			
	Nominal value		Nominal value		Fair value
RUB	100	RUB	– 53	RUB	3
PLN	54	PLN	– 15	PLN	0

The amount of the hedged foreign currency risk correlates to the relative change in the exchange rate between the planning date and the realisation date of the forecast transactions. If all currencies were to appreciate or depreciate against the euro by 10.0%, there would be a foreign currency risk of plus or minus EUR 782 million without hedging.

6.4 Research and development expenses

(in EUR million)	2018	2017
Research and development expenses	3.164	3.078

Non-capitalised research and development expenses include, amongst other items, the costs associated with clinical studies.

6.5 Shareholdings

The list of companies included in the consolidated financial statements and the list of shareholdings presented in accordance with Section 313 (2) HGB are included in the audited consolidated financial statements submitted to the German Federal Gazette.

6.6 Subsequent events

Since the end of the 2018 financial year, we have not become aware of any events that are of material significance to the Group or that could lead to a reappraisal of its net assets, financial and earnings position.

6.7 Total auditor fees

Total fees charged to the Group by the auditor for the financial year amounted to EUR 7.3 million. EUR 1.6 million of this relates to audits of financial statements, EUR 1.7 million to tax advisory services and EUR 4.0 million to other services.

Ingelheim am Rhein, 5 March 2019
Boehringer AG

Board of Managing Directors

Hubertus von Baumbach	Joachim Hasenmaier
Allan Hillgrove	Dr Andreas Neumann
Dr Michel Pairet	Michael Schmelmer

INDEPENDENT AUDITOR'S REPORT

To C.H. Boehringer Sohn AG & Co. KG, Ingelheim am Rhein

Qualified Audit Opinion on the Consolidated Financial Statements and Audit Opinion on the Group Management Report

We have audited the consolidated financial statements of C.H. Boehringer Sohn AG & Co. KG, Ingelheim am Rhein, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated profit and loss statement, cash flow statement and statement of changes in group equity for the financial year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of C.H. Boehringer Sohn AG & Co. KG for the financial year from 1 January to 31 December 2018.

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

- except for the effects of the matter described in section "Basis for the Qualified Audit Opinion on the Consolidated Financial Statements and the Audit Opinion on the Group Management Report" the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2018 and of its financial performance for the financial year from 1 January to 31 December 2018, in accordance with German Legally Required Accounting Principles, 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.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch "German Commercial Code"], we declare that, except for the qualification of the audit opinion on the consolidated financial statements mentioned, our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the group management report.

Basis for the Qualified Opinion on the Consolidated Financial Statements and the Audit Opinion on the Group Management Report

Contrary to Section 314 (1) number 6 letters a) and b) HGB the total remuneration granted to the members and the former members of the board of managing directors as well as the pension provisions recognized and not recognized for the former members of the board of managing directors are not disclosed in the notes to the consolidated financial statements.

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (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 German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Other Information

Management is responsible for the other information. The other information comprises the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our 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 opinion or any other form of assurance conclusion thereon.

In connection with our 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 Management for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and 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 German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, 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, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management 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, management is responsible for such arrangements and measures (systems) as they have 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.

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 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 in compliance with the German Generally Accepted Standards of 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 judgement and maintain professional scepticism 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 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 (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management'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 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 German Legally Required Accounting Principles.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our 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 management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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 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.

Frankfurt / Main, 5 March 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

Original German version signed by

Kneisel	Krauß
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]