
**ANNUAL REPORT
2020**

Content

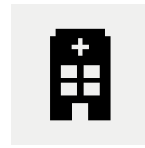
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MARKETS

Dräger offers its hospital customers anesthesia workstations, ventilators for intensive and emergency care, patient monitoring solutions as well as neonatal care equipment for premature babies and newborns. With its supply units, operating room IT solutions, gas management systems, technical services and accessories, Dräger is at the customer's side throughout the entire hospital.

In the field of safety technology, fire services, emergency response services, law and regulatory enforcement and industry customers all place their trust in Dräger's integrated hazard management systems, in particular for personal protection and plant safety. This includes respiratory protection equipment, stationary and mobile gas detection systems, professional diving equipment and systems as well as alcohol and drug testing devices. Dräger also develops customized solutions, such as entire fire training systems, training and service concepts as well as workshops, in collaboration with its customers.



Hospital



Fire services



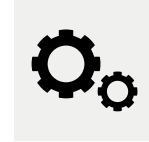
Oil and gas industry



Mining



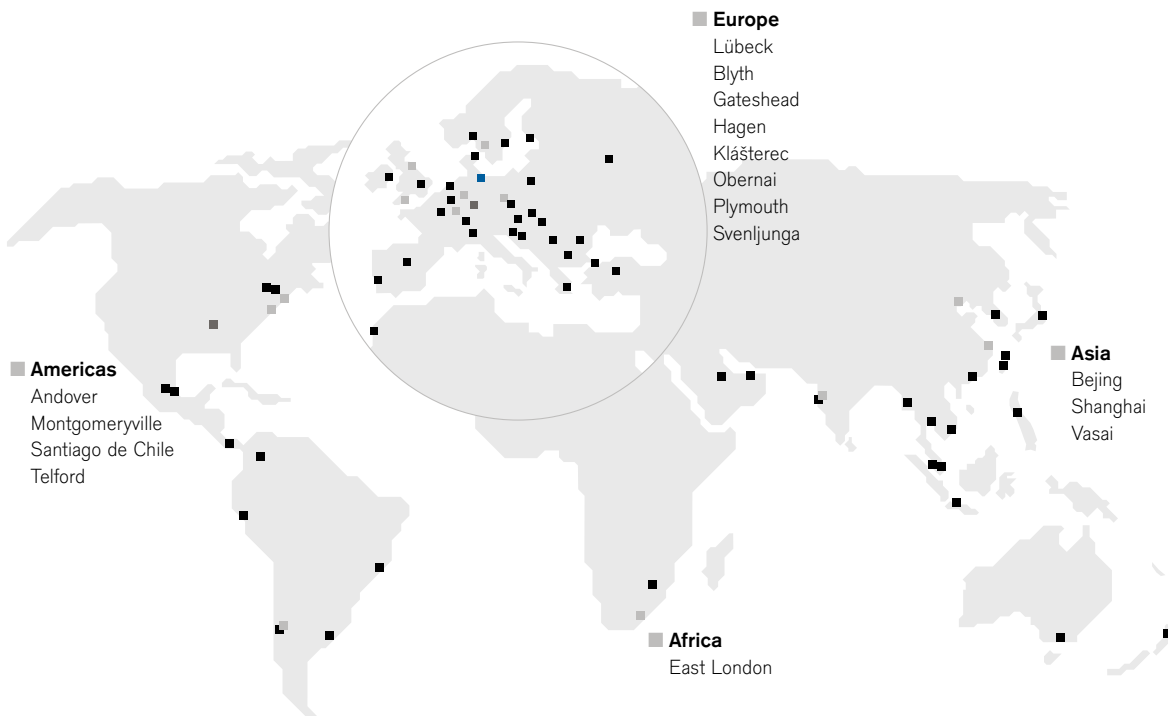
Chemical industry



Application-driven markets

DRÄGER WORLDWIDE

Headquarters, sales and service organizations, production sites, and logistic centers



■ Headquarters ■ Sales and service organizations ■ Production sites ■ Logistic centers

Technology for Life

COMPANY PROFILE

Dräger is an international leader in the fields of medical and safety technology. The family-run company was founded in Lübeck, Germany, in 1889. Over the past five generations, Dräger has evolved into a publicly traded, worldwide group. The Company's long-term success is based on the four key strengths of its value-driven corporate culture: customer intimacy, professional employees, continuous innovation and a commitment to outstanding quality.

›Technology for Life‹ is the guiding philosophy of the Company. Whether in the operating room, in intensive care or in fire and emergency response services, Dräger products protect, support and save lives.

The Company has more than 15,000 employees worldwide and is currently represented in over 190 countries. Dräger has sales and service subsidiaries in about 50 countries. Its development and production facilities are based in Germany, Chile, China, Czech Republic, France, India, Norway, South Africa, Sweden, the United Kingdom and the United States.

SELECTED KEY FIGURES DRÄGER GROUP

		Twelve months		
		2020	2019	Change in %
Order intake	€ million	3,786.2	2,796.1	+ 35.4
Net sales	€ million	3,406.3	2,780.8	+ 22.5
Gross profit	€ million	1,608.9	1,188.4	+ 35.4
Gross profit / Net sales	%	47.2	42.7	
EBIT¹	€ million	396.6	66.6	> +100.0
EBIT ¹ / Net sales	%	11.6	2.4	
Net profit	€ million	249.9	33.8	> +100.0
Earnings per share on full distribution²				
per preferred share	€	10.25	1.44	> +100.0
per common share	€	10.19	1.38	> +100.0
DVA^{3,4}	€ million	296.9	-32.7	> +100.0
Cash flow from operating activities	€ million	460.0	164.4	> +100.0
Net financial debt ⁵ / EBITDA ^{3,6}	Factor	0.36	0.46	
Equity ratio ⁵	%	31.3	41.9	
Headcount as at December 31		15,657	14,845	+ 5.5

¹ EBIT = earning before net interest result and income taxes

² Based on an imputed actual full distribution of earning attributable to shareholders

³ Value of the last twelve months

⁴ Dräger Value Added = EBIT less cost of capital of average invested capital

⁵ Value as at reporting date

⁶ EBITDA = earnings before net interest result, income taxes, depreciation and amortization

Dear Shareholders, dear Employees, dear Readers,

When looking back on 2020, we see an extraordinary year – a year in which the risk of a global pandemic became a reality. The pace at which the coronavirus has spread shows how connected our world has become. In spite of all the efforts to contain infection and wide-ranging stimulus, the pandemic has left a significant mark on both the economy and society around the world.

As the number of cases of COVID-19 rose in spring, demand for our ›Technology for Life‹ – from ventilators, patient monitors, and associated consumables, all the way through to FFP masks and CO₂ sensors – rose to unprecedented levels. The decision to build the ›factory of the future‹ in Lübeck a number of years ago and the flexibility that it gave us have proven their worth, helping us to overcome the major challenge of significantly increasing ventilator production capacity at short notice. This allowed us to almost triple our production year on year in 2020 and supply ventilators to more than 120 countries. We also expanded our capacities significantly in light respiratory protection products, ramping up existing production in Sweden and South Africa while also setting up new mask production capacities in the U.S., France, and the U.K. All of this was achieved under enormous time pressure and in spite of significant tension throughout international supply chains.

There were unparalleled rises in order intake, net sales, and earnings in fiscal year 2020 owing to the high demand for our products. The fourth quarter, which is traditionally the strongest quarter for Dräger, set a new record, with net sales of over EUR 1 billion. The full-year rise in net sales came to more than 25 percent, net of currency effects. Earnings also climbed by a considerable margin in line with our high net sales. At 11.6 percent, our EBIT margin was significantly higher than in the prior year and surpassed our original expectations for the fiscal year. Dräger Value Added also increased to a record level.



STEFAN DRÄGER

Stefan Dräger joined the Company in 1992 and has been Chairman of the Executive Board since 2005. He is representing the fifth generation of the Dräger family to lead the Company, and his term runs until the end of February 2025.

»The coronavirus pandemic has shaped 2020 like no other event in decades. While others went into lockdown and stayed at home, one thing was immediately clear to us: We have a social responsibility to provide for society, and it is our duty to fulfill it. Never before have we sensed the actual meaning of our work so immediately, that our ›Technology for Life‹ is so necessary. That is precisely why our motto throughout this whole time was: All hands on deck! We have continuously been balancing the maintenance of our operations and the protection of our employees. In doing so, we were able to seize the opportunities that presented themselves during the crisis and put them to good use.«

We also used 2020 to take an important step toward cleaning up our capital structure: We terminated all outstanding participation certificates, simplifying our equity structure, which will only consist of common and preferred shares in future. After the elimination of the participation certificates, earnings per share will rise by approximately 27 percent, which increases the appeal of Dräger shares.

The termination of the participation certificates led to a significant rise in net debt in 2020, with the equity ratio declining significantly to 31.1 percent. Against this backdrop, the Executive Board and Supervisory Board have decided to propose to the annual shareholders' meeting an increase in profit retention. Dräger will maintain the dividend at 2020 levels until the equity ratio returns to above 40 percent.

I would like to take this opportunity to expressly thank all our employees for the tremendous dedication with which they are rising to the current challenges. They are demonstrating the value we chose as our motto back when we celebrated our anniversary in 2014: They are working with heartfelt dedication! All of our employees are going the extra mile and are working for life every day! For this reason, we decided to pay a special Thank-You bonus to all employees worldwide at the end of the year. In Germany, part of the bonus was paid in the form of preferred shares, allowing many employees to become shareholders for the first time. What is more, twice as many employees took part in the annual employee share program at the end of 2020 than in the prior year and acquired additional shares of the company. This is a very encouraging development and demonstrates their loyalty to Dräger.

So what is next for us in the short to medium term? Even though there remains a great deal of uncertainty in relation to the coronavirus pandemic, we believe that the one-off effects will abate for Dräger. Our business performance in 2020 will not be repeated in the same form in 2021. In fiscal year 2021, we expect to see a decline in net sales of between 7.0 percent and 11.0 percent (net of currency effects) compared to the record-breaking reporting year. The EBIT margin is expected to range between 5.0 percent and 8.0 percent.

We may have capitalized on the tailwind provided by our current business performance and cleaned up our capital structure, for example, but there are still a range of challenges to overcome. These include renewing the product portfolio, particularly in the medical division, strengthening our competencies in the system solutions business, and lastly achieving the long-term improvement of profitability.

Will everything get back to normal? Or will we move on to a ›new normal‹ in a post-coronavirus world? I would like to make a prediction: I think we are overestimating the value of vaccinations, which will not solve all of our problems. At the same time, we are underestimating people's adaptability. Shaking hands feels like it has already been confined to the past. Wearing masks, which became widespread in Europe for the first time last year, will become part of daily life – at least during cold and flu season. Rapid testing and tracing cases will continue to play a key role. It is time to draw a line under the past year and prepare ourselves for what is ahead, with all of the challenges and opportunities that come with it. It is up to us to come together to seize these chances and make the most of them.

Best regards,



Stefan Dräger

Executive Board

Forwardlooking, responsible leadership has been fundamental to Dräger's corporate culture since more than 130 years. Stefan Dräger and his Executive Board team are dedicated to realizing a sustainable increase in corporate value, pursuing that objective with openness, passion and high standards.

STEFAN DRÄGER

Chairman of the Executive Board

GERT-HARTWIG LESCOW

Chief Financial Officer and
Executive Board member for IT
Vice-Chairman of the Executive Board

RAINER KLUG

Executive Board member
for Safety Division

DR. REINER PISKE

Executive Board member
for Sales and Human Resources

ANTON (TONI) SCHROFNER

Executive Board member
for Medical Division



GERT-HARTWIG LESCOW

As Vice-Chairman of the Executive Board, Gert-Hartwig Lescow is responsible for Finance and IT. He has been with Dräger since 2008, and his term runs until the end of March 2026.

»2020 has been a very unusual year with many challenges but also with many opportunities. Through the termination of all three series of participation certificates, we are now completing the consolidation of our equity structure that began several years ago. Following the redemption of the participation certificates, the earnings will wholly go to the shareholders. Earnings per share will increase by approximately 27 percent per share as a result of all these measures.«



RAINER KLUG

Rainer Klug is in charge of Safety Division. He has been with Dräger since 2015, and his term runs until the end of July 2023.

»In 2020, the safety division was affected by two very significant and different factors. Worldwide demand for light respiratory protection products, specifically FFP masks, was so high that the global production capacities of the entire industry were overloaded. Dräger very pragmatically set up three new production plants in a very short time to meet a portion of this demand. Demand for safety technology in the industrial sector declined very quickly as a result of the pandemic. We were able to compensate for this secondary, negative effect in the short term by multiplying our light respiratory protection business, enabling Dräger's safety division to achieve very positive net sales growth.«

**DR. REINER PISKE**

Dr. Reiner Piske is responsible for Sales and Human Resources. He has been with Dräger since 2015, and his term runs until the end of October 2023.

»In the past fiscal year, our Sales and Service employees helped our customers around the world to procure urgently needed devices, accessories, and protective equipment as quickly as possible, sometimes under extreme conditions. In healthcare systems around the world, our service technicians helped provide maintenance for medical equipment, trained personnel, and assisted in the set-up of emergency hospitals. In 2020, we delivered newly produced ventilators to more than 120 countries, some of which were already being used on patients just 24 hours after leaving production. It was in these extreme situations that we were able to show our customers that Dräger is a reliable partner even in a time thoroughly infused with uncertainty and ever-changing conditions.«

**TONI SCHROFNER**

Toni Schrofner is in charge of Medical Division. He has been with the Company since 2010, and his term runs until the end of August 2023.

»In the medical division, products related to the treatment of COVID-19 were the focus of attention. With our devices, we support customers in the fight for their patients' lives. Respirators, patient monitors, and related consumables were in particularly high demand. Thanks to the flexibility of the ›factory of the future‹ that was built a few years ago, we were able to almost triple our year-on-year production of ventilators in fiscal year 2020.«

Report of the Supervisory Board

Dräger looks back on an extraordinary fiscal year 2020. The Supervisory Board continued its trusting working relationship with the Executive Board, dealing in detail with the company's economic situation and prospects. There was, in particular, an exchange concerning the challenges facing the company as a result of the coronavirus pandemic and on how the company's capacities could be rapidly expanded in various areas. The termination of the outstanding participation certificates and the capital increase were also topics of discussion.

Dear Shareholders,

Your company was faced with huge demands in fiscal year 2020. The coronavirus pandemic triggered a very sharp increase in demand for Dräger products. For example, ventilators and related consumables were urgently needed in hospitals around the world which led to output volumes having to be ramped up rapidly. FFP masks were also in very high demand, both for the protection of medical personnel and for private users. To meet this demand, the company made substantial investments last year and set up several new mask production sites.

From the perspective of the Supervisory Board, the company's activities have fulfilled its responsibilities in this extraordinary year. Moreover, the measures undertaken to simplify the capital structure improved the company's prospects. Through the cancellation of the outstanding participation certificates, including the associated capital increase, the company strengthened its positioning on the capital market.

Taking the demand as a result of the coronavirus pandemic as a backdrop, the economic development of your company significantly exceeded original expectations and forecasts. Net sales increased by more than 25 percent net of currency effects, meaning the increase in net sales was even higher than the revised forecast published by the company last summer. Earnings benefited significantly from the increase in net sales and the associated high capacity utilization, despite negative currency effects from the appreciation of the euro. The EBIT margin stood at 11.6 percent in fiscal year 2020, thereby exceeding the adjusted forecast. Dräger Value Added also increased significantly and was above both budget and forecast.

For fiscal year 2021, Dräger anticipates a decline in net sales (net of currency effects) of between -7.0 and -11.0 percent. The company forecasts an EBIT margin of between 5.0 and 8.0 percent. The Supervisory Board believes the expectations of the Executive Board regarding net sales and earnings growth to be realistic when considered against the backdrop of declining one-off effects as a result of the coronavirus pandemic.

In fiscal year 2020, the Supervisory Board carefully and regularly monitored the work of the Executive Board of the general partner in accordance with the law and the articles of association, and provided advice on the strategic development of the Company as well as all major measures. The Supervisory Board was involved in all decisions of importance to the company. The extensive written and oral reports by the Executive Board formed the basis for these decisions. The Chairman of the Supervisory Board was also regularly informed about current business developments and major transactions by the Chairman of the Executive Board and by individual members of the Executive Board outside of the Supervisory Board meetings.

INDIVIDUAL PARTICIPATION RATE

Member of the Supervisory Board	Supervisory Board plenum	Joint Committee	Audit Committee	Nomination Committee	Participation / Number of sessions
Stefan Lauer (Chairman)	5 / 5	6 / 6	5 / 6	0 / 0	
Siegfried Kasang (Vice-Chairman)	4 / 5	5 / 6	5 / 6		
Nike Benten	5 / 5				
Maria Dietz	5 / 5	6 / 6			
Daniel Friedrich	5 / 5		5 / 6		
Prof. Dr. Thorsten Grenz	5 / 5	6 / 6	5 / 6		
Astrid Hamker	5 / 5	6 / 6			
Stephan Kruse	4 / 5				
Uwe Lüders	5 / 5	6 / 6	6 / 6	0 / 0	
Thomas Rickers	5 / 5	6 / 6			
Bettina van Almsick	5 / 5				
Dr. Reinhard Zinkann	5 / 5	6 / 6		0 / 0	

MEETINGS

At four regular meetings and one extraordinary meeting, the Supervisory Board dealt in detail with the business and strategic development of the Dräger Group, the divisions, as well as the German and foreign subsidiaries, and intensively advised the Executive Board on such matters. At the meeting on February 27, 2020, one agenda item was scheduled without the participation of the Executive Board. Moreover, it was not deemed necessary to discuss meetings or individual items on the agenda without the Executive Board. The participation of the members of the Supervisory Board and the committees is indicated in the table ›Individual Participation Rate‹.

FOCAL POINTS OF THE SUPERVISORY BOARD DELIBERATIONS

In the past fiscal year, discussions focused on segment reporting on both the medical and safety divisions, the development of the product portfolio, and the company's long-term strategic targets, as well as earnings trends and cost development. The renewed implementation of an employee share program, which was implemented this year in conjunction with the granting of free shares to mitigate the extraordinary burdens on account of the coronavirus pandemic, was also a topic of discussion. How to handle the new approval requirements for medical devices as stipulated by the U.S. Food and Drug Administration also continued to be a topic in several meetings.

Particular focus of the 2020 discussions was placed on the termination of the series D participation certificates, which was discussed in detail and resolved at a special meeting of the Joint Committee on March 24, 2020, and subsequently of the series A and K and the capital increase carried out in this context by means of the issue of 1,000,000 new bearer preferred shares. This transaction was the main topic at the extraordinary meeting on April 17, 2020. To enable the implementation of the capital increase, the Supervisory Board formed a Capital Markets Committee, consisting of Stefan Lauer, Professor Dr. Thorsten Grenz, and Siegfried Kasang, as well as Uwe Lüders as a substitute member, which then subsequently met twice to pass the necessary resolutions. Another topic at the meeting on April 17, 2020 was the planning for the implementation of the annual shareholders' meeting as a virtual annual shareholders' meeting in line with Germany's legislation to cushion the impacts of the coronavirus pandemic in civil law, insolvency law, and criminal procedural law.

In all of the meetings, the Supervisory Board placed a particular and intense focus on the challenges and opportunities arising for the company as a result of the coronavirus pandemic.



STEFAN LAUER

Chairman of the Supervisory Board
of Drägerwerk AG & Co. KGaA

»Dräger looks back on an extraordinary fiscal year 2020. Even though this past year gave us all plenty of cause for humility, reflection, and mourning, additional business opportunities opened up for the company due to the sharp rise in demand for products that could protect or save lives. It was this situation that gave rise to new challenges for Dräger, the handling of which, among other things, characterized the intensive and trusting collaboration with the Executive Board.«

In its meeting on December 10, 2020, the Supervisory Board determined the approach to the audit of the non-financial statement (sustainability report), which the company prepares and publishes pursuant to Secs. 289b et seq. German Commercial Code (HGB). The plan for fiscal year 2021 was also presented to the Supervisory Board in a meeting held on December 10, 2020, and approved by the Joint Committee, which is responsible for resolutions concerning transactions requiring approval. In addition, the Supervisory Board discussed with the German Corporate Governance Code at this meeting. The Company has fully complied with the recommendations of the German Corporate Governance Code in the version dated February 7, 2017 until March 20, 2020, and has complied with the recommendations of the German Corporate Governance Code as amended on December 16, 2019 since March 21, 2020, apart from two justified deviations concerning the Executive Board's remuneration. The declaration of conformity from the Supervisory Board and Executive Board pursuant to Sec. 161 German Stock Corporation Act (AktG) is permanently available on the company website and in the declaration of corporate governance.

ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee held three meetings and three conference calls in the year under review. The CFO, the head of the Accounting department, the head of the Internal Audit department, and representatives of the statutory auditor took part in all meetings.

At its meetings, the Audit Committee reviewed the single entity and Group financial statements, the quarterly results, the half-yearly report, the audit of the non-financial statement (sustainability report), and the profit appropriation proposal. In addition, the Committee audited and assessed the financial reporting process and the risk reporting system, as well as the audit activities of the Internal Audit department and the auditors. The new segment reporting, the organization of Compliance and its activities, as well as the risk management system, were also discussed at the meetings. The Chairman of the Audit Committee also informed the plenary Supervisory Board of the results of its deliberations.

In January and February 2021, the Internal Audit department and Legal department audited the sustainability report on behalf of the Audit Committee. The Audit Committee relied on this internal audit report in its audit of, and for its approval of, the sustainability report. According to that audit, there are no indications of failure to comply with the law, or that legally required content is missing.

ACTIVITIES OF THE NOMINATION COMMITTEE

The Nomination Committee did not meet in the year under review.

TRAINING AND EDUCATION

The members of the Supervisory Board are responsible for the training and continuing training measures required for their duties and are supported in this undertaking by the company. Internal information events, for example on changes in the legal framework, are offered by the legal department when required. New members of the Supervisory Board are familiarized with the specifics of the company when they take office.

SINGLE ENTITY AND GROUP FINANCIAL STATEMENTS

The Supervisory Board commissioned the statutory auditor elected by the annual shareholders' meeting, Frankfurt-based PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, to audit the single entity and Group financial statements for fiscal year 2020. Subject of the audit were the single entity financial statements of Drägerwerk AG & Co. KGaA, prepared in accordance with the German Commercial Code (HGB), as well as the Group financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS), and the combined management report of Drägerwerk AG & Co. KGaA and the Dräger Group. The auditor examined the single entity financial statements of Drägerwerk AG & Co. KGaA, prepared in accordance with the provisions of the German Commercial Code, the Group financial statements, prepared in accordance with IFRS, as well as the combined management report of both Drägerwerk AG & Co. KGaA and the Group, and issued an unqualified audit opinion. The auditor confirmed that the Group financial statements are prepared in accordance with IFRS and the combined management report is conform to IFRS as adopted by the EU.

The members of the Supervisory Board carefully examined the single entity and Group financial statements, the combined management report, as well as the audit reports. Representatives of the statutory auditor attended the Audit Committee's meeting on February 23, 2021, during which Dräger's single entity and group financial statements were deliberated on, as well as the Supervisory Board's meeting on February 24, 2021, to discuss the financial statements. These representatives reported on the performance of the audit and were available to provide additional information. At these meetings, the Executive Board explained the single entity financial statements of Drägerwerk AG & Co. KGaA and the Group financial statements, along with the risk management system. On the basis of the audit reports on the single entity and Group financial statements and the combined management report, the Audit Committee came to the conclusion that both sets of financial statements with their respective management reports give a true and fair view of the net assets, financial position, and results of operations in accordance with the applicable financial reporting framework. To do so, the Audit Committee deliberated on material asset and liability items and their valuation, as well as the presentation of the earnings position and the development of certain key figures. The Chairman of the Audit Committee reported on the discussions to the Supervisory Board. Further questions by members of the Supervisory Board led to a more detailed discussion of the results. The Supervisory Board was convinced that the dividend proposed by the general partner was appropriate considering the net assets, financial position, and results of operations, and approved it. The liquidity of the company and the interests of the shareholders were taken into account in equal measure. There were no reservations concerning the economic efficiency of the Executive Board's actions.

After the preliminary review by the Audit Committee, the Supervisory Board reviewed and approved the single entity and Group financial statements of Drägerwerk AG & Co. KGaA, as well as the combined management report and sustainability report. The single entity financial statements of Drägerwerk AG & Co. KGaA must be approved by the annual shareholders' meeting. The Supervisory Board agreed with the recommendation made by the general partner to approve the single entity financial statements of Drägerwerk AG & Co. KGaA and supports the proposed appropriation of net earnings.

CHANGES IN THE EXECUTIVE BOARD

There were no personnel changes in the Executive Board in the year under review. By resolution of the Supervisory Board of Drägerwerk Verwaltungs AG on December 9, 2020, Gert-Hartwig Lescow's appointment as CFO and Executive Board member for IT and Vice Chairman of the Executive Board was extended to March 31, 2026.

CHANGES IN THE SUPERVISORY BOARD

There were no personnel changes to the Supervisory Board in the year under review.

CONFLICTS OF INTEREST

There were no conflicts of interest involving members of the Executive and Supervisory Boards, which must be disclosed to the Supervisory Board without delay and about which the annual shareholders' meeting must be informed.

The Supervisory Board would like to recognize the Executive Board for its performance and dedicated service in the year under review. Furthermore, it thanks management and all employees, including employee representatives, for their hard work in fiscal year 2020.

Lübeck, February 24, 2021



Stefan Lauer

Chairman of the Joint Committee

Report of the Joint Committee

Dear Shareholders,

The company has a Joint Committee as an additional voluntary body that comprises four members of the Supervisory Board of the general partner, as well as two shareholder and two employee representatives from the Supervisory Board of Drägerwerk AG & Co. KGaA.

With regard to the legal form of the company as a partnership limited by shares, this Committee is responsible for transactions requiring approval (pursuant to Sec. 111 [4] Sentence 2 AktG). The Chairman of the Supervisory Board, Stefan Lauer, is the Chairman of the Joint Committee. The Joint Committee held four regular meetings and two extraordinary meetings in the reporting year, dealing in detail with the business and strategic development of the Dräger Group. The termination of the series D participation certificates was the main topic at the extraordinary meeting on March 24, 2020. The Joint Committee decided on transactions requiring approval after careful consideration of the documents provided by the Executive Board. It approved all transactions.

Lübeck, February 24, 2021



Stefan Lauer

Chairman of the Joint Committee

The Dräger shares

The strong business performance in the past year ensured positive development for the price of Dräger shares. The reason was the high demand for Dräger products used in connection with the coronavirus pandemic. Dräger common shares gained 51% over the course of the year, with Dräger preferred shares gaining 13%.

Development of the Dräger shares

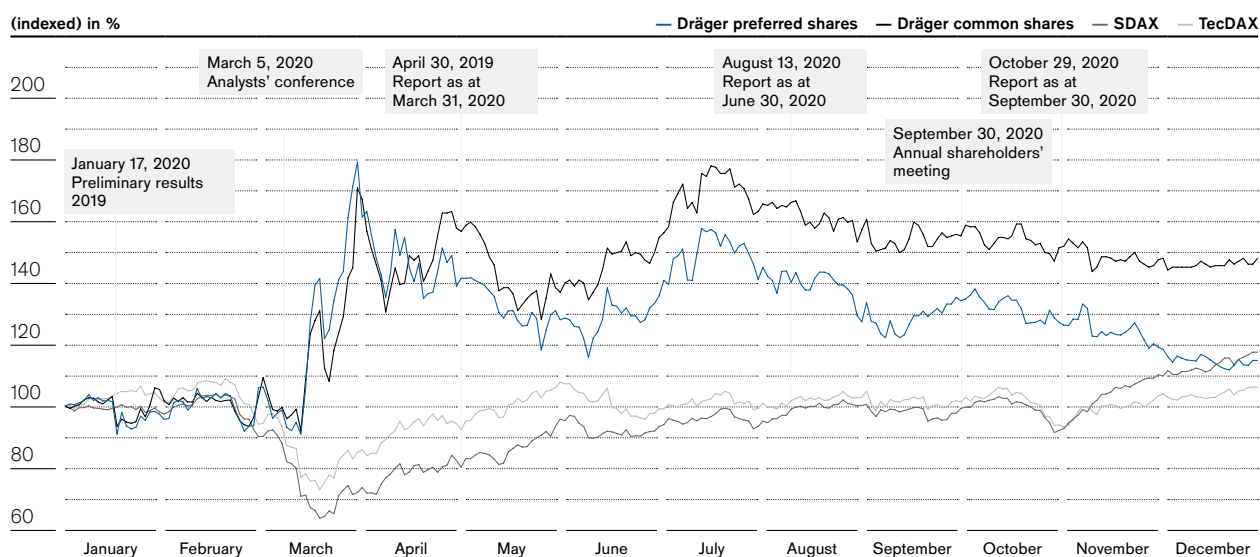
Due to the high demand for Dräger products as a result of the coronavirus pandemic, the value of Dräger shares increased significantly, particularly in the first half of the year.

While the Dräger shares initially recorded minimal price changes in the first few weeks of the reporting year, prices started to rise significantly in March with the announcement of a major order for ventilators. At its peak, the Dräger preferred shares briefly rose to EUR 98.50. In the months that followed, the preferred shares traded at around EUR 70 with brief fluctuations in both directions. Common shares saw similar performance for the most part, albeit around EUR 10 lower. In the final weeks of the year, however, prices of the preferred shares fell somewhat, whereas the common shares continued their stable performance.

As at the balance sheet date, December 31, 2020, Dräger common shares stood at EUR 59.80 – a gain of 51.0 % since the start of the year. The price of Dräger preferred shares stood at EUR 63.10 at the end of December, corresponding to a gain of 13.3 % since the start of the year. In 2020, the SDAX index gained 18.0 % to stand at roughly 14,765 points. The TecDAX index also recorded slightly positive development, rising 6.6 % to around 3,213 points. As a result of adjustments to the index, the Dräger preferred share was re-included in the TecDAX as at April 30, 2020.

The market capitalization of the roughly 18.8 million Dräger shares came to roughly EUR 1,150 million as at December 31, 2020, compared to approximately EUR 826 million at the end of 2019. ↗ Please refer to the ›Dräger share price developments 2020‹ chart

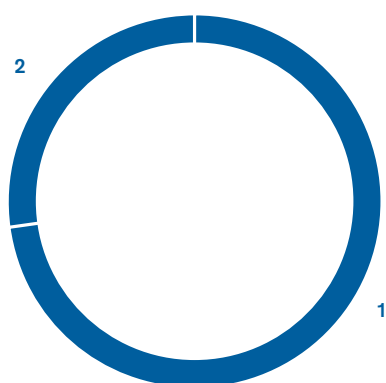
SHARE PRICE DEVELOPMENTS 2020



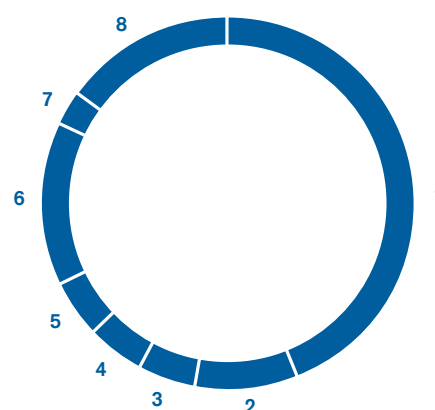
DEVELOPMENT OF THE DRÄGER SHARES AND KEY INDICES AS AT DECEMBER 31, 2020

in %, p. a.	1 year	3 years	5 years	10 years
Dräger common shares	51	-1	0	2
Dräger preferred shares	13	-4	-2	0
SDAX	18	7	10	11
TecDAX	7	8	12	14

OWNERSHIP OF COMMON SHARES



in %	
1. Dräger family	71.34
2. Free float	28.66

SHAREHOLDER STRUCTURE ¹

in %	
1. USA	44
2. Germany	9
3. Great Britain	5
4. France	5
5. Norway	5
6. Rest of Europe	14
7. Rest of the world	3
8. Private investors and unspecified investors	15

¹ Preferred shares and common shares not including shares owned by the Dräger family; as at January 2021

Capital increase and participation certificate buyback

In April, Dräger placed 1,000,000 new preferred bearer shares with institutional investors within the scope of a capital increase. The new preferred shares were issued through the partial utilization of the authorized capital under exclusion of subscription rights. The price of placement for the new preferred shares stood at EUR 76.50, resulting in gross proceeds of EUR 76,500,000 for the Company. Following completion of the capital increase, the Company's share capital now amounts to EUR 48,025,600.

Prior to this, Dräger canceled all 566,819 series D participation certificates in March with 24 months' notice to the end of the 2022 calendar year. After the successful placement of the capital increase, Dräger also terminated all 195,245 series A participation certificates and all 69,887 series K participation certificates in April by giving six months' notice to the end of the 2020 calendar year.

The buyback value is determined in accordance with the respective terms and conditions underlying the participation certificates and corresponds to ten times the average market price of the preferred share in the last three calendar months before the announcement of the termination. The buyback value per participation certificate of series A and K therefore amounts to EUR 596.00. The buyback value of the series D participation certificates already terminated in March amounts to EUR 546.20 per participation certificate.

DRÄGER SHARES INDICATORS

	2020	2019	2018
Common shares			
No. of shares as at the reporting date	10,160,000	10,160,000	10,160,000
High (in €)	69.10	46.80	66.50
Low (in €)	37.25	31.90	37.00
Share price on the reporting date (in €)	59.80	39.60	41.20
Annual share price development	+51.0 %	-3.9 %	-32.6 %
Average daily trading volume ¹	12.918	3.870	3.308
Dividend per share (in €)	0.13	0.13	0.13
Dividend yield	0.2 %	0.3 %	0.3 %
Earnings per common share on full distribution (in €) ³	10,19	1,38	1,42
Preferred shares			
No. of shares as at the reporting date	8,600,000	7,600,000	7,600,000
High (in €)	98.50	58.55	88.25
Low (in €)	50.00	38.74	45.32
Share price on the reporting date (in €)	63.10	55.70	46.58
Annual share price development	+13.3 %	+19.6 %	-35.6 %
Average daily trading volume ¹	69.948	20.137	40.332
Dividend per share (in €)	0.19 ²	0.19	0.19
Dividend yield	0.3 %	0.3 %	0.4 %
Earnings per preferred share on full distribution (in €) ³	10.25	1.44	1.48
Total distribution (in € thousand)	4,536 ²	4,346	4,346
Distribution rate	1.8 % ²	13.0 %	12.6 %
Market capitalization (in € thousand)	1,150,228	825,656	772,600

¹ All German stock exchanges (source: designated sponsor)

² Pending approval by the annual shareholders' meeting

³ Based on an imputed actual full distribution of earnings attributable to shareholders (please refer to note 22 in the Notes to the Annual Financial Statements)

DRÄGER SHARES – BASIC FIGURES

	Common shares	Preferred shares
Securities identification number (WKN) / ISIN ¹	555060 / DE0005550602	555063 / DE0005550636
Ticker symbol / Reuters / Bloomberg	DRW / DRWG.DE / DRW8	DRW3 / DRWG_p.DE / DRW3
Main stock exchange	Frankfurt / Xetra	Frankfurt / Xetra
Market segment	Prime Standard	Prime Standard
Index	–	TecDAX, SDAX
Initial listing	2010	1979

¹ International Securities Identification Number

Payment of the buyback value to the holders of the participation certificates was made in the amount of approximately EUR 116 million for series A and approximately EUR 42 million for series K in accordance with the respective terms and conditions underlying the participation certificates on January 4, 2021. Payment of the buyback value to the holders of the participation certificates for series D in the amount of approximately EUR 310 million will be made on January 2, 2023.

Shareholder structure

The capital stock is divided into common and preferred shares. According to the definition of Deutsche Börse AG, 71.34 % of common shares are held by the Dräger family: 67.19 % of the common shares are held by Dr. Heinrich Dräger GmbH. In addition, members of the Dräger family hold a further 4.15 % of the common shares. A total of 28.66 % of the common shares are in free float. Of the preferred shares, which do not confer voting rights, 100 % are in free float.

An analysis of the shareholder structure (common and preferred shares) conducted in the first quarter of 2020, which excluded the Dräger family's shares, showed that institutional investors from the United States accounted for 44 % of capital stock in free float at that point in time, while institutional investors from Europe accounted for 38 %. Investors from Germany represented the largest portion of European shareholders, at nine percentage points. They are followed by France, Norway, and the United Kingdom, with approximately five percentage points each. The proportion attributable to private investors and other unidentified investors was around 15 % of capital stock.

The employee share program took place once again in the fourth quarter of 2020, this time accompanied by a pandemic bonus that was paid to all employees in Germany, in some cases in the form of shares. As a result, just under 85 % of employees in Germany are now shareholders in the Company, taking over a total of 3.9 % of preferred shares in the course of the employee share programs.

[↗] Please refer to the ›Ownership of common shares‹ and ›Shareholder structure‹ charts on page 17

[≡] Please refer to note 31 in the Notes to the Annual Financial Statements

Dividend policy and proposal

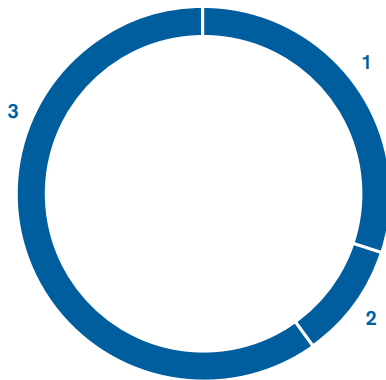
Net financial debt increased sharply as a result of the termination of the participation certificates. Dräger will maintain the dividend at the current level until the equity ratio returns to above 40 %. As a result, the Executive Board of the general partner and the Supervisory Board will propose a dividend of EUR 0.19 per preferred share and EUR 0.13 per common share to the annual shareholders' meeting. As a result, the proposed distribution rate is 1.8 % (2019: 13.0 %).

[≡] Please refer to note 22 in the Notes to the Annual Financial Statements.

Sustainability reporting and rating

Some 24 % of shares in free float are held by sustainable investors (2019: 17 %). Dräger is audited regularly (often every two years) by respected sustainability ratings agencies. In the EcoVadis CSR Assessment in 2020, Dräger was awarded ›gold‹ status and was among the best 5 % of the industry. One year earlier, ISS awarded us the ›Prime‹ label in its ESG Corporate Rating, giving us the best rating in the ›Health care equipment and suppliers‹ industry. Also, in 2019, Dräger received a rating of A (on a scale from AAA to CCC) in the MSCI ESG Ratings. In December 2020, Dräger was ranked top in a survey conducted by the magazine Wirtschaftswoche on companies who make the greatest contribution to the public good. The Dräger sustainability report is available at www.draeger.com/sustainability

ANALYST RECOMMENDATIONS¹



1. Hold	3	3. Buy	6
2. Sell	1		

¹ At the end of 2020

Analyst coverage

At the end of 2020, analysts from 10 institutions (2019: 10) assessed Dräger's business performance: Bankhaus Metzler, EQUI.TS, Hauck & Aufhäuser, DZ Bank, Independent Research, Kepler Cheuvreux, LBBW, M.M. Warburg & Co., Main First Bank, and Nord/LB. A current overview of analyst recommendations can be found here:

- ☐ www.draeger.com/en_corp/Investor-Relations/Share#analyst-recommendations
- ↗ Please refer to the 'Analyst recommendations' chart.

02

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COMBINED MANAGEMENT REPORT

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Principles of the Group

Group structure

Drägerwerk AG & Co. KGaA is the parent company of the Dräger Group. Central functions and jointly used services are also pooled in the Company. All shareholdings that form part of the global operative business are either directly or indirectly controlled by the parent company. In addition, Drägerwerk AG & Co. KGaA maintains shareholdings in some companies that are not part of the operative business of the Dräger Group. [☰ Please refer to note 48](#)

Dräger is represented in over 190 countries and maintains its own sales and service companies in some 50 countries. Dräger operates development and production sites in Germany (Lübeck, Hagen), Chile (Santiago de Chile), China (Beijing, Shanghai), France (Obernai), the United Kingdom (Blyth, Plymouth), India (Vasai), Norway (Oslo), Sweden (Svenljunga), South Africa (East London), the Czech Republic (Kláštorec), and the U.S. (Andover, Telford).

Management, planning, and reporting

ORGANIZATIONAL AND MANAGEMENT SYSTEM

Since January 2020, we manage our business primarily through the medical and safety divisions, replacing the previous region-based structure. We have adjusted our segment reporting accordingly.

[↗ Please refer to the chart ›Executive Board responsibilities‹](#)

EXECUTIVE BOARD RESPONSIBILITIES¹

Stefan Dräger Chairman of the Executive Board	Gert-Hartwig Lescow CFO, Executive Board member for IT, and Vice-Chairman of the Executive Board	Dr. Reiner Piske Executive Board member for Sales and Human Resources	Toni Schrofner Executive Board member for Medical Division	Rainer Klug Executive Board member for Safety Division
Occupational Health and Safety Basic Research Real Estate Intellectual Property Quality Management Legal, Compliance, and Data Protection Corporate Auditing Environmental Management Corporate Communications and Corporate Identity Corporate Strategy and Business Development	Controlling Purchasing (indirect materials and IT) Information Security Information Technology Investor Relations Accounting Taxes Treasury Insurance Customs and Export Control	Human Resources Service Sales	Purchasing Research and Development Logistics Marketing Production Product Management Quality	Purchasing Research and Development Logistics Marketing Production Product Management Quality
		Sales and service locations	Production and development locations Medical Division	Production and development locations Safety Division

¹ Simplified presentation

MEDICAL BUSINESS

In the medical division, we develop and produce system solutions, equipment, and services for the acute point of care. Within the division, which has fallen under the Executive Board responsibility of Toni Schrofner since 2020, we have introduced business responsibility according to the five business units: Therapy (anesthesia devices and ventilators, as well as thermoregulation equipment), Hospital Consumables & Accessories (consumables and accessories), Workplace Infrastructure (supply units, lights, gas management systems), Monitoring (patient monitoring), and IT & Systems (software applications, system products, and new services). The Research and Development, Supply Chain Management, and Production functions are integrated into the five respective business units alongside Product Management and Marketing. Quality & Regulatory Affairs manages quality-related activities and implements the regulatory requirements for medical products across all business units. Responsibility for the service function in the medical division lies with the Executive Board member responsible for Sales and Service (CSO), with the service strategy coordinated by the head of the division and the CSO in close collaboration.

SAFETY BUSINESS

The safety division develops and produces devices, system solutions, and services for personal protection, gas detection, and integrated hazard management. Rainer Klug has been the Executive Board member with responsibility for this division since January 2020. The division has three strategic business fields: Manufacturing Industries, Processing Industries, and Emergency & Rescue Services. Research and Development, Production, Supply Chain Management, and Quality are organized across the division for all the named strategic business fields. Responsibility for the service function in the safety division lies with the CSO, with the strategic orientation coordinated by the head of the division and the CSO in close collaboration.

SALES AND SERVICE

Sales and Service is the interface between the two divisions, which are engaged in product development and production, and our customers. Dr. Reiner Piske is the Executive Board member with global responsibility for Sales and Service. Operational responsibility for the sales and service business lies with management at the country level. In each country with Dräger subsidiaries, the local management team makes all decisions of local importance on the basis of the corporate standards and strategy and reports directly or indirectly to the Executive Board member with responsibility for Sales.

Global functions such as IT, Finance, Human Resources, Quality & Regulatory Affairs (Corporate), Basic Research, and Legal and Compliance are located at the Group headquarters in Lübeck and partially at other international locations. The global functions provide services to the national companies, set globally applicable Group standards, and are responsible for strategic management.

This organization clearly allocates responsibilities in a structure that is oriented toward cooperation. It is also a way of fostering customer focus and entrepreneurial activity at Dräger, and accelerating our decision-making processes.

↗ Please refer to the ›Executive Board responsibilities‹ chart on page 22

CHANGES IN SEGMENT REPORTING

Pursuant to IFRS 8, segment reporting in quarterly and annual reports is based on the organizational and management system.

Until the end of fiscal year 2019, the Company was managed via the Europe, Americas, and Africa, Asia, and Australia regions. In the course of the reorientation toward the medical and safety divisions, which began at the end of 2018, we have revised and adjusted our Group management. The changes became effective at the beginning of 2020.

These changes help better reflect and support the collaboration between Sales & Service and the product-related responsibilities of the two segments in organizational terms. This will enable us to increase customer intimacy at headquarters and implement solutions for our customers more rapidly.

Since January 2020, we have managed our business through the medical and safety divisions. We have adapted our segment reporting accordingly. This division-based management approach results in the following changes to our segment reporting:

- Reporting is divided into the medical division and the safety division.
- Net sales and all directly attributable costs are directly attributed to the segments.
- Cross-segment costs are allocated to the two segments using a plan-based formula.
- Apart from the key influencing factors of net working capital (trade receivables, trade payables, inventories including prepayments received), reported capital employed also includes long-term capital, such as property, plant and equipment. This is also assigned to the segments using a net sales formula.
- Dräger Value Added (DVA) is the central key performance indicator at Dräger. In the future, it will also be disclosed for both the medical and safety divisions in accordance with the adjusted segment reporting.
- Key figures that are not material to the operational management of the divisions and cannot be reasonably allocated to the divisions, such as net financial debt, are only reported at Group level.
- The change in segment reporting results in slight variations of the order intake and net sales per division as reported in the prior year and limited comparability with the prior-year figures.

VALUE-DRIVEN MANAGEMENT

In order to achieve long-term success, Dräger has to generate steady growth, as well as stable and sustainable economic performance. We use a value-driven management system to increase company value in the long term based on the performance indicator Dräger Value Added (DVA).

Dräger Value Added (DVA) is the central key performance indicator at Dräger. It is reported for the two segments (medical and safety divisions). We use DVA to measure the development of the Company's value and that of its individual reporting units. Not only does Dräger base its strategic decision-making on the development of DVA, the management's variable remuneration is also based on DVA, among other things.

We want to achieve three key goals with the help of management via DVA:

- profitable growth,
- increasing operating efficiency, and
- increasing capital efficiency.

DVA is the difference between EBIT over the preceding 12 months and calculated capital costs. Capital costs are determined using average capital employed in the past 12 months, based on the average cost of equity and debt before taxes. The weighted average cost of capital (WACC) was set unchanged at 7.0 %.

Days working capital (DWC) is another important performance indicator. We use this metric to measure the average coverage of net current assets over 12 months. It is composed of days of sales outstanding (DSO), days of inventory on hand (DIH), days of payables outstanding (DPO), and days of prepayments received (DPR), which are each measured individually.

Besides DVA and DWC, we also use net sales and the EBIT margin as key management indicators. Accordingly, our corporate management control is based on financial performance indicators.

If not already defined in footnotes in this report, details on the definition of specific key figures (including so-called alternative key performance indicators) can also be found at: www.draeger.com/en_corp/Investor-Relations/Publications#financial-reports

FINANCIAL FORECAST

The financial forecast provides an assessment of the development of net sales, the gross margin, and functional costs up until the end of the current fiscal year. Current business performance is analyzed on this basis, and appropriate countermeasures are taken whenever performance deviates significantly from plan. We also prepare a detailed plan for the subsequent year in the fourth quarter.

IMPORTANT CHANGES IN THE FISCAL YEAR

In fiscal year 2020, we adjusted our capital structure and terminated all outstanding participation certificates, simplifying our equity structure, which, in future, will only consist of common and preferred shares. In March, we terminated all series D participation certificates. Following the successful capital increase, with 1,000,000 new bearer preferred shares being issued to institutional investors, we also terminated all series A and series K participation certificates in April 2020.

☰ Please refer to ›Dräger shares‹ section on page 16 et seqq. and notes 3 and 4 in the Notes to the Annual Financial Statements.

We also significantly expanded our capacities to produce light respiratory protection in fiscal year 2020 and invested in existing production in Sweden and South Africa, as well as new mask production lines in the United States, France, and the United Kingdom. ☰ Please refer to the ›Investments‹ section on page 43 and note 43 in the Notes to the Annual Financial Statements.

Strategy and goals

We have been devoted to developing and producing ›Technology for Life‹ for over 130 years now – it is a vital part of our corporate identity. Our products protect, support, and save lives. These are our foundations, which we will continue to build on in the future. In order to maintain and further strengthen our market position, in the future we will continue to do everything we can to optimally align the interests of our customers, suppliers, employees, shareholders, banks, and those in our direct vicinity with our own.

Our company principles are and remain the guiding philosophy for all our actions. They determine a key part of our decision-making: We want to and will remain an independent, self-determining, pioneering, value-creating, and attractive company.

CORPORATE ASPIRATIONS

Our four corporate aspirations represent our vision of Dräger in the coming years.



We are first choice for our customers

Across all functions, we have a joint focus on our customers, who have a positive experience at all Dräger touch points. Customer satisfaction and loyalty is high.



We have a truly global footprint

Around the world, we offer a high level of service to our customers. We have the right structures and processes to serve our global markets, work with our suppliers, and support our sales channel partners. We encourage our people to bring out their talent wherever they are and in whatever function they operate. Our balanced global resources give us greater flexibility, allow us to respond quicker to opportunities, and make us more resilient. We think globally and act locally.



We are networking across borders as entrepreneurs

We see the big picture, share our knowledge and expertise, support and collaborate with each other, and learn from each other. We are all part of a highly professional and social network working across departmental, legal entity, and country borders. This goes beyond our Company and includes customers, suppliers, and sales channel partners. We manage the challenge to be connected. Our entrepreneurial spirit is based on our individual judgment and common sense.



We get things done

We get things done with an entrepreneurial culture in a lean organization. For our customers, we have offerings that no other supplier can match, whether these are innovative products, integrated systems, or custom-built solutions. With our innovations, we are the first to fulfill customer needs. Dräger's culture empowers our people to make decisions each and every day.

MEDIUM-TERM COMPANY GOALS

Our medium-term company goals are based on our corporate aspirations and are aligned with financial and non-financial targets. While defining our current goals, we determined the following priorities:

Net sales growth and balanced regional distribution

Our two markets, medical and safety technology, are global growth markets. As a result, we expect these markets to contribute to growth across all regions. We intend to generate stronger growth in the American and Asian markets than in our core market of Europe.

Innovation leadership

Leading technological solutions are essential to convincing our customers and increasing the profitability of our company. We drive innovation on multiple levels to meet this requirement. We will consistently increase the share of net sales generated with new products by shortening innovation cycles and time to market. Intelligent and networked products serve as a basis for new, digital business models that we develop together with and for our customers.

System and data business through varied and digitalized sales channels

We are continuously expanding our range of services and system business, including our range of software- and data-based products. For our markets, we develop differentiated sales channels and make systematic investments in the digital skills of our sales employees and in our own digital channels.

STRATEGIC GOALS IN OUR MARKETS**STRATEGIC GOALS IN THE MEDICAL BUSINESS**

As a specialist for acute care, we support hospitals around the world in treating critically ill patients who would not be able to survive without medical technology – and we do so through our products, system solutions, and services.

Our mission is ›Improving Acute Care.‹

Rarely before was so much public attention focused on the challenges in providing patients with acute care as in 2020. The lack of qualified staff and the rising cost of treatment are making it more and more difficult for hospitals to handle the increasing number of cases with the technical, financial, and human resources available.

Our goal is to help ensure the best possible outcomes through our technologies and our knowledge, even under challenging conditions.

In the coming years, we will focus on the following strategic issues in order to achieve this goal. The situation at hospitals during the coronavirus pandemic drives home the relevance and urgency of these issues.

Protective therapies

The treatment of COVID-19 patients has illustrated once again how important it is to individually adapt therapies to the needs of each individual patient and their clinical condition. Protective ventilation is the key to reducing the side effects and long-term consequences of acute care.

Connected medical technology

Networking different systems at acute care workstations ensures that all current information is available to support clinical decisions. We rely on the new ISO/IEEE 11073-SDC communication standard, which enables the safe interoperability of medical devices along with further steps toward automation.

Care-centered workstations

We want to help reduce the burden on patients and hospital staff to the greatest extent possible. As an example of this, we develop solutions that minimize the number of alarms at a patient's bedside. Reducing the number of germs and lowering the risk of infection in hospitals is a further important goal for us and our customers. We contribute to that aim by developing devices that are easy and safe to clean. We also offer hygienically flawless disposable items, along with hygiene training and advice.

Wide range of services

Our services ensure the optimal availability of our customers' medical technology. Increasingly networked medical technology will also allow us to develop a greater number of new data-based services and digital business models. One example is recording all alarms triggered at an intensive care or operating room unit. Data analysis makes it possible to identify frequently recurring alarm situations and their respective causes, opening the door to targeted measures to address them. By systematically and consistently implementing these focal points, we are helping to constantly further improve critical care.

STRATEGIC GOALS IN THE SAFETY BUSINESS

In the safety business, our portfolio of products and solutions includes stationary and mobile gas detection systems, personal protective equipment, alcohol and drug testing devices, and a varied range of training and services. We are also engaged in project business. For example, we provide fire training systems.

In our target markets

- oil and gas,
- the chemical industry,
- mining, and
- fire services,

we position ourselves as a partner for integrated system solutions.

We focus on the following strategic issues in order to develop the safety division's market position:

Internationalization of shutdown and rental services

Our shutdown and rental services ensure occupational health and safety, and avert risk in relation to industrial plant shutdowns or inspections. Based on our strong market presence in Europe, we will systematically transfer our successful business model to the Asian and American markets.

Overarching safety management

Holistic safety and emergency management systems are becoming increasingly important to our customers if they want to enjoy long-term success in the market. We help customers to reduce process risk and be optimally prepared for emergencies. We are continuously expanding our consulting and planning services.

Data-supported services

The increasing digitalization and networking of operating procedures and technical devices opens up a wide range of new opportunities for us to offer our customers new data-based services, for example in the areas of remote services or asset management. That results in benefits for our customers, such as more efficient system and device maintenance and optimal plant utilization.

Digital sales channels

We are expanding our sales approach to include digital channels and are able to provide our customers and sales partners with even better support at the many touch points in the sales process through the use of digital tools.

Global key account management

As many of our customers operate all over the world, we must maintain a global mindset. We have international key account management structures in place to maintain customer intimacy, particularly in our two core strategic markets: oil and gas and the chemical industry.

Increased focus on the market for light respiratory protection

We will continuously strengthen our offerings in the field of light respiratory protection, both for occupational health and safety and to combat pandemics. In response to the coronavirus pandemic, we have expanded our production of FFP masks and set up an international production network for certified protective masks. As a result, we will be able to respond in a targeted and rapid manner to the national and local needs of our public-sector and industrial customers going forward.

Research and development

We attach a great deal of importance to our research and development (R&D) activities. In fiscal year 2020, research and development expenses rose by EUR 25.9 million year on year to EUR 289.6 million (2019: EUR 263.7 million), which equates to 8.5 % of net sales (2019: 9.5 %). ↗ Please refer to 'Research and Development' table.

As at December 31, 2020, 1,514 employees worked in our development departments worldwide (December 31, 2019: 1,482). Over the course of the reporting year, patent and trademark offices around the world issued 225 new patents to Dräger (2019: 266). We applied for another 120 patents at international patent and trademark offices (2019: 83). During the past year, our technology development experts analyzed 101 new technologies in 23 fields and evaluated their relevance to Dräger. In a number of projects, these new technologies laid the foundations for future product innovations.

MEDICAL BUSINESS

We also developed numerous new as well as improved medical products in the reporting year, including 15 new and extended devices (2019: 16) and 4 new accessory products (2019: 5). Dräger's main focus in 2020 was on the development and market approval of new system and therapy device components and products.

With the Evita V600, Evita V800, Babylog VN600, and Babylog VN800, Dräger launched new intensive care ventilators for adults and newborns at the turn of the year 2020. This has enabled us to meet some of the sharp global rise in demand for ventilators as an effect of the coronavirus pandemic with our latest equipment. We have developed a operator concept for our new intensive care and neonatal ventilators that allows for even easier orientation and clearer user navigation. For this, Dräger was also able to draw on its considerable experience in ventilation technology. It offers the basis for efficient therapy options that can also increase patient safety, for example automated weaning: early support for independent breathing allows the patients to be weaned from mechanical breathing support faster, which in turn allows for the earlier mobilization of the patient. The Evita V600 and Evita V800 intensive care ventilators can also be connected to the PulmoVista 500 electrical impedance tomograph (EIT), enabling medical personnel to directly and continuously observe the ventilation of different lung regions and individually adjust the therapy. A flexible belt made of soft silicone with 16 integrated electrodes is placed around the patient's chest and connected to the device. No invasive or stressful interventions, such as a transfer to radiology or exposure to medical imaging radiation, are necessary. The EIT enables ventilation tailored to the individual patient, thereby protecting their lungs. With the new PulmoVista 500 Pediatric Belt, we are now also able to offer this approach for children and infants. This belt is available in five sizes for body sizes starting from 36 cm.

In invasive ventilation, breathing gas is often administered through a tube from a central or mobile supply unit directly into the patient's lung. However, the air needs to be humidified before it is given to the patient, which is where the new Aquapor H300 comes in. The humidification level can be adjusted in stages depending on operating mode. To prevent the formation of condensate in the expiratory hose, the Aquapor H300 also features an adjustable heating unit. The Aquapor H300 can be used for adults and in neonatal ventilation. An extensive range of accessories and a service portfolio are also available for the Aquapor H300.

RESEARCH AND DEVELOPMENT

R&D expenses in € million	2020	2019	2018	2017	2016
Dräger Group	289.6	263.7	252.2	234.7	219.0
in % of net sales	8.5	9.5	9.7	9.1	8.7
Headcount	1,514	1,482	1,417	1,377	1,295

The Infinity Central Station (ICS) provides hospital staff with a means of centrally monitoring the vital signs of adults, children, and newborns. The central monitoring system displays all connected patient monitors on the primary monitoring unit, together with all visual and acoustic alarm parameters. The latest version of the ICS includes an operating system update, enhanced reporting elements (such as regular and collated patient reports), the option to export reports in PDF format, additional language modules, and further improvements.

Our new Vista 120 SC Vital / Spot Check Monitor allows hospital staff to monitor patients in a wide range of non-invasive hospital departments, particularly emergency rooms and normal wards. The system is just as adept at spot-check monitoring as it is at the continuous monitoring of vital signs. Thanks to its seamless data integration, this new product improves workflows and reduces the margin for human error. The Vista 120 SC Vital / Spot Check Monitor is part of our range of hospital-wide solutions and rounds out our patient monitoring portfolio. It allows us to better serve the growing trend towards hospital-wide tenders for patient monitoring solutions.

Our new Visilion Care tracking solution helps optimize clinical and non-clinical processes at hospitals and make them more transparent. It builds on a cloud-based solution from Sony Mobile and can be integrated into existing hospital infrastructure, allowing hospital staff to track medical equipment on digital maps using the device of their choice, such as a smartphone or tablet. At the same time, the system supports compliance with maintenance and service plans for medical devices. It offers clinical users a transparent overview of the maintenance intervals of medical equipment and when the devices will be available again. With telemetry patients, the system makes it possible to provide rapid assistance in the event of an emergency by detecting the patient's current location.

SAFETY BUSINESS

In 2020, we launched 12 (2019: 17) new safety technology products. All in all, we achieved significant progress when it comes to connectivity and system functionality. The focus of innovation in the safety division is on expanding the Dräger product portfolio and developing systems to deliver complete solutions for customers.

A product update was launched in the form of the Dräger Alcotest 4000. The device features the latest Dräger product design and has been expressly developed for self-testing, allowing individuals to check their own ability to drive. The battery can be replaced by the user via a removable battery cover on the back.

Thanks to the Connectivity Upgrade Alcotest Screener, our alcohol screening devices are now capable of communicating with other products, opening the door to new applications. A number of Dräger Alcotest devices can be optionally equipped with Bluetooth. In some devices, this feature already comes standard. The new Dräger Mobile Printer BT, for example, can be operated via Bluetooth, allowing users to print out test results wirelessly – even without Wi-Fi.

The new Dräger X-act 7000 works in combination with the Dräger MicroTubes to monitor concentrations of hazardous substances in the air in the workplace environment. The analysis system helps maintain the necessary limit values, which in some cases can be very low. The focus is on measuring carcinogenic and toxic substances for various gases and vapors in the lower ppb range, and the range of gases to be measured is constantly being expanded. The Dräger X-act 7000 is able to replace aspects of conventional laboratory analysis and delivers accurate results directly on site. The selectivity of the system reduces false positive results and, with them, false alarms. The application is simple and saves time and costs.

In the first half of the year, we launched the CBRN Cap1 filter after obtaining a new approval. The approval covers the U.S. standard (42 CFR, Part 84). This filter is primarily used or reserved for civil defense purposes. The filter medium (activated carbon) has been renewed, resulting in a more stable product quality and a higher production yield.

Dräger has also launched an improved version of the PARAT 3000 filter self-rescuers on the market. The devices offer reliable protection against a wide range of toxic gases and vapors for at least 15 minutes and are quick and easy to put on. The half-mask version is now equipped with a significantly smaller housing. New accessories make it even easier for the user to carry the devices around in case of an emergency and offer a great deal of flexibility. These self-rescuers are mainly used in industry, such as in the chemical industry or at refineries.

Employees

Our committed and expert employees are one of the key strengths of our Company. With all their skills and knowledge, they make a daily contribution, turning technology into 'Technology for Life.' By putting their heart and soul into their work, they embody the company spirit of Dräger and have been doing so for more than 130 years.

HUMAN RESOURCES STRATEGY

As in the prior year, HR had four key areas of activity in 2020:

- competitive working conditions,
- future-oriented skills and capabilities,
- leadership, cooperation, well-being,
- organizational development and change management.

In the past year we were again able to achieve encouraging progress in these areas. For example, Dräger adopted a future-oriented pension plan and various measures for the compatibility of a career with various life phases. Dräger's vocational training was also more closely aligned with requirements, and WeLEAD – our vision for leadership and cooperation – was strengthened by various activities. We were also active in the areas of occupational health and reintegration management.

EMPLOYEE PARTICIPATION

Our employee share program, which we launched in 2013, is a way to give employees at our German sites the opportunity to invest in the Company and directly participate in its success. The purpose of this is to increase employees' interest in the development of the business so that they identify even more strongly with the Company.

In fiscal year 2020, they again had the chance to acquire up to 60 shares and received a bonus share for every three preferred shares they purchased. Dräger acquired both the preferred shares ordered by the workforce and the bonus shares in regular market trading (Xetra trading platform). In fiscal year 2020, 2,169 employees (2019: 1,008) purchased an average of 25 shares (2019: 36). A total of 54,315 preferred shares (2019: 35,817) were ordered; Dräger contributed 18,105 bonus shares (2019: 11,939).

In fiscal year 2020, the Executive Board decided to pay a Thank-You bonus to eligible employees worldwide in order to alleviate the unusual burdens caused by the coronavirus pandemic. In Germany, part of the bonus was paid in the form of preferred shares. All eligible employees at German locations were given the option of receiving five shares free of charge. A total of 6,600 employees took advantage of this opportunity and received 33,000 preferred shares in total. Dräger also acquired the preferred shares required for the bonus in regular market trading (Xetra trading platform).

All in all, employee participation in Drägerwerk AG & Co. KGaA increased by 105,420 preferred shares in 2020 (2019: 47,756).

EMPLOYEES IN NUMBERS

As at December 31, 2020, 15,657 people worked for the Dräger Group worldwide, 812 (5.5 %) more than in the prior year (December 31, 2019: 14,845). In Germany, the number of people working for the Dräger Group rose by 354 year on year (5.1 %), while the number of people working abroad rose by 458 (5.8 %). As at December 31, 2020, Dräger employed 53.1 % (December 31, 2019: 52.9 %) of its employees outside Germany.

More than half of those hired (447 employees) were in sales-related areas. We increased employee numbers in Service and other customer-oriented functions by 211, with more than half of those new employees hired abroad. Compared to the prior year, we employed 198 more people in Sales as at December 31. Nearly one-third of the new hires (241) were made in Production. In addition, 242 employees were hired on temporary employment contracts in Production and Logistics. In General Administration, 92 new employees were hired, more than one-third of whom were in IT. As at December 31, the number of employees in Research and Development rose by 32. In Quality Assurance, Logistics, and Purchasing, the number of employees remained unchanged.

Of 15,657 employees worldwide, 58.9 % (December 31, 2019: 59.1 %) worked in Sales, Marketing, and Service, a further 20.7 % (December 31, 2019: 20.2 %) in Production, Quality Assurance, Logistics, and Purchasing, 9.7 % (December 31, 2019: 10.0 %) in Research and Development, and 10.7 % (December 31, 2019: 10.7 %) in General Administration.

WORKFORCE TREND

	Workforce as at reporting date		Headcount (average)	
	December 31, 2020	December 31, 2019	2020	2019
Germany	7,350	6,996	7,179	6,951
Other countries	8,307	7,849	8,050	7,744
Dräger Group total	15,657	14,845	15,229	14,695
Women	4,453	4,220	4,320	4,181
Men	11,204	10,625	10,908	10,514
Dräger Group total	15,657	14,845	15,229	14,695
Personnel development costs	€ million	14.9	16.3	
thereof training expenses	€ million	6.0	7.3	

KEY WORKFORCE TREND FIGURES

	Workforce as at reporting date	
	December 31, 2020	December 31, 2019
Number of employees	15,657	14,845
Percentage of female employees	% 28.4	28.4
Number of part-time employees	915	917
Average years with Dräger in Germany	years 13	14
Average age of employees	years 43	43
Turnover of employees	% 4.3	5.0
Sick days of work days in Germany	% 5.3	5.8
Accidents in Germany (accidents at work and while commuting to work), Time off sick > 3 days ¹	51	56

¹ The prior-year values have been adjusted.

Personnel expenses within the Group rose by 10.2 % year on year (11.7 % net of currency effects) to EUR 1,241.2 million. That increase was due to both the increase in employee numbers and the higher average cost per employee: The cost per employee, excluding the Executive Board's remuneration, increased by an average of 5.8 % (net of currency effects: 7.3 %). Due to higher bonus payments on account of the strong earnings development, higher pension expenses in Germany, and wage and salary increases abroad. The personnel cost ratio in fiscal year 2020 was 36.4 % (2019: 40.5 %).

↗ Please refer to ›Workforce trend‹ and ›Key workforce trend figures‹ tables on page 32.

Sustainability

Sustainability is very important at Dräger. In the past years, we have used this section to provide information about occupational safety, training, the supply chain, environmental matters, and other factors relating to sustainability. We will continue to report on those subjects. As in the prior year, this information is consolidated in a separate sustainability report and published on our website. ☐ Please refer to www.draeger.com/sustainability

Business performance

General economic conditions

GLOBAL ECONOMY SEES HISTORIC SLUMP

The coronavirus pandemic is causing the global economy to experience a historic slump in development. Economic activity in many countries was severely affected by the measures taken to stop the spread of coronavirus. The International Monetary Fund (IMF), for example, expects global economic output to decline by 3.5 % in 2020. According to the IMF, the decline is likely to affect industrialized countries somewhat stronger than emerging markets. A decline of more than 7 % is expected for the eurozone, while the decline in Germany will be less pronounced, standing at 5.4 %. These numbers illustrate that the current impact is more pronounced than the effects of the financial crisis in 2008 / 2009.

FISCAL AND MONETARY POLICIES REACT TO ECONOMIC DOWNTURN

Governments and central banks around the world are making efforts to counter the massive impact of the pandemic on the economy. On the fiscal side, the measures range from sending checks to citizens, as has been done in the U.S. for example, to providing loans and temporary tax cuts to stabilize companies and stimulate consumer demand. Monetary policy is also using any remaining leeway to support the economies. The U.S. Federal Reserve, for instance, has cut its interest rates significantly and also resumed bond buying. With interest rates already negative before the crisis, the European Central Bank greatly expanded its bond-buying activities in several phases in 2020.

INFLATION FALLS SHARPLY, EURO INCREASINGLY STRONG

In the eurozone, the inflation rate decreased further in 2020. In December, prices fell by 0.3 % compared to the same month in the prior year, particularly on account of the drop in energy prices. The decline was the fifth in a row. At 0.5 %, the inflation rate in Germany was significantly lower year on year in 2020. Driven in part by the cut in the value-added tax rate, December even saw a 0.3 % decline in prices compared to the same month in the prior year.

The euro remained largely unchanged against the U.S. dollar in the first six months of 2020 before successively gaining value in the second half of the year. In the wake of the turbulence on the financial markets resulting from the coronavirus pandemic, the euro posted gains against many emerging market currencies in 2020.

↗ Please refer to the ›Major currency changes and their impact on Dräger's earnings‹ table.

MARKET AND INDUSTRY PERFORMANCE

The global coronavirus pandemic was the defining topic in fiscal year 2020. It naturally also affected the industries relevant to Dräger, albeit to a varying extent.

MAJORITY CURRENCY CHANGES AND THEIR IMPACT ON DRÄGER'S EARNINGS

Average rates compared to the euro	12 months 2020	12 months 2019	Change in %	Impact on Dräger's earnings (EBIT) ¹
Chinese yuan	7.91	7.72	2.4	↓
Russian ruble	84.19	72.21	16.6	↓
Argentine peso ^{2,3}	103.17	67.20	53.5	↓
Indonesian rupiah	16,717.63	15,798.71	5.8	↑
Peruvian nuevo sol	4.03	3.74	7.8	↓

¹ Please refer to the comments on the earnings of the Dräger Group and the segments on pages 41 et seqq. for further details on the effects of changes in exchange rates on earnings.

² Please refer to note 9 in the Notes to the Annual Financial Statements for further information on the effects of high inflation in Argentina.

³ Due to hyperinflation valuation in accordance with IAS 29, the closing rate is used.

Medical business

In 2020, global demand for medical products was dominated by the coronavirus pandemic. Demand for medical products that are important for the treatment of coronavirus patients rose sharply in the past year. Other products saw a decline in demand in some cases.

In Central Europe, the focus was primarily on the procurement of consumables and ventilators. Alongside these products, digital health solutions saw a boom, for example in France. Digital health solutions also gained importance in other European countries. In Northern Europe, they were an important pillar of the healthcare system during the coronavirus crisis. In Southern Europe, Spain and Italy were hit particularly hard by the pandemic. The Italian healthcare system was unable to cope with the sudden demands at the start of the year. To avoid such strains during the second wave, Italy increased the number of intensive care beds. The United Kingdom also had to contend with the coronavirus and recorded the highest number of COVID-19 deaths in Europe (as at December 2020). Digital solutions also grew more attractive here during the coronavirus crisis.

Demand also increased on the American market for medical technology. In the U.S., the coronavirus dominated the healthcare market. Investments were made in medical products, and the need for protective equipment for use in medicine rose. Central and South America were also heavily affected by the pandemic. In Brazil, the healthcare system was temporarily overwhelmed. However, the country responded flexibly to the coronavirus crisis, among other things by setting up field hospitals and increasing the number of intensive care beds. The measures taken varied greatly from region to region, pushing the topic of digital health to the forefront. Because Mexico's healthcare system had been underfinanced in recent years, the government felt impelled to make significantly more money available for the sector in the wake of the coronavirus crisis. Thanks to these additional funds, the ministry of health was able to order new ventilators, among other things.

According to our estimates, demand increased in the Africa, Asia, and Australia region as well. Chinese manufacturers of medical technology, for example, saw a boom in business due to the increased need abroad. In China, strict measures by the government, such as restrictions on personal contact and the isolation of people who have been infected, prevented a nationwide collapse of the healthcare system. The pandemic has intensified the digital health trend there tremendously. It is likely to have acted as a catalyst to accelerate the rise of telemedicine, healthcare apps, and artificial intelligence in China. The medical technology market in India also received a boost from the coronavirus crisis. The high level of dependency on imports created good business opportunities that also benefited German medical technology manufacturers. India's market for digital health also grew rapidly. In Australia, the coronavirus crisis stimulated demand for telemedicine. The Australian healthcare system fared relatively well during the crisis, with sufficient intensive care and ventilation capacities available. The healthcare systems on the Arabian Peninsula were also relatively well-equipped in the fight against the coronavirus pandemic.

Safety business

On account of the negative economic development around the world caused by the coronavirus pandemic, the markets for safety technology developed negatively on the whole. However, development varied greatly depending on the sector or industry.

A nuanced view is necessary with regard to Europe's chemical industry, which was strained by weak demand among some important buyers. However, demand in other sectors increased – as a result of the coronavirus pandemic. The same applies to a variety of regions: The British chemical industry, for example, appeared largely resilient during the coronavirus crisis and made it through the pandemic on relatively stable footing. The chemical industry in Russia also mastered the coronavirus crisis relatively well, benefiting from high demand in certain sectors. For example, the need for medications, disinfecting agents, and disposable plastic rose. In Northern Europe, the pharmaceutical industry likewise recorded rising net sales, whereas other segments of the chemical industry had to contend with a drop in demand. In Norway, net sales were also down in oil and gas production. In Southern Europe, the chemical industry saw sluggish development.

According to our estimates, the American market for safety technology shrunk in 2020. In North America, the chemical industry saw negative development, even shrinking in the U.S. Demand in the largest customer industries fell sharply. However, it is important to take a closer look at the individual sectors here as well. Disinfecting agents and synthetic ma-

materials for protective equipment, for example, saw growth. The development of the chemical industry was also negative in South America. Chemical production fell sharply in Brazil and Mexico in 2020.

Developments in Africa, Asia, and Australia were heterogeneous. China's economy recovered very quickly from the coronavirus pandemic. Through strict measures to combat the pandemic, the political leadership of the country brought it back onto a growth trajectory, helping improve the chemical industry's figures from month to month. China is the largest producer and exporter of personal protective equipment (PPE) and expanded capacities further during the coronavirus crisis. In India, on the other hand, the coronavirus pandemic and the lockdowns had a significantly negative impact on the economy. The Indian chemical industry required investments to become less dependent on imports, among other things. Japan's chemical industry made it through the coronavirus pandemic with relatively little damage in 2020 overall thanks to a revival in domestic industrial activity and an increase in foreign demand from important sales markets such as China. In Australia, investment activity in the commodities sector – which is very important for the economy – developed positively, especially in iron ore and gold mining. In other mining sectors, producers were able to largely maintain output but felt the impact of lower global market prices. Project delays materialized in the natural gas sector. In the Middle East, oil and gas projects continued, yet cost pressure increased as a result of the oil market crisis. In South Africa, the mining industry had to contend with structural problems, such as the high cost of operating old mines and the deterioration in legal conditions as compared to the rest of the world, as well as the impact of the coronavirus pandemic.

According to our findings, the pandemic also had a negative impact on the global fire service market. However, demand for hygiene products and personal protective equipment increased.

TRENDS WITH AN INFLUENCE ON OUR BUSINESS PERFORMANCE

The megatrends of globalization, health, and connectivity are at the forefront when it comes to Dräger's business. The coronavirus pandemic additionally influenced these important drivers of change to a wildly varying extent.

GLOBALIZATION VS. PROTECTIONISM

With trade wars, diplomatic crises, and cyberattacks, globalization is all too often seen as a problem rather than an opportunity. The coronavirus crisis has further strengthened this trend. As a result, nationalistic tendencies are emerging in politics and society in some industrialized nations and developing markets, causing some disruption to global supply chains. On the whole, however, there were no major changes in global trade over the course of the year. We believe that the growing uncertainty, and how this uncertainty is dealt with, will remain a key issue in the coming years. What is important is that the challenges caused by increasing complexity and networking should not blind us to the positive effects of globalization, such as economic development and increasing prosperity in many emerging markets.

HEALTH

As living standards rise in emerging markets and industrialized economies alike, health is increasingly becoming a key feature of a good life. Demand for high-quality medical care, whether at home or in hospitals, is increasing accordingly. Life expectancy also continues to rise. Moreover, we have seen awareness of the significance of protecting the environment and workers increase, resulting in a rise in companies' investments in occupational health and safety. Considering these developments, the outlook for Dräger and our medical and safety divisions continues to be positive.

The coronavirus pandemic has shone a spotlight on the importance of health, both from an individual perspective and in relation to entire economies. Healthcare should not be taken for granted; it is a scarce commodity that requires continuous investment and a sufficient number of well-trained professionals.

CONNECTIVITY

For years, the issues of digitalization and automation in industry and retail have been ubiquitous. The interplay between humans and machines, and the exploitation of new technical opportunities, offer enormous potential to boost efficiency and pave the way for brand-new business models. However, they also entail numerous challenges. Our Company must explore the potentials offered by new platform-oriented sales models, as well as new innovation and production opportunities. Meanwhile, digital connectivity means that devices are collecting more and more data about our professional and private lives. We continue to intensively consider what happens to this data and how it can be used as safely as possible with the customer benefit in mind.

The coronavirus pandemic has further strengthened this trend, with personal contact often having to shift to virtual formats. As a result, the coronavirus has completely transformed digitalization from being a topic of the future to being a topic of the present.

OVERALL ASSESSMENT OF THE UNDERLYING CONDITIONS

The coronavirus pandemic and the measures taken to contain it are restricting economic activity significantly in the short term. Governments and central banks are attempting to minimize the impact and stimulate the economy through national and international support measures.

The medical and safety technology markets developed differently in this environment. In the medical business in particular, the pandemic has created a strong boost in demand in some product areas. By contrast, the weak economic development had a negative impact in many safety technology markets.

Business performance of the Dräger Group

↗ Please refer to the »Business Performance of the Dräger Group«

OVERALL MANAGEMENT ASSESSMENT OF BUSINESS PERFORMANCE

Order intake and net sales rose significantly in fiscal year 2020. Demand for products used in the treatment of COVID-19 and for protection from infection was extremely high in particular. Net of currency effects, order intake rose by 38.9 % year on year (35.4 % in nominal terms) and by 0.4 % in the fourth quarter (–4.2 % in nominal terms) compared with the same quarter in 2019. Net sales increased by 25.7 % (22.5 % in nominal terms) in fiscal year 2020 and by 31.1 % (26.5 % in nominal terms) in the fourth quarter (net of currency effects).

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Twelve months		
		2020	2019	Change in %
Order intake	€ million	3,786.2	2,796.1	+ 35.4
Net sales	€ million	3,406.3	2,780.8	+ 22.5
Gross profit	€ million	1,608.9	1,188.4	+ 35.4
Gross profit / Net sales	%	47.2	42.7	
EBITDA¹	€ million	521.0	193.8	> +100.0
EBIT²	€ million	396.6	66.6	> +100.0
EBIT ² / Net sales	%	11.6	2.4	
Net profit	€ million	249.9	33.8	> +100.0
Earnings per share on full distribution³				
per preferred share	€	10.25	1.44	> +100.0
per common share	€	10.19	1.38	> +100.0
DVA^{4,5}	€ million	296.9	-32.7	> +100.0
Research and development expenses	€ million	289.6	263.7	+9.8
Equity ratio ⁶	%	31.3	41.9	
Cash flow from operating activities	€ million	460.0	164.4	> +100.0
Net financial debt ^{6,7}	€ million	187.1	88.7	> +100.0
Investments	€ million	178.0	121.4	+46.7
Capital employed ^{6,8}	€ million	1,410.6	1,401.3	+0.7
Net working capital ^{6,9}	€ million	606.9	622.7	-2.5
EBIT ^{2,4} / Capital employed ^{6,8} (ROCE)	%	28.1	4.8	
Net financial debt ^{6,7} / EBITDA ^{1,4}	Factor	0.36	0.46	
Gearing ¹⁰	Factor	0.18	0.08	
Headcount as at December 31		15,657	14,845	+ 5.5

¹ EBITDA = Earnings before net interest result, income taxes, depreciation and amortization

² EBIT = Earnings before net interest result and income taxes

³ Based on an imputed actual full distribution of earnings attributable to shareholders

⁴ Value of the last twelve months

⁵ Dräger Value Added = EBIT less cost of capital of average invested capital

⁶ Value as at reporting date

⁷ This includes EUR 139.3 million in money market funds in which Dräger invested cash and cash equivalents with a short-term investment horizon and the payment obligation from the termination of the participation certificates of EUR 453.0 million as at December 31, 2020. The payment obligation of EUR 158.0 million from the series A and series K participation certificates was repaid on January 4, 2021.

⁸ Capital employed = Total assets less deferred tax assets, securities, cash and cash equivalents, non-interest-bearing liabilities, and other non-operating items

⁹ Net working capital = Trade receivables and inventories less trade payables, customer prepayments, short-term operating provisions, and other short-term operating items

¹⁰ Gearing = Net financial debt / equity

Our earnings before interest and taxes (EBIT) rose significantly to EUR 396.6 million in fiscal year 2020 (2019: EUR 66.6 million). This figure benefited from a significant rise in net sales and high production capacity utilization throughout the fiscal year. However, currency effects did have an adverse impact on earnings. The EBIT margin improved to 11.6 % (2019: 2.4 %), and therefore marginally exceeded the adjusted forecast range.

Dräger Value Added (DVA) stood at EUR 296.9 million (2019: EUR –32.7 million), within the forecast range adjusted in the summer of 2020. With the cost of capital remaining stable, this year-on-year rise was largely due to the significant increase in earnings.

Our other forecast figures developed as follows:

Gross profit benefited from the considerable increase in output volumes and the resulting high level of capacity utilization. Our gross margin was therefore considerably higher than the prior-year figure, in accordance with the adjusted forecast. Our research and development expenses were within the forecast range.

We expanded our production, particularly in the area of ventilators and FFP masks, in order to meet the significantly increased demand for a number of our products. As a result, our investment volume in fiscal year 2020 was significantly higher than originally planned. At EUR 131.2 million, investments came within the adjusted forecast range. Our days working capital also improved thanks to the sharp rise in net sales year on year.

Our interest expenses were higher than expected, partly as a result of additional interest expenses due to the remeasurement of debt components of participation certificates following their termination. In addition, interest expenses were also incurred from the pro rata compounding of series D participation certificates until maturity in January 2023.

Our net financial debt also increased considerably in 2020 on account of the repayment obligations due at the beginning of 2021 and 2023 and resulting from the termination of all outstanding participation certificates already being reported under liabilities in 2020. ↗ Please refer to the 'Comparison of forecast and actual figures' table on page 40.

COMPARISON OF FORECAST FIGURES AND ACTUAL FIGURES

	Forecast 2020 According to the Annual Report	Current forecast Last published	Fiscal year 2020 Results achieved
Net sales (net of currency effects)	1.0 to 4.0 %	14.0 to 22.0 % In the mid- to upper range of our forecast corridor	25.7 %
EBIT margin	1.0 to 4.0 % ¹	7.0 to 11.0 % In the mid- to upper range of our forecast corridor	11.6 %
DVA	EUR –70 to +20 million	EUR 110 to 260 million	EUR 296.9 million
Other forecast figures			
Gross margin	On par with prior year (+ / – 1 percentage point)	Significant increase year on year	47.2 %
Research and development expenses	EUR 275 to 290 million	Confirmed	EUR 289.6 million
Interest result	On par with prior year (2019: EUR –17.0 million)	Increase in interest expenses	EUR –36.4 million (thereof effect attributable to termination of participation certificates: EUR –16.4 million)
Days working capital (DWC)	Stable development (2019: 109.4 days)	Improvement	96.9 days
Investment volume ²	EUR 80 to 95 million	EUR 125 to 145 million	EUR 131.2 million
Net financial debt	Improvement (2019: EUR 88.7 million)	Increase	EUR 187.1 million

¹ Based on exchange rates at the start of fiscal year 2020

² Excluding acquisitions and the capitalization of right-of-use assets pursuant to IFRS 16

ORDER INTAKE

in € million	Twelve months			
	2020	2019	Change in %	Net of currency effects in %
Medical division	2,498.7	1,728.6	+ 44.6	+ 48.6
Safety division	1,287.5	1,067.6	+ 20.6	+ 23.3
Total	3,786.2	2,796.1	+ 35.4	+ 38.9
thereof Europe	2,271.1	1,528.9	+ 48.5	+ 50.1
thereof Germany	941.9	621.4	+ 51.6	+ 51.6
thereof Americas	662.2	553.1	+ 19.7	+ 28.0
thereof Africa, Asia, and Australia	852.9	714.2	+ 19.4	+ 23.4

The following section covers Dräger's business performance in detail

ORDER INTAKE

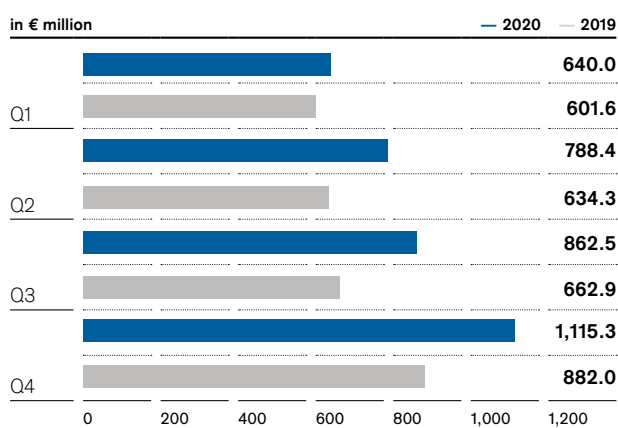
Our order intake climbed by 38.9 % in fiscal year 2020 (net of currency effects). Europe recorded the sharpest rise in order intake of 50.1 %, but we also recorded extremely strong growth in both the Americas the Africa, Asia, and Australia regions. In the fourth quarter, order volume was slightly up on the prior-year level (net of currency effects). This fourth-quarter rise in the Americas region was offset by stable development in Europe and a decline in the Africa, Asia, and Australia region.

In the medical division, orders increased by 48.6 % (net of currency effects), with the strongest growth again coming in Europe. Demand was also up significantly in the Americas region and in the Africa, Asia, and Australia region. Order intake in the fourth quarter reached the prior-year level. Although demand increased in the Americas region, order intake in Europe remained at the prior-year level. Orders in the Africa, Asia, and Australia region declined in the fourth quarter.

In the safety division, order intake increased by 23.3 % (net of currency effects). The Europe region again accounted for the largest rise, followed by the Americas region, while growth in the Africa, Asia, and Australia region was considerably

NET SALES

in € million	Twelve months			
	2020	2019	Change in %	Net of currency effects in %
Medical division	2,302.2	1,741.8	+32.2	+36.0
Safety division	1,104.1	1,039.1	+6.3	+8.5
Total	3,406.3	2,780.8	+22.5	+25.7
thereof Europe	1,985.8	1,503.3	+32.1	+33.5
thereof Germany	807.8	603.5	+33.9	+33.9
thereof Americas	611.2	547.7	+11.6	+19.3
thereof Africa, Asia, and Australia	809.3	729.8	+10.9	+14.5

NET SALES GROWTH IN ALL QUARTERS

lower. Fourth-quarter order intake in the safety division was on par with the prior-year figure. A slight rise in Europe and the Americas region was counteracted by a decrease in orders in the Africa, Asia, and Australia region.

↗ Please refer to the ›Order Intake‹ table on page 40.

NET SALES

Our net sales rose by 25.7 % in fiscal year 2020 (net of currency effects). Deliveries in Europe rose by a considerable margin, whereas the increase in the Americas and Africa, Asia, and Australia regions was somewhat lower. Net sales growth actually increased in the fourth quarter to 31.1 % (net of currency effects). All regions contributed to this strong growth. The rise in net sales was particularly high in the medical division, while the safety division also recorded extremely robust growth in the final quarter of the year.

↗ Please refer to the tables ›Net sales‹ and ›Net sales growth in all Quarters‹

EARNINGS

In fiscal year 2020, gross profit rose by EUR 420.5 million to EUR 1,608.9 million. This performance came on the back of considerable net sales growth, high production capacity utilization, a positive country and product mix, and fewer tender processes with their negative effects on margins. Currency effects had an adverse impact both on gross profit and on the gross margin. The latter was up significantly on the prior-year level, increasing by 47.2 %.

We reported increases in gross profit and the gross margin across both divisions. The medical division made a disproportionately high contribution to growth, however there was also significant growth in the safety division.

FUNCTIONAL COSTS

in € million	2020	2019	Change in %
Research and development expenses	289.6	263.7	+ 9.8
in % of net sales	8.5	9.5	
Marketing and selling expenses	659.0	621.9	+ 6.0
in % of net sales	19.3	22.4	
General administrative costs	248.1	219.4	+ 13.1
in % of net sales	7.3	7.9	
Selling and administrative expenses	907.1	841.3	+ 7.8
in % of net sales	26.6	30.3	
Other operating result	8.5	11.7	-27.5
Total functional costs	1,205.2	1,116.8	+ 7.9
in % of net sales	35.4	40.2	

Gross profit also rose by a significant year-on-year margin, EUR 142.0 million, in the fourth quarter. The increase in the gross margin by 3.7 percentage points to 46.8 % had a major impact on gross profit, as did the increase in net sales. Both segments played a part in the fourth-quarter growth, with the contribution from the medical division particularly high.

Our functional costs in fiscal year 2020 were up by 9.7 % year on year (net of currency effects). Currency effects lowered these costs, and so the increase in nominal terms came to 7.9 %. The main factors in the increase in functional costs were higher variable remuneration and an increased headcount.

Net of currency effects, selling and marketing costs were up by 8.2 % year on year in 2020 (6.0 % in nominal terms). Both personnel costs and logistics costs were up; the latter on account of the increased net sales volume and higher freight rates. One of the issues caused by the pandemic was a shortage of air freight capacities, which led to a significant rise in transport costs.

Research and development (R&D) expenses increased by 10.7 % net of the change in exchange rates (+9.8 % in nominal terms). Due to the sharp rise in sales volumes, the ratio of R&D expenses to net sales (R&D ratio) decreased to 8.5 % (2019: 9.5 %). Net of currency effects, our administrative costs rose by 15.0 % compared to 2019 (+13.1 % in nominal terms) primarily as a result of increased personnel costs and higher IT expenses.

At EUR -4.9 million, the other financial result was lower than in the prior year (2019: EUR -4.4 million). The main reason is that higher overall currency-related valuation losses, including in relation to financial receivables and liabilities denominated in foreign currencies, were recorded.

All in all, earnings in 2020 were positively influenced by the sharp rise in net sales and a disproportionately low increase in functional costs.

As a result, Group earnings before interest and taxes (EBIT) increased significantly to EUR 396.6 million (2019: EUR 66.6 million). The EBIT margin increased to 11.6 %. The interest result decreased by EUR 19.4 million to EUR -36.4 million (2019: EUR -17.0 million), mainly due to the interest effect from the termination of participation certificates. At 30.6 %, the tax rate was lower compared to the prior year (2019: 31.8 %). Earnings after income taxes amounted to EUR 249.9 million (2019: EUR 33.8 million).

INVESTMENTS / DEPRECIATION AND AMORTIZATION

in € million	2020		2019	
	Investments	Depreciation / amortization	Investments	Depreciation / amortization
Intangible assets	5.7	-7.4	5.1	-7.8
Property, plant and equipment	125.5	-75.6	73.7	-77.1
Subtotal excluding right-of-use assets	131.2	-82.9	78.8	-84.9
Right-of-use assets	46.9	-41.5	42.5	-42.4
Total	178.0	-124.4	121.4	-127.3

INVESTMENTS

In fiscal year 2020 we invested EUR 125.5 million in property, plant and equipment (2019: EUR 73.7 million), EUR 5.7 million in intangible assets (2019: EUR 5.1 million), and EUR 46.9 million in right-of-use assets from leases (2019: EUR 42.5 million). As in the prior year, most of the right-of-use assets from leases were property rental agreements. Investments in property, plant and equipment were strongly influenced by the establishment of new sites and the expansion of existing facilities for respiratory protection mask production. A total of EUR 42.0 million was invested in this area in fiscal year 2020. The remaining investments in property, plant and equipment primarily comprised replacement and expansion investments and equipment for leasing. Depreciation and amortization totaled EUR 124.4 million in fiscal year 2020 (2019: EUR 127.3 million), EUR 41.5 million of which was attributable to depreciation and amortization of capitalized right-of-use assets. Depreciation and amortization amounted to 69.9 % of total investment, meaning that non-current assets increased by EUR 53.6 million. ↗ Please refer to the 'Investments / Depreciation and Amortization' table.

Cash flow statement¹

↗ Please refer to the »Financial Position of the Dräger Group« table on page 45

In fiscal year 2020, Dräger Group's cash inflow from operating activities amounted to EUR 460.0 million (2019: EUR 164.4 million). The significant improvement in profitability had a particular effect on this trend. In addition, at EUR 134.6 million, other liabilities rose more sharply (in particular due to the change in contract liabilities) than trade receivables, which increased by EUR 95.8 million. By contrast, the increase in inventories of EUR 162.0 million (2019: EUR 24.5 million) lowered cash inflow.

Of the rise in cash outflow from investing activities to EUR 263.1 million (2019: EUR 62.1 million), EUR 139.3 million was attributable to the purchase of money market funds in which Dräger has invested available cash and cash equivalents with a short-term investment horizon. Remaining investments were primarily made in movable assets. In particular, a total of EUR 42.0 million was invested in new production lines for light respiratory protection masks at the locations in Lübeck, France, the United Kingdom, and the United States. Investments attributable to German subsidiaries totaled EUR 201.8 million (2019: EUR 42.8 million).

Besides the capital increase of EUR 75.2 million, cash inflow from financing activities of EUR 114.3 million (2019: cash outflow of EUR 87.9 million) primarily includes net borrowing of bank loans and current account liabilities of EUR 88.7 million (2019: net repayments of EUR 47.2 million).

Cash and cash equivalents as at December 31, 2020 amounted to EUR 497.3 million (December 31, 2019: EUR 196.3 million) and exclusively consisted of cash and cash equivalents. Of this amount, EUR 5.1 million (December 31, 2019: EUR 7.9 million) is subject to restrictions regarding use. In addition, we also held EUR 139.3 million in short-term, highly liquid money market funds as at December 31, which are credited to cash and cash equivalents following termination. On January 4, 2021, a total of EUR 118.0 million in cash and cash equivalents was used to repay terminated series A and series K participation certificates.

Unused credit lines amounted to EUR 401.3 million as at the balance sheet date (December 31, 2019: EUR 394.7 million). The credit lines are subject to standard market restrictions.

Financial management

BORROWING

The term of the master loan agreement for existing bilateral credit lines to secure working capital financing over the medium term of EUR 377.0 million runs until June 2022. These credit lines were utilized as sureties in Germany and abroad and as cash facilities. Another bilateral surety credit line of EUR 5.0 million outside the scope of the master loan agreement was agreed with DZ Bank.

Internal Group cash pools exist in several different currencies through which liquidity is balanced within the Group. On December 31, 2020, Dräger Group's short-term loans amounted to around EUR 96.2 million (December 31, 2019: EUR 51.0 million).

Dräger uses note loans in addition to bilateral credit lines for its medium and long-term financing. As of December 31, 2020, total note loans amounted to EUR 60.0 million (December 31, 2019: EUR 60.0 million). In addition, Dräger concluded a further note loan of EUR 100.0 million, part of which was disbursed in January 2021 and part of which will be disbursed in March 2021, for the payment of the buyback value to the holders of the terminated series A and series K participation certificates. The interest costs of the note loan are linked to an EcoVadis ESG rating, which is updated every two years. An investment loan commitment from the European Investment Bank (EIB) for ongoing research projects was

¹ Due to the elimination of exchange rate effects, the underlying changes recognized in the cash flow statement cannot be directly reconciled with the items of the published balance sheet.

² Earnings before net interest result, income taxes, and amortization (EBITDA) – adjusted for cash-neutral changes to provisions and other non-cash income / expenses

FINANCIAL POSITION OF THE DRÄGER GROUP

in € million	2020	2019	2018	2017	2016
Cash flow from operating activities	460.0	164.4	4.1	143.3	195.3
Cash flow from investing activities	-263.1	-62.1	-63.5	-65.5	-77.3
Free cash flow	196.9	102.4	-59.4	77.8	118.1
Cash flow from financing activities	114.3	-87.9	-6.2	-41.9	-70.0
Change in liquidity (excluding exchange rate effects)	311.1	14.5	-65.6	35.9	48.1

BILATERAL CREDIT LINES UNDER THE MASTER LOAN AGREEMENT WITH TERMS UNTIL JUNE 30, 2022

Type of credit	€ million	Intended use	Lender
Cash	220.0	Secure working capital requirements	Commerzbank, Deutsche Bank, HSBC, Helaba, SEB, BNP Paribas, Sparkasse zu Lübeck, Deutsche Apotheker- und Ärztebank
Sureties	157.0	Within the context of conducting business activities	Commerzbank, Deutsche Bank, HSBC, BNP Paribas
Total	377.0		

paid out to Dräger in full in the amount of EUR 110.0 million in October 2020. At present, Dräger does not have a rating from agencies such as Standard & Poor's, Moody's, or Fitch.

⁷ Please refer to table 'Bilateral credit lines under the master loan agreement with terms until June 30, 2022'.

⁸ Please refer to note 36 in the Notes to the Annual Financial Statements for details on the Dräger Group's loans and liabilities.

LIQUIDITY FORECAST

The Dräger Group's liquidity came to EUR 497.3 million as at the end of 2020 (December 31, 2019: EUR 196.3 million). In addition, Dräger has invested EUR 139.3 million in highly liquid money market funds as at the balance sheet date. On account of its positive business performance, Dräger anticipates the solid development of cash flow from operating activities to continue in fiscal year 2021. The repayment of the note loan due in the amount of EUR 60.0 million and the payment of the buyback value to the holders of series A and series K participation certificates of EUR 158.0 million will have an adverse impact on liquidity in the first quarter of 2021. These liquidity outflows will be partially compensated by inflows from the new note loan of EUR 100.0 million. Solid financing will also be secured at an early stage for the future obligation from the repayment of series D participation certificates of EUR 309.6 million in the first quarter of 2023. The Dräger Group's short- and medium-term liquidity is secured by existing cash in hand and bank balances as well as the existing credit lines, of which most have a term of more than one year, and the payment of the aforementioned note loan.

DERIVATIVE FINANCIAL INSTRUMENTS

We generally use financial instruments for hedging purposes and not to optimize earnings, although the principles of economic efficiency are also applied to such decisions. Transactions of this type are selected and concluded in a uniform manner throughout the Group. We account for derivative financial instruments on the basis of IFRS hedge accounting standards.

Hedge accounting means that the earnings effects from derivative financial instruments are reported with the corresponding effects from operating activities in the correct period, reducing the volatility of the quarterly results from currency-related valuation effects.

NET ASSETS OF THE DRÄGER GROUP

		2020	2019	2018	2017	2016
Non-current assets	€ million	1,159.0	1,061.4	933.7	928.8	918.6
Current assets	€ million	2,147.0	1,509.5	1,476.5	1,425.5	1,393.8
thereof cash and cash equivalents	€ million	497.3	196.3	179.6	247.6	221.5
Equity	€ million	1,033.8	1,076.4	1,080.7	1,068.3	1,003.5
Debt	€ million	2,272.2	1,494.6	1,329.6	1,286.0	1,308.8
thereof liabilities to banks	€ million	254.1	169.6	215.2	209.3	245.7
Total assets	€ million	3,306.0	2,570.9	2,410.2	2,354.4	2,312.3
Long-term equity-to-fixed assets ratio ¹	%	239.8	212.1	220.5	213.9	213.7

¹ Long-term equity-to-fixed assets ratio = Total equity and long-term debt divided by intangible assets and property, plant and equipment, and right-of-use assets (starting 2019).

FINANCIAL FIGURES

in € million	December 31, 2020	December 31, 2019	Change in %
Total assets	3,306.0	2,570.9	+28.6
Equity	1,033.8	1,076.4	-4.0
Equity ratio	31.3 %	41.9 %	
Capital employed ¹	1,410.6	1,401.3	+0.7
Net financial debt	187.1	88.7	> +100.0

¹ Capital employed = Total assets less deferred tax assets, securities, cash and cash equivalents, non-interest-bearing liabilities, and other non-operating items

NET ASSETS

In fiscal year 2020, our equity was down EUR 42.5 million on the prior-year figure at EUR 1,033.8 million (2019: EUR 1,076.4 million). At 31.3 %, the equity ratio was considerably lower as at December 31, 2020 than as at December 31, 2019 (41.9 %).

One reason for the fall in equity and equity ratio was the termination of all participation certificates in the first and second quarters of 2020. The shares in equity attributable to the participation certificates of EUR 29.5 million were reclassified to debt. Changes in equity of EUR 287.6 million associated with the termination and recognized through profit or loss and directly in equity also had an effect in this regard. In addition, provisions for pension obligations and similar obligations reduced equity. The increase in provisions for pension obligations was primarily due to the adjustment to calculation parameters for German pension provisions, and in particular to the lowering of the underlying interest rate from 1.1 % to 0.8 %. The net amount of these pension adjustments of EUR 34.4 million after deferred tax liabilities reduced reserves from retained earnings recognized directly in equity. Exchange rate differences also reduced equity (EUR 29.4 million excluding minority interest effects). By contrast, the rise in net earnings (EUR +224.3 million) and the capital increase in April 2020, with a net rise in equity of EUR 75.6 million, had a positive impact on equity.

At the same time, debt rose by EUR 427.0 million as a result of the termination of the participation certificates, EUR 453.0 million resulted from the compounded purchase price commitment less EUR 26.0 million for the reduction of the debt components attributable to the participation certificates.

In fiscal year 2020, total assets rose by EUR 735.1 million to EUR 3,306.0 million. On the assets side, non-current assets increased by EUR 97.5 million, predominantly as a result of an increase in deferred tax asset (EUR +50.4 million) mainly linked to the termination of participation certificates, and a rise in property, plant and equipment (EUR +40.1 million, due primarily to investment in mask production).

Current assets grew by EUR 637.6 million, predominantly as a result of increased liquidity. Cash and cash equivalents were up by EUR 301.0 million. We also invested EUR 139.3 million in short-term euro money market funds as a secure and low-interest alternative to bank deposits. We also increased inventories by EUR 135.7 million and trade receivables and contract assets by EUR 55.7 million.

On the equity and liabilities side, non-current liabilities increased by EUR 371.3 million, primarily as a result of the non-current discounted payment obligation from the termination of the series D participation certificates of EUR 295.0 million. A rise in pension provisions (EUR +39.2 million) and non-current bank loans (EUR +39.2 million) also caused an increase in non-current liabilities.

Current liabilities also increased significantly, by EUR 406.3 million. A large share of this increase, EUR 158.0 million, was attributed to payment obligations from the termination of series A and series K participation certificates. At the same time, contract liabilities pursuant to IFRS 15 rose by EUR 105.5 million due to increases in deferred income and prepayments received. Other items that caused current liabilities to rise were liabilities to banks (EUR +45.2 million), current provisions – primarily for variable remuneration (EUR +42.0 million) – and trade payables (EUR +29.5 million).

↗ Please refer to table ›Net assets of the Dräger Group‹ and ›Financial Figures‹ page 46

DRÄGER VALUE ADDED

Dräger Value Added increased year on year by EUR 329.6 million to EUR 296.9 million in fiscal year 2020 (2019: EUR –32.7 million). Our EBIT rose by EUR 330.0 million year on year. Average capital employed climbed marginally by EUR 5.5 million to EUR 1,423.8 million. As a consequence, capital costs increased by EUR 0.4 million to EUR 99.7 million (2019: EUR 99.3 million).

Days working capital declined by 12.4 days to 96.9 days, mainly due to the fact that average trade receivables rose by a disproportionately low margin compared to net sales.

Business performance of the medical division

↗ Please refer to table »Business performance of medical division«

ORDER INTAKE

Order intake in the medical division rose by a significant margin of 48.6 % in fiscal year 2020 (net of currency effects).

Ventilator orders rose considerably compared to the prior-year figure. Order intake also increased sharply in patient monitoring and data management, as well as in the accessories business. Significant growth was recorded in service business and in anesthesia devices business, too. Demand for hospital infrastructure was also up year on year. The only area in which order intake decreased was thermoregulation equipment.

In Europe, order intake climbed sharply by 63.3 % (net of currency effects). There were also significant increases in order intake in the Americas and Africa, Asia, and Australia regions (net of currency effects). In absolute terms, the growth in demand was greatest in Germany, China, the United Kingdom, the U.S., and Australia. By contrast, orders declined in Saudi Arabia, Pakistan, Switzerland, and Bangladesh.

Order intake was slightly up on the prior-year level in the fourth quarter (net of currency effects). Demand was particularly strong in the Americas region but fell slightly year on year in Europe. In Germany, order intake fell significantly due

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Twelve months			
		2020	2019	Change in %	Net of currency effects in %
Order intake with third parties	€ million	2,498.7	1,728.6	+ 44.6	+ 48.6
thereof Germany	€ million	636.8	361.1	+ 76.3	+ 76.3
Net sales with third parties	€ million	2,302.2	1,741.8	+ 32.2	+ 36.0
thereof Germany	€ million	521.8	360.7	+ 44.7	+ 44.7
EBITDA¹	€ million	391.5	82.1	> +100.0	
EBIT²	€ million	329.4	13.1	> +100.0	
EBIT ² / Net sales	%	14.3	0.8		
Capital employed ^{3,4}	€ million	859.3	816.3	+ 5.3	
EBIT ^{2,5} / Capital employed ^{3,4} (ROCE)	%	38.3	1.6		
DVA^{5,6}	€ million	269.6	-45.6	> +100.0	

¹ EBITDA = Earnings before net interest result, income taxes, depreciation and amortization.

² EBIT = Earnings before net interest result and income taxes

³ Capital employed = Total assets less deferred tax assets, securities, cash and cash equivalents, non-interest-bearing liabilities, and other non-operating items

⁴ Value as at reporting date

⁵ Value of the last twelve months.

⁶ Dräger Value Added = EBIT less cost of capital of average invested capital

ORDER INTAKE

		Twelve months			
in € million		2020	2019	Change in %	Net of currency effects in %
Europe		1,407.0	871.2	+ 61.5	+ 63.3
thereof Germany		636.8	361.1	+ 76.3	+ 76.3
Americas		464.5	370.3	+ 25.4	+ 34.6
Africa, Asia, and Australia		627.3	487.0	+ 28.8	+ 33.0
Total		2,498.7	1,728.6	+ 44.6	+ 48.6

NET SALES

in € million	Twelve months			
	2020	2019	Change in %	Net of currency effects in %
Europe	1,262.6	868.9	+45.3	+47.1
thereof Germany	521.8	360.7	+44.7	+44.7
Americas	443.9	370.9	+19.7	+28.4
Africa, Asia, and Australia	595.6	502.0	+18.6	+22.5
Total	2,302.2	1,741.8	+32.2	+36.0

to changes to a major order for ventilators from the German Federal Ministry of Health. However, this factor was offset by growth in other European countries. Order intake in the Africa, Asia, and Australia region also declined in the fourth quarter.

NET SALES

Our net sales in the medical division rose by 36.0 % (net of currency effects). The Europe region contributed primarily to this trend, however deliveries in the Americas region and in the Africa, Asia, and Australia region also rose significantly. In the fourth quarter, we increased net sales by 39.9 % (net of currency effects). All regions played a part in this increase, with the greatest growth recorded in Europe.

EARNINGS

The significant rise in net sales saw gross profit in the medical business increase by 49.5 % in 2020. The gross margin increased significantly by 5.5 percentage points. This was primarily due to a positive country and product mix, fewer margin-reducing tenders, and volume-related cost-regression effects in production. Gross profit climbed by 48.5 % in the fourth quarter, while the gross margin rose by 4.4 percentage points. Significant increases in profitability were achieved in the fourth quarter as a result of higher net sales, a beneficial product and country mix, and production running at full capacity.

Functional costs were up year on year by 8.1 % in fiscal year 2020 (net of currency effects; 6.3 % in nominal terms). This was primarily due to increased logistics costs on account of the considerably higher number of deliveries and a shortage of freight capacities. Higher personnel expenses were another factor. Functional costs rose by 17.2 % (14.3 % in nominal terms) in the fourth quarter. In the spirit of the One Dräger vision, excellent performance in the medical division resulted in a Thank-You bonus being paid to all employees, the costs of which were borne in full by the medical division.

EBIT in the medical division came to EUR 329.4 million in 2020 (2019: EUR 13.1 million), with the EBIT margin rising from 0.8 % to 14.3 %. In the fourth quarter, EBIT stood at EUR 136.0 million (fourth quarter 2019: EUR 45.8 million). The EBIT margin was 17.6 % (fourth quarter 2019: 8.0 %).

Dräger Value Added in the medical division rose by EUR 315.2 million to EUR 269.6 million year on year in the twelve months to December 31, 2020 (12 months to December 31, 2019: EUR –45.6 million). Rolling EBIT increased year on year by EUR 316.3 million. Capital costs rose slightly by EUR 1.1 million.

Business performance of the safety division

↗ Please refer to table »Business performance of safety division«

ORDER INTAKE

Order intake in the safety division climbed by 23.3 % in fiscal year 2020 (net of currency effects). There was an abrupt rise in demand for light respiratory protection, which is why order intake for safety accessories more than tripled. Service business also grew, as did gas detection business. We also recorded significant order intake in business with engineered solutions. Demand for alcohol-detection devices and respiratory and personal protection products, on the other hand, was down.

In Europe, order intake increased significantly in fiscal year 2020, with growth of 32.6 % (net of currency effects). In Germany, order intake rose by 17.2 %. In the Americas region, we recorded growth in order volume of 14.8 % (net of currency effects) and an increase of 2.9 % in the Africa, Asia, and Australia region.

Increased demand in the United Kingdom, Germany, the U.S., Sweden, and France was offset by decreases in order intake in the Netherlands, Taiwan, the Ukraine, and Australia.

Orders climbed by 1.1 % in the fourth quarter. Increased order intake in Europe and the Americas region was offset by a decrease in orders in the Africa, Asia, and Australia region.

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Twelve months			
		2020	2019	Change in %	Net of currency effects in %
Order intake with third parties	€ million	1,287.5	1,067.6	+ 20.6	+ 23.3
thereof Germany	€ million	305.1	260.3	+ 17.2	+ 17.2
Net sales with third parties	€ million	1,104.1	1,039.1	+ 6.3	+ 8.5
thereof Germany	€ million	286.0	242.8	+ 17.8	+ 17.8
EBITDA¹	€ million	129.5	111.8	+ 15.8	
EBIT²	€ million	67.2	53.5	+ 25.7	
EBIT ² / Net sales	%	6.1	5.1		
Capital employed ^{3,4}	€ million	551.4	585.1	-5.8	
EBIT ^{2,5} / Capital employed ^{3,4} (ROCE)	%	12.2	9.1		
DVA^{5,6}	€ million	27.4	12.9	> + 100.0	

¹ EBITDA = Earnings before net interest result, income taxes, depreciation and amortization

² EBIT = Earnings before net interest result and income taxes

³ Capital employed = Total assets less deferred tax assets, securities, cash and cash equivalents, non-interest-bearing liabilities, and other non-operating items

⁴ Value as at reporting date

⁵ Value of the last twelve months

⁶ Dräger Value Added = EBIT less cost of capital of average invested capital

ORDER INTAKE

		Twelve months			
in € million		2020	2019	Change in %	Net of currency effects in %
Europe		864.1	657.7	+ 31.4	+ 32.6
thereof Germany		305.1	260.3	+ 17.2	+ 17.2
Americas		197.8	182.8	+ 8.2	+ 14.8
Africa, Asia, and Australia		225.7	227.2	-0.7	+ 2.9
Total		1,287.5	1,067.6	+ 20.6	+ 23.3

NET SALES

in € million	Twelve months			
	2020	2019	Change in %	Net of currency effects in %
Europe	723.2	634.5	+14.0	+15.0
thereof Germany	286.0	242.8	+17.8	+17.8
Americas	167.2	176.9	-5.4	+0.2
Africa, Asia, and Australia	213.6	227.7	-6.2	-3.2
Total	1,104.1	1,039.1	+6.3	+8.5

NET SALES

Net sales in the safety division rose by 8.5 % in 2020 (net of currency effects). Deliveries increased by a particularly high margin in Europe. Net sales also rose in the Americas region, but declined in the Africa, Asia, and Australia region. In the fourth quarter we achieved a 14.7 % increase in net sales (net of currency effects), with all regions making a contribution. The strongest growth was recorded in Europe. The new mask production facility in the United Kingdom started operation in December and contributed initial net sales.

EARNINGS

Gross profit in the safety division increased by 12.8 % in fiscal year 2020 due to a substantial rise in net sales volume. The gross margin increased by 2.7 percentage points. This was mainly due to the higher net sales volume, a positive product and country mix, as well as other favorable margin effects. Gross profit increased by 17.3 % in the fourth quarter, with the gross margin rising by 2.3 percentage points on account of solid net sales and a positive product mix.

Functional costs in the safety division were up 12.5 % year on year (net of currency effects; +10.8 % in nominal terms) in fiscal year 2020. The main driver of this development was higher logistics services costs and increased personnel expenses.

EBIT in the safety division stood at EUR 67.2 million as at the end of fiscal year 2020 (2019: EUR 53.5 million), while the EBIT margin came to 6.1 % (2019: 5.1 %). In the fourth quarter, EBIT amounted to EUR 32.3 million (fourth quarter 2019: EUR 23.7 million). The fourth-quarter EBIT margin was 9.4 % (fourth quarter 2019: 7.7 %).

Dräger Value Added in the safety division rose by EUR 14.5 million to EUR 27.4 million year on year in the twelve months to December 31, 2020 (12 months to December 31, 2020: EUR 12.9 million). The safety division's rolling EBIT climbed by EUR 13.7 million year on year. Capital costs decreased slightly by EUR -0.7 million on account of the lower capital employed.

Potential

Risks and opportunities for the future development of the Dräger Group and of Drägerwerk AG & Co KGaA

Our risk and opportunity management system has two aims: to identify risks at an early stage and to systematically take advantage of opportunities. We intend to utilize this approach to permanently increase the value of the Company.

We regularly update our risk assessments, especially with regard to developments that could threaten the existence of the Company. Our risk and opportunity management comprises long-term as well as medium- and short-term perspectives.

We take relevant opportunities and risks into consideration in our corporate strategic planning. Together with knowledge of our strengths and weaknesses, it is the basis for the development of products and their market positioning.

In the following, we discuss our risk management processes, our internal controls, and risk management with regard to financial reporting, the evaluation of risks, the material risks we face, and opportunities and opportunity management. We will end the section with a SWOT analysis.

RECOGNIZING, MANAGING, AND REPORTING RISKS

An essential element of Dräger's risk management is the early identification of strategic and operating risks, determining the scope of these risks, and monitoring and managing them. The basis of our risk assessment system is strategic corporate planning: Our risk reporting process is integrated into the planning process and into the financial forecast. At the planning stage, we specify potential uncertainties in our assumptions and report on both negative (risks) and positive (opportunities, see ↗ page 61 et seqq.) potential deviations from the plan or from the financial forecast. All operating areas of the Company report at least twice a year on risks and opportunities using specified criteria; Group Controlling then summarizes these at Group level. This risk reporting is complemented by ad-hoc reporting so that we can act upon material risks as quickly as possible. Our Risk Management Board supports the responsible risk owners, usually employees from the functional areas, in assessing and managing risks. The Risk Management Board is the link between the Chief Risk Officer (CFO), the departments, and the divisions. It is tasked with improving the risk management system by monitoring it across all departments. Its members are generally heads of departments or financial experts from the functions who have detailed knowledge of the departments and the Company's risk situation.

Essentially, risks may not be entered into if they threaten the existence of Dräger, if they could lead to significant damage to Dräger's reputation, or if the risk is greater than the associated opportunity. In terms of risk recording, EBIT risks are given priority, but significant cash flow risks and strategic or reputational risks that are difficult to quantify are also included.

Thanks to the exchange of information on risks and opportunities between the respective responsible managers and the Executive and Supervisory Board, countermeasures can be taken at short notice when required. Other parties who monitor the effectiveness of risk management are the internal audit department and the Supervisory Board. As our early risk identification system is an element of our risk management system, it is also subject to the annual audit by an external auditor.

RECOGNIZING AND TAKING ADVANTAGE OF OPPORTUNITIES

The business responsibility in the medical division and safety division introduced at the beginning of 2020 is based on the principle of clearly allocating responsibility, allowing quicker decision-making and better leveraging of opportunities. This organizational structure proved its worth in the coronavirus crisis. Responsibility for developing and implementing the best possible solution was clearly defined, whatever the problem.

The crisis demonstrated that three main factors contributed to quickly identifying, capitalizing on, and making good use of opportunities: slack, diversity, and capital. Slack is about ensuring that the capacities of ordinary business activities are designed to allow some leeway in the event of any disruption or opportunities. At Dräger, diversity means that no single customer makes up more than 1% of net sales and no single product accounts for more than 3% of net sales. No more than 5% of purchasing volume should be attributed to a single supplier. This increases our resilience. A sufficient equity

base gives us the leeway to make decisions, including counter-cyclical investments. For example, we made a decision early on to build the ›factory of the future‹. During the coronavirus crisis, it was this ›factory of the future‹ that allowed us to practically quadruple production of ventilators almost overnight.

Internal control and risk management system in respect of the (Group) accounting process

DEFINITION AND ELEMENTS

The internal control system at the Dräger Group ensures the correctness, reliability, and efficiency of the financial reporting system and that business transactions are recorded completely and promptly, and in compliance with International Financial Reporting Standards (IFRS). It comprises a control as well as a monitoring system. The Group Controlling and Accounting functions of Drägerwerk AG & Co. KGaA are responsible for the internal control system, along with the commercial managers of the subsidiaries.

Our internal control system provides for both process-integrated and process-independent measures. Process-integrated measures include automated and manual controls (such as a system of checks and balances). In addition, bodies like the Corporate Compliance Committee and Group functions like the central tax and Group legal departments ensure process-integrated monitoring. The Supervisory Board of Drägerwerk AG & Co. KGaA, particularly its Audit Committee, and the internal audit department are also part of the internal monitoring system. The internal audit department also regularly audits our national and international subsidiaries. The auditor of the consolidated financial statements performs the audit of the accounting-related internal control system and audits the financial statements of our major subsidiaries consolidated in the Group's results.

At the Dräger Group, the internal control system is supplemented by a risk management system. It comprises both operational risk management and a systematic early-warning system for detecting business risks. In relation to the financial reporting process, risk management is also aimed at ensuring that the circumstances are presented correctly in the Group's accounts and in external reports.

USE OF IT SYSTEMS IN ACCOUNTING

At Dräger, the consolidated subsidiaries prepare individual financial statements on the basis of the information that is relevant to their accounting system. The consolidated subsidiaries mainly use standard software from SAP and Microsoft. Every month, the single entity financial statements and additional, standardized reporting information are consolidated in the SAP SEM-BCS system. For financial reporting, we transfer data from SAP SEM-BCS to the SAP Business Warehouse. To do so, we use a Group-wide, standardized accounts structure that also stipulates which reconciliation methods are to be used for the financial statements. Accounting in accordance with local methods is adjusted either in the local accounting systems or by way of reporting adjustments to comply with IFRS. Once the data has been translated into the Group currency euro, we consolidate all internal business transactions. Dräger assesses the IT environment, identifies potential risks, and reports them at least two times a year to the Executive Board within the scope of the risk management system. In addition, the auditors of the consolidated financial statements carry out an audit of the IT control system, change management, IT operations, access to programs and data, and system development once a year, insofar as they relate to accounting.

ESSENTIAL REGULATORY MEASURES AND CONTROLS

Using our internal control system, and with the assistance of the internal audit department and the auditor of the consolidated financial statements, we check whether the amounts reported in the balance sheet, income statement, and the statement of comprehensive income are recognized in the correct period and fully assigned, and whether the record contains reliable and traceable documentation regarding the business transactions. The consolidated financial statements that are prepared monthly always undergo comprehensive system checks. They are also checked by Controlling and compared with the plans and the latest financial forecast. The Dräger accounting policies are applied throughout the Group to ensure that all German and foreign subsidiaries included in the consolidated financial statements use the same standard.

Regular alignment meetings and institutionalized reporting requirements within the Finance function guarantee that Group-wide restructuring and changes are recorded promptly in our accounting system. When we acquire or found a

new company, we train the new employees in the Accounting department on the preparation of the financial statements according to IFRS, which is the authoritative reporting standard at the Dräger Group, including both the reporting system and the reporting dates. Every year, we train the managers of the Accounting departments of all subsidiaries on the reporting processes, as well as on amendments to the Dräger accounting policies and all relevant IFRS, and thereby ensure the quality of our financial reporting.

In our accounting systems, we have separated administrative, executive, and authorization functions from one another by issuing different access profiles, allowing us to reduce the potential for fraudulent acts against the Company by employees. Group accounting determines the scope of consolidation and the reporting packages that have to be prepared by Group companies, ensuring that the consolidated financial statements can be prepared in good time and in accordance with all applicable reporting standards and laws. Our subsidiaries enter their local financial statements into the SAP EC-CS consolidation system, where validation rules guarantee a high degree of data quality.

The Treasury department is responsible for treasury management, secures the Group's liquidity, and monitors its interest risks. Together with Controlling, it monitors and hedges currency risks. The organizational structures and processes, and the Group's internal treasury policy, ensure transparency and security. Responsibilities for trading and completing financial transactions are separated. For example, the Treasury back office reviews all financial transactions that were traded in the Treasury front office.

RISK ASSESSMENT

In order to assess the significance of the implications of risks on the Company, Dräger forms risk classes for both quantitative and qualitative individual risks. Risks in risk classes 1 and 2 are considered material risks.

For the purposes of risk classification in the risk matrix, both the probability of occurrence and the potential extent of damages are taken into consideration.

The due date for reported risks is December 31, 2020, whereby the risk assessment is based on the updated internal risk report. While the earnings forecast period is one year, Dräger assesses quantitative risk over a period of two years.

The risks described below and their potential impact on the Company are not necessarily the only risks to which Dräger is exposed. Risks that were not known or were considered immaterial at the time at which this report was prepared may also affect our business activities in the future. The risks in risk classes 1 and 2 that are referred to here are the ones we believe to be material. Immaterial risks from financing instruments are also reported in accordance with IFRS 7.

RISK CATEGORIES

Our risk categories have each been allocated to a risk class. The development of each individual risk category in the past year (remained stable, declined, or increased) is also presented.

↗ Please refer to charts ›Risk matrix‹, ›Key to probability of occurrence‹, ›Key to extent of damages‹ and table ›Material risks‹ on page 55

POLITICAL, ECONOMIC, AND SOCIAL DEVELOPMENT

The coronavirus pandemic caused the global economy to experience a historic slump in growth. In many countries, the measures taken to stop the spread of the coronavirus severely affected economic activity. According to the International Monetary Fund (IMF), the global economy shrank by 3.5 % in 2020. For 2021, the IMF is forecasting an economic recovery of 5.5 %. However, current forecasts are associated with particular uncertainty.

A variety of geopolitical developments put us at risk of not achieving our planned net sales goals. In some countries, economic policy that could lead to the isolation of national markets and a preference for local competitors is gaining traction.

The increasing share of votes being garnered by populist parties in a number of European countries is another source of geopolitical unpredictability. Political tensions in the Middle East could also put the brakes on our growth. In addition, political developments on the Korean peninsula could have a negative impact on our business. Continuing strong competition could also have a negative effect on Dräger's net sales and margins.

RISK MATRIX

Extent of damages	Probability of occurrence			
	Very low	Low	Medium	High
Critical				
Material				
Moderate				
Low				

— Risk class 1 (very high risk)
 — Risk class 2 (high risk)
 — Risk class 3 (moderate risk)
 — Risk class 4 (immaterial risk)

KEY TO PROBABILITY OF OCCURRENCE

Probability of occurrence	Occurrence
Very low	≤ 5 % No more frequently than once in 20 years
Low	> 5 % to 25 % No more frequently than once in 4 years / more frequently than once in 20 years
	> 25 % to 50 % No more frequently than once in 2 years / more frequently than once in 4 years
High	> 50 % More frequently than once in 2 years

KEY TO EXTENT OF DAMAGES

Extent of damages	Definition of extent of damages
Critical	≥ EUR 25 million Significant negative impact on earnings
Material	EUR 10 million to EUR 25 million Negative impact on earnings
	EUR 5 million to EUR 10 million Limited negative impact on earnings
Low	< EUR 5 million Immaterial negative impact on earnings

MATERIAL RISKS

Risk category	Risk class	Development
Political, economic, and social development	1	→
Organization and management	2	→
Information security and IT risks	1	→
Procurement	2	→
Production and logistics	1	↗
Quality	2	→
Research and development	1	→
Compliance and legal	1	→
Currency risks	2	→
Risks from financial instruments	4	→
Finance (financial market risks)	2	→
Risks of receivable losses	2	→
Pandemics	2	→
Other risks	2	→

A number of other factors, such as regional, political, religious, or cultural conflicts could affect macroeconomic developments or international capital markets and therefore also influence demand for our products and services. In all segments worldwide, we depend on the investment budgets of public authorities, since a large proportion of our customer base is made up of public institutions such as public hospitals, fire services, police forces, and disaster management agencies. In many industrialized nations, such public services have been under significant cost pressure in recent years. While the coronavirus has resulted in a partial break in this trend, it could continue in the future. We are meeting this challenge head-on through customer orientation, innovation, the high quality and reliability of our products and services, and – where appropriate – through cooperation agreements and acquisitions. In doing so, we intend to reinforce and expand our market position.

We operate in future-oriented industries with strong growth in which we can expect further consolidation processes that are likely to affect the structure and intensity of competition: Hospitals and other relevant customer groups are being consolidated or forming purchasing cooperatives, thereby pooling purchasing volumes and gaining increased market power. The large, diversified conglomerates among our primary competitors have strong market positions in certain segments and regions on account of the wide range of products and services that they offer. New competitors, particularly from Asia, are also a factor. The quality of their products has increased significantly in recent years, meaning that they are now competing with us in the lower and middle performance and price segment. In order to remain successful in these market segments over the long term, we need to enhance our product portfolio, sales channels, and service offering, among other things. There is a certain risk that such developments could eat up net sales from products in higher performance and price segments (risk class 1).

ORGANIZATION AND MANAGEMENT

The dynamic market environment makes it essential for us to constantly assess our competitiveness on sales and labor markets. Geopolitical changes, increasing digitalization, and high innovation pressure require change processes within our organization on an increasingly frequent basis. We consider strengthening our ability to adapt to change to be a critical success factor when it comes to long-term competitiveness. To this end, we will focus in the future on viewing change as an opportunity and not just as a risk, among other things. Bolstering the willingness to accept change across all levels of the Company and ensuring clear and transparent communication are decisive in this context (risk class 2).

INFORMATION SECURITY AND IT RISKS

Information and its processing play a pivotal role in Dräger's business. Strategic and operative functions and tasks are usually supported to a significant degree by information technology (IT). However, Dräger also processes information in other ways (paper, meetings). The loss, unavailability, or misuse of information could cause serious problems for Dräger. A breakdown of IT systems or a disruption from outside the Company (such as a hacker attack) could compromise critical business processes and lead to a temporary production shutdown due to overload, for instance. System outages also pose significant reputational risks. The reliability and security of our IT systems are therefore decisive.

To enable access to IT systems and system availability in its day-to-day business, Dräger requires a standardized infrastructure. Devices not managed centrally or subject to regular maintenance can cause security vulnerabilities. That is why Dräger works with network segmentations and uses standardized software, as well as a standard basic installation for notebooks and desktop PCs.

Database security is also important in minimizing IT risks. Read and write authorizations are essential for the security of data relating to customers, production, and suppliers. In addition, we have defined processes to safeguard central systems. When necessary, the safeguards are continuously improved through the use of electronic systems. These improvements are subject to defined standards and are gradually being rolled out at all of Dräger's sites (risk class 1).

PROCUREMENT

Procurement risks include supplier and material price risks in particular. We cooperate extensively with reliable and competent suppliers to minimize procurement risks for our current product portfolio and to continue relying on these suppliers for future products. As we have reduced the level of vertical integration to the necessary core technologies and the assembly of purchased parts and components, we integrate our suppliers into our internal processes. Strict quality standards apply to supplier selection and procurement processes. We have concluded binding price agreements with all strategic suppliers. The agreements usually apply for a period of one year and thereby guarantee planning security for a certain period of time.

In the case of components and modules for which our suppliers offer series production, we have purchased the estimated number of components or modules required for the remaining product life cycle and store these components and modules either at Dräger or with the supplier. In the medical division, we analyze potential risks relating to purchased module components across multiple functions. In some cases, we purchase these module components from a single supplier. As these module components are used in a number of our products, supply bottlenecks can cause production to be interrupted for a certain period of time. Potential interruptions to supply or the bankruptcy of suppliers could also lead to production outages and additional costs (risk class 2).

PRODUCTION AND LOGISTICS

With regard to logistics, the goal of rapid, complete, high-quality, and timely delivery of products and accessories to our customers places high demands on our supply chain. Due to the sustained growth of our business and our cooperation with various logistics service providers, the possibility of temporary disruptions to our supply chain cannot be completely excluded.

We rely on logistics providers to repay the faith we place in them and contributing to a smooth supply chain, even during stressful periods. Issues with a logistics provider can have a significant temporary impact on supply performance. To minimize this potential risk, we continually evaluate the current situation of our suppliers and service providers.

The development of new production sites generally entails a higher risk of delivery delays, especially during the start of production. Along with lower customer satisfaction, delivery interruptions and delays could also lead to the cancellation of orders.

The coronavirus pandemic reduced capacities at many logistics companies and caused prices to increase. There is a risk that these logistics costs will not fall back to their pre-crisis levels in the short term (risk class 1).

QUALITY

We apply the highest quality standards in our business. Despite extensive quality management processes across the entire value chain, there is a risk that individual products will not meet the applicable quality requirements. Quality issues could be caused by us or by one of our suppliers, resulting in a loss of net sales and higher quality costs (risk class 2).

RESEARCH AND DEVELOPMENT

It is important for our profitability that our product portfolio is kept up to date. Experience has shown that new products are more profitable than products in a later phase of the product life cycle. This is why we continuously invest in research and development in order to keep the proportion of new products as high as possible or increase it, particularly in the medical division. To achieve this, we must develop innovative technological solutions and also products that appeal to the requirements of a broad section of the market. Increasingly strict regulatory requirements in many markets are making it more difficult to obtain approvals for our products. The introduction of the new EU Medical Device Regulation, for example, means that clinical tests, material components, and documentation are now subject to significantly higher requirements. The increasing connectivity of our devices and the associated requirements regarding data protection are also leading to increased development expenses. Risks may arise from factors such as the high complexity of development projects, as well as delayed product launches as a result and changes in market requirements. In addition, stricter requirements by licensing authorities can lead to delays in product launches or the loss of existing product licenses, resulting in net sales losses. We also develop and produce products that contain an increasingly large number of software components, which in turn increases the requirements in terms of license management. Risks can also arise from license terms being unintentionally violated, for example (risk class 1).

COMPLIANCE AND LEGAL

In all countries in which they operate, Dräger companies are subject to various legal provisions that frequently change. Obligations can arise from public law, such as tax law, or from civil law. Laws to protect intellectual property and third-party concessions, various approval and licensing regulations for products, competition rules, regulations in connection with awarding of contracts, export control regulations, and many more are also relevant to business operations. Drägerwerk AG & Co. KGaA is additionally subject to legal regulations governing capital markets. The violation of legal requirements can result in significant penalties.

Dräger companies are currently involved in legal disputes and may be involved in legal disputes within the scope of their business activities in the future as well. In some regions, legal uncertainty could result from Dräger only having limited possibilities to assert its rights.

Our business policies and code of conduct are intended to ensure that our business is conducted responsibly and in accordance with legal requirements. We have also established a Company-wide compliance system. Despite the control and prevention mechanisms in place in our compliance structure, there remains a risk that we could be in breach of certain regulations. In addition, the increasing connectivity of our devices raises the issue of data protection and the resulting risk of cyberattacks. The international transfer of data also carries a residual risk of infringement of data protection regulations, which can vary from country to country and are constantly changing. Sales partners may assert compensation or equalization claims pursuant to respective applicable laws. To the extent permitted by law, such claims are excluded in the sales agreements.

☰ Please refer to the ›Compliance‹ section of the Corporate Governance Report on pages 85 et seq.

Additional regulatory requirements and increasingly challenging local standards necessitate greater spending on product licensing. The issue of cybersecurity is also becoming increasingly important in this area with regard to medical products. Further risks arise from the ongoing renewal of necessary, but time-limited licensing certificates and national adjustments to these certificates. Furthermore, there is also the possibility that, despite extensive quality management processes, licensing authorities auditing our products or processes do not consider the licensing requirements to have been met. In such cases, licensing authorities could revoke the license, impose import bans on certain products or product areas, or order installed devices to be changed. Following publication of a warning letter by the FDA, we have been in regular contact with the agency to discuss the status of the countermeasures and upcoming submissions. The warning letter is being processed in accordance with a risk mitigation plan that was developed with the FDA. Dräger combats the increasing risks relating to licensing requirements by adapting the respective organizational structures and processes in the product and quality management areas, among other things (risk class 1).

CURRENCY RISKS

As an international company, we conduct business in a large number of different countries and currencies. As a result, assets and cash flows from our business activities are exposed to currency risks, which can arise as a result of exchange rate fluctuations in the period between planning, accounting, and measuring foreign currency items. Our risk management strategy is geared towards minimizing and delaying the effects of fluctuations in exchange rates on the Group result in an economic way.

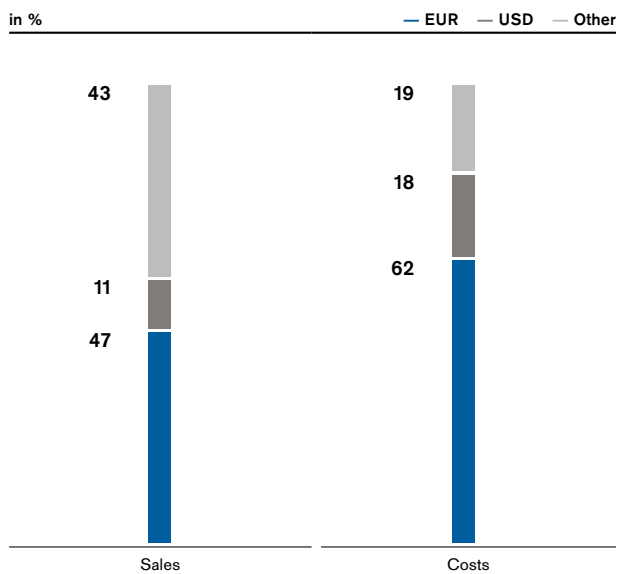
We generate the vast majority of our net sales in foreign currencies, whereas the lion's share of our expenses is incurred in euros. Generally speaking, the increase in value of foreign currencies against the euro usually has a positive impact on net sales and earnings development. By contrast, devaluation against the euro generally has a negative effect on net sales and earnings development. The U.S. dollar currency risk is one exception to the rule. In global terms, our expenses in U.S. dollars exceed the net sales we generate in the U.S. dollar currency, on account of the high percentage of procurement in U.S. dollars for production. This means that a stronger U.S. dollar against the euro has an adverse impact on earnings despite the positive net sales effect. By the same token, a decrease in the value of the U.S. dollar against the euro has a positive effect on earnings development but, at the same time, negatively impacts net sales development.

In order to minimize the currency risk from operating activities in an efficient and cost-effective manner, the currencies to be hedged for the subsequent fiscal year are determined on an annual basis using a statistical at risk calculation model. In this model, we use planned cash flows denominated in foreign currencies, taking into account historical exchange rate volatilities and correlations, to determine an earnings risk that we are statistically extremely unlikely to exceed. A cost- and risk-minimizing hedging portfolio is then determined for this earnings risk using software-based simulations.

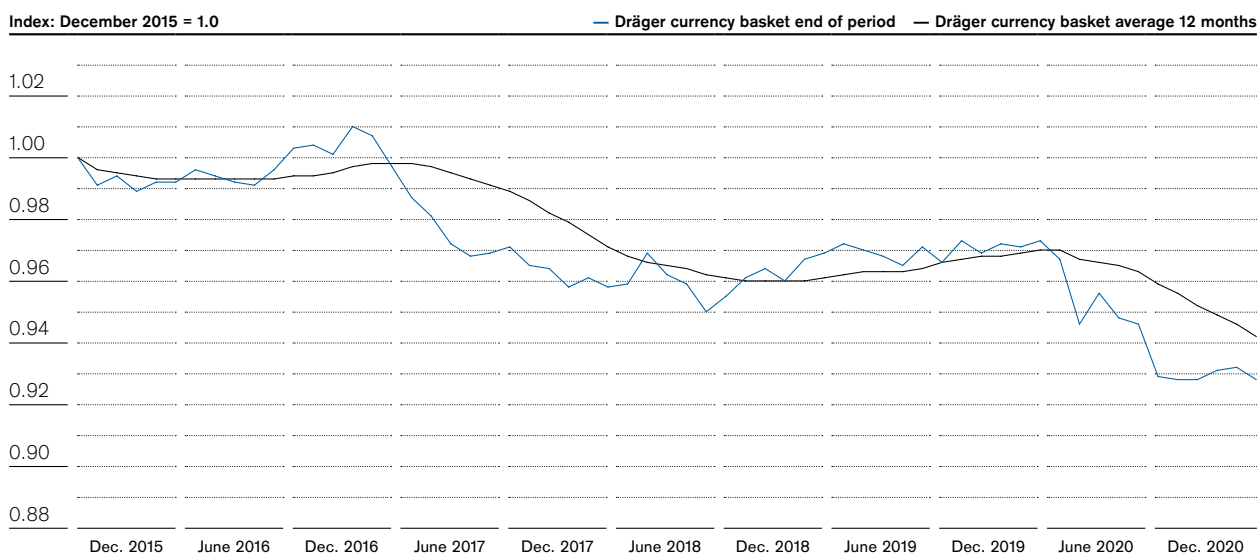
Planned cash flows for currencies requiring hedging are hedged at a target hedging ratio of 75 % using twelve-month currency futures. The hedging strategy is layered in a rolling cycle, with tranches hedged at one-third of the target hedging ratio in three consecutive quarters. The remaining unhedged portion of the transaction is also hedged using currency futures when recognizing the underlying transactions for the planned cash flows.

↗ Please refer to charts ›Net sales and costs by currency (2020)‹ and ›Development of the sales-weighted currency basket (weighted according to net sales)‹ on page 59

NET SALES AND COSTS BY CURRENCIES (2020)



DEVELOPMENT OF THE SALES-WEIGHTED DRÄGER CURRENCY BASKET (WEIGHTED ACCORDING TO NET SALES)



¹ The Dräger currency basket is based on the respective proportion of net sales in the functional currencies as a share of Dräger's group net sales during the past fiscal year. The curve is based on the weighted changes in the exchange rate of the foreign currency to the euro compared to the base rate at the start of a five-year observation period (currently benchmark rates as at December 2015). A rising curve should be seen as a positive currency effect on the Group's net sales, with a falling curve indicating a negative currency effect. An index value of more than 1 indicates that the exchange rates had a positive effect on the Group's net sales compared to the base rate at the start of the observation period. An index value of less than 1 indicates a negative currency effect compared to the base rate at the start of the observation period.

RISKS FROM FINANCIAL INSTRUMENTS

Our aim is to minimize liquidity risk and risk from financial instruments, particularly interest rate, currency, and credit risk. Except for a handful of exceptions, we hedge liquidity risks, currency risks, and interest risks centrally at Drägerwerk AG & Co. KGaA. We also mitigate credit risk with regard to cash investments and derivatives centrally. Credit risk due to receivables from operating activities is managed both centrally and decentrally by subsidiaries and is hedged by instruments such as letters of credit or guarantees.

The only derivatives we use are marketable hedging instruments contracted with banks with high credit ratings. Dräger Group companies may only employ those derivatives that are covered by our treasury guidelines or have been approved by the Executive Board.

The Dräger Group uses a note loan with a residual term until March 10, 2021 to reduce liquidity risk. In addition, Dräger agreed a note loan of EUR 100 million in 2020 that will be disbursed in 2021. An existing loan commitment from the European Investment Bank in the amount of EUR 110 million was disbursed in 2020. The loan was structured into two tranches, each with terms of five years. One tranche of EUR 50 million has a fixed five-year interest rate and one tranche of EUR 60 million has a variable interest rate. As at December 31, 2020, our existing bilateral credit lines to ensure our liquidity amounted to EUR 377.0 million. They were agreed in 2017 and currently have terms until June 30, 2022. The framework agreement for the bilateral credit lines stipulates target values based on certain financial covenants. Should Dräger not comply with these, the banks are entitled to terminate the bilaterally agreed credit lines. The values have been specified so that we would only run the risk of being unable to comply with the agreed value thresholds if our financial position was to deteriorate drastically. It is also possible to obtain the banks' approval to exceed or undercut these key figures at an early stage. We continuously monitor the financial covenants.

Dräger is exposed to interest rate risk, primarily in the eurozone. We combat these risks through a combination of fixed- and variable-rate financial liabilities. We also partially hedge against variable interest rates through standard interest hedging products. We invest cash and cash equivalents only over the short term at commercial banks with high credit ratings.

We manage currency risks associated with currencies other than the euro through forward and swap hedging transactions with selected banking partners, wherein the payment streams are hedged on a transaction-specific basis. Due to the limited and conservative use of financial instruments at Dräger, we class these risks as immaterial. Despite the low risk involved, we report risks from financial instruments in accordance with IFRS 7 (risk class 4).

FINANCE (FINANCIAL MARKET RISKS)

Fluctuations on financial markets pose the risk of uncertainty with regard to the future development of capital cost parameters. Higher capital costs may lead to the impairment of assets, especially goodwill (risk class 2).

RISKS OF RECEIVABLE LOSSES

In principle, Dräger is exposed to the risk of financial crises, political upheaval, or other events leading to receivable losses or late payments. Significantly overdue receivables represent an increased default risk. The specific risk of significant receivable losses is very low. Specifically, such a risk of receivable losses currently exists in relation to our business activities in Saudi Arabia (risk class 2).

PANDEMICS

The dynamic and unpredictable development of the coronavirus pandemic poses a risk of disruption to global supply chains. The high investments in intensive care treatment capacities could lead to a later drop in demand due to market saturation. Furthermore, declines in demand could happen in other areas as a result of lower hospital income.

Measures to contain the virus could further delay the economic recovery in key industries for the safety division and lead to a drop in demand (risk class 2).

OTHER RISKS

The reputation of our brand is extremely important for the trust of all our stakeholders, particularly our customers, in the Company and our products. Damage to our reputation could have long-term negative implications for the success of the business. Customers, business partners, employees, and other stakeholders share information and experiences on an increasing number of channels. This also increases the risk of negative information spreading more quickly and damaging the Company's reputation. To minimize this risk, we have set up an early warning system and established a crisis communication strategy. By doing so, we want to counteract any potential damage to our reputation promptly and respond to criticism in a coordinated manner (risk class 2).

Recognizing, reporting, and taking advantage of opportunities

We observe opportunities within the scope of our strategic planning process, which involves identifying trends, determining strategic focuses, and defining measures. We thereby make use of our established planning tools and our sales information and customer relationship management (CRM) systems. The potential use of these market opportunities also flows into our financial forecast.

☰ Please refer to the ›Management, planning, and reporting‹ section, page 22 et seqq.

We also report on opportunities, along with risks, in the scope of our integrated risk reporting process. In addition, information on opportunities is integrated into the consolidated risk report.

ACTIVITIES IN GROWTH MARKETS

The medical and safety markets in which Dräger operates are growth markets. The megatrends of globalization, health, and digital connectivity foster this growth. Mobilization of our strengths creates numerous opportunities. For example, we use the basis of installed Dräger equipment in order to expand our service and accessories business. Thanks to our constant drive for innovation, we are able to continuously optimize our range of products.

☰ Please refer to the ›Trends with an influence on our business performance‹ section on page 36 et seq.

Further developments currently result in opportunities for Dräger:

PANDEMICS

Due to the persistent coronavirus pandemic, a high need for personal protective equipment and ventilators for intensive care units exists worldwide. These products were still in very high demand at the time at which this report was prepared. We have therefore significantly increased our production capacities for both product areas – through investments in new production sites for light respiratory protection, for example – in order to cater to the high level of need.

GLOBAL TRENDS

- **Increasing and aging population:** Structural changes and increasing life expectancy are causing rising demand for medical products in many industrialized countries and a number of emerging markets. Sustained population growth in many countries is also boosting demand for good medical care.
- **Growing affluence in emerging markets:** Increasing incomes in emerging markets are coupled with higher standards of healthcare and workplace safety. Our broad product portfolio in the appropriate segments and our market presence put us in a good position to benefit from these effects.
- **Growing importance of system business:** The growing extent of digital networking is increasing the requirements that devices must fulfill in use. At hospitals, connected equipment supports both medical and administrative processes. Holistic therapeutic processes and the associated focus on treatment results from both a clinical and economic perspective are important goals of our customers worldwide. Our therapeutic devices and solutions help hospitals to achieve these goals. In industrial markets, the real-time transfer of safety-related data to IT systems is becoming increasingly important.

DIGITALIZATION IS OPENING UP NEW OPPORTUNITIES

Increasing digitalization and automation in industry and retail is offering potential to boost efficiency and is opening up new business models. In addition, platform-oriented sales models are also becoming increasingly important. All in all, our aim is to quickly recognize the new opportunities and challenges that digitalization brings and to develop customer-centric solutions.

HIGH BARRIERS TO MARKET ENTRY FOR COMPETITORS

There continue to be high barriers to market entry in both the medical and safety technology sectors: approval requirements through government regulation, complex and often patented technologies, as well as the fact that many customers continue to prefer tried-and-tested solutions. These barriers give Dräger, an established provider, freedom to achieve stable customer relationships.

LEADING MARKET POSITIONS

In our opinion, Dräger is a global market leader in many market segments and product groups. Comprehensive technological expertise, high product quality, competent and committed employees, and long-term customer relationships all put us in a strong position to further increase our market share. We are thereby focused on attractive segments that, in our view, offer promising opportunities in terms of earnings and growth. We use our leading market position to place new products and services in established markets and successfully defend the market positions of established products. At the same time, we are developing new products for new markets.

EXPANSION OF THE SERVICE AND ACCESSORIES BUSINESS

We are striving to further increase the share of net sales we generate in our cutting-edge service and accessories business. To achieve that goal, we are improving customer service after the purchase of a device by offering additional services, as well as accessories and consumables. Here, we benefit from the large number of Dräger devices already in use around the world.

PROJECT BUSINESS

As a global player, we have a great number of opportunities in the industrial sector to become involved in major oil, gas, chemical, and mining projects and to contribute to sustained, positive business development. We see opportunities worldwide to acquire new projects for the construction of training systems for emergency responders.

CHANGES IN THE PRODUCT PORTFOLIO

Changes to the product portfolio come with both risks and opportunities. We want to increase the number of new products and thereby increase our profitability with an eye to the future. At the same time, we are working on an optimized product portfolio that will allow us to better meet demand, particularly in emerging markets.

SYNERGY EFFECTS AND PLATFORM STRATEGY

Synergy effects also result in opportunities. We can take particular advantage of synergies at our sales and service companies, for example through shared administrative units. In terms of procurement, we want to achieve more favorable purchasing conditions through Group-wide processes, for example with regard to fleet and travel management.

Through our platform strategy, which refers to the use of common components in different models, we are striving to further reduce material costs.

The preparation and execution of customer orders at Dräger is supported by a customer relationship management (CRM) system, which allows us to strengthen the link between marketing, sales, and service to achieve comprehensive customer support. Through further measures, we are integrating customer and partner management via specialist retailers, giving the Company networked access to more information as a basis for successful customer acquisition and service.

GROWING IMPORTANCE OF HEALTH AND SAFETY DEPARTMENTS AT COMPANIES

In the medium to long term, there is a chance that health and safety departments at industrial companies will be given greater priority when it comes to investments. Products and services for such areas of business are among Dräger's core competencies, particularly in terms of safety products.

DEVELOPMENT OF THE MACROECONOMIC SITUATION AND EXCHANGE RATES

Macroeconomic development and changes in exchange rates can bring both risks and opportunities. In the event of the positive development of the described factors, the advantages accordingly outweigh the disadvantages.

☰ Please also refer to the section 'Currency risk' on page 58

Overall assessment of risks and opportunities

All in all, regulatory risks and resulting risks relating to research and development are the most important in the Dräger risk portfolio. The significance of risks around the topic of information security is constantly increasing, as are the general requirements for new software solutions that we develop, which can have a negative effect on project timelines. In addition, economic and political developments, as well as currency risks, can have a negative impact on our business. We reduce these risks by means of regional management and the diversification of our product and service offering.

Overall, we are able to appropriately address the risks facing the Dräger Group. The existence of the Company as a going concern is not at risk on the basis of currently known factors. In our view, the opportunities for the Group outweigh the risks, especially the opportunities resulting from demographic changes, developments in emerging markets, and the future importance of system business. As a result, the outlook for the future is optimistic.

➤ Please refer to the ›SWOT analysis – Dräger Group‹ chart

SWOT ANALYSIS – DRÄGER GROUP

Company-specific

Strengths

- Wide range of products and services;
- Strong brand and long-term customer relationships;
- High degree of diversification with some unused growth potential;
- Detailed understanding of all relevant markets;
- Strong direct sales model with close-knit sales network;
- Established presence in important growth markets in Asia, Central America, and South America;
- High installed device basis in many markets;
- Wealth of experience with complex product and service offerings;
- Stable ownership structure;
- Solid, long-term financing framework and good equity base.

Weaknesses

- High complexity through broad product portfolio;
- Partial dependence on sales partners;
- Focus on the premium segment and low diversification in other price segments;
- Strong reliance on the European market; market-leading positions in markets where growth is slow;
- Niche provider status in some segments;
- Partial dependence on key suppliers;
- High cost base in euros and disproportionately high US dollar cost position.

Market / sector-specific

Opportunities

- Continual increase in safety requirements for employees at hazardous workplaces;
- Progress in medical industry and aging society driving up spending on medical technology;
- Expansion of healthcare systems in emerging markets;
- High market entry barriers for new competitors as a result of regulation, technologies, and patent protection;
- Low impact of economic fluctuations thanks to the breadth of the product portfolio and the large number of markets served;
- New business models made possible through digitalization;
- Increasing appreciation for health and corresponding increase in investment in this area as a result of the coronavirus pandemic.

Risks

- Increasing complexity and requirements for local licensing and the ongoing certification of products;
- Pressure on margins from increasing local competition;
- Central purchasing strategy on the customer side and increased purchasing power of companies operating worldwide;
- Restrictions on domestic budgets and trend towards public companies forming purchasing cooperatives;
- Economic risks due to the financial crisis in certain countries as well as general political uncertainty caused by factors such as increased protectionism;
- Increasing global instability with possible effects on the purchasing behavior of our customers;
- Information security and IT risks;
- Currency losses due to exchange rate fluctuations;
- New competitors entering established markets with digital business models.

The aim of the SWOT analysis is to provide an overview of important aspects of Dräger's strategic environment. Not all risks and opportunities referred to in the report are taken into account in the SWOT analysis. The order in which the issues are listed does not reflect any kind of weighting; related issues are simply listed together.

Outlook

FUTURE MARKET ENVIRONMENT

The coronavirus pandemic and associated restrictions to economic activity left a significant mark on the global economy in 2020. The International Monetary Fund (IMF) expects the global economy to contract by 3.5 % in 2020.

The authorization of various vaccines against COVID-19 has raised hopes of confining the pandemic to the past. What's more, the global economy has recently performed better than was originally feared in October. The IMF believes that economic stimulus packages announced in countries such as the U.S. and Japan will continue to support the global economy.

The IMF anticipates global economic growth of 5.5 % in 2021, followed by growth of 4.2 % in 2022, however, these forecasts are subject to an unusually high level of uncertainty. Positive developments in producing and distributing vaccines could improve the outlook further, but the IMF is also aware of the significant risks posed by the further spread of virus and, in particular, virus mutations. Delays to vaccination campaigns may also have an adverse effect on economic development moving forward. All in all, the IMF is urging nations to come together to bring the pandemic under control worldwide.

↗ Please refer to the ›January 2021 Gross domestic product (GDP) growth forecast‹ chart.

FUTURE MARKET AND SEGMENT SITUATION

The coronavirus pandemic and its effects will remain a key issue in 2021. However, we do not expect our two industries to develop in the same direction.

MEDICAL DIVISION

We believe that the medical technology market will continue to develop positively, particularly in Central Europe, where governments are launching investment programs. The French government, for example, has recently agreed a range of measures aimed at raising pay but also increasing investment, particularly in digitalization. The outlook for the British healthcare market is positive, which is why the medical technology market in the United Kingdom will continue to grow in spite of Brexit. The National Health Service (NHS) is expected to see increased investment through 2030, which will primarily benefit public hospitals and the e-health system. In Northern Europe, investment will focus on fighting the coronavirus pandemic in the short term, with investment in digitalization taking center stage in the long term. Our outlook is positive when it comes to markets in Southern Europe. Spain, for instance, has announced plans to expand its healthcare system, drawing on subsidies from the European Union's stimulus package. There is considerable need for modernization in the Italian healthcare sector, leading to high demand for medical technology products that is likely to rise even further moving forward. The medical technology market in Russia will continue on its growth course. The Russian government is committing more funds to the fight against coronavirus.

We also expect the North American healthcare sector to develop positively. Slow but steady growth is expected in the U.S. medical technology market in 2021, fueled by the coronavirus pandemic and the relatively high average age of the population. High material and treatment costs are also key factors in this market. We are a little less optimistic in terms of the outlook in South America, where many privately run healthcare facilities, including in Brazil and Argentina, are being put under strain by the coronavirus pandemic. The pandemic has resulted in profitable operations and treatments being postponed. Prospects in the public healthcare sector are also unclear.

IMF – JANUARY 2021 GROSS DOMESTIC PRODUCT (GDP) GROWTH FORECAST

in %	2020	2021	2022
Global economy	-3.5	5.5	4.2
United States	-3.4	5.1	2.5
Eurozone	-7.2	4.2	3.6
Germany	-5.4	3.5	3.1
China	2.3	8.1	5.6

We expect the Africa, Asia, and Australia region to develop positively. China's healthcare sector has managed the coronavirus pandemic well so far, thanks in part to digital instruments. Given the positive economic development overall, we expect China to provide some solid growth momentum. The Indian medical technology market is expected to grow. In Australia, there is also rising demand for medical equipment, with the government planning to increase public health spending in the period from 2020 to 2025 by some 30 %. We are cautious regarding the developments on the Arabian peninsula. The United Arab Emirates (U.A.E.), for instance, is set to continue its healthcare sector projects, but experts anticipate delays in implementation. Varied development is expected in Africa. Sales of medical technology are generally weak in South Africa, while Nigeria and Ghana are making slow progress expanding their healthcare infrastructure. That being said, investment is expected to rise moving forward. Digital health solutions are expected to become increasingly important.

SAFETY DIVISION

Overall, we anticipate mixed development in European safety technology markets. The EU and the United Kingdom have reached a free trade agreement, ending four-and-a-half years of uncertainty and speculation. However, there are still many changes on the road ahead for companies. The worst-case scenario of a no-deal Brexit may have been averted, but Brexit is still dampening the outlook for chemicals companies that have so far navigated their way through the coronavirus pandemic well. Our expectations are subdued regarding the development of the oil and gas industry. Here, the coronavirus pandemic and sharp decline in oil and gas prices have curbed structural change in the industry in the United Kingdom. Drilling activity and investment have both declined. We expect the Russian chemical industry to develop positively, with manufacturers of pharmaceuticals, petrochemical products, and agricultural chemicals maintaining a favorable outlook on fiscal year 2021. Major investment projects should be implemented according to plan. The chemical industry in Southern Europe will show moderate development in our view. In Italy, for instance, production in the chemical industry is expected to rise moderately in 2021. In Northern Europe, we expect the oil and gas industry to contract, with Denmark halting the expansion of its oil and gas industry for the time being. Investments in Norway are also expected to decline in 2021.

The Americas region will also see varied development in our opinion. The U.S. chemical industry is suffering under the current situation. There is a great deal of uncertainty surrounding forecasts, due above all to the ongoing coronavirus pandemic. However, the Canadian mining industry does offer some opportunities through the digitalization of mining processes. We also expect varied development in South America. In Brazil, high global market prices are stimulating investment in mining projects and improving the outlook as a result. In the Brazilian chemical industry, on the other hand, the reliance on imports increased further and production declined sharply.

We expect the Africa, Asia, and Australia region to develop positively overall. The same applies to the Chinese chemical industry. In India, the economic downturn impacted the chemical industry but the outlook remains positive in the long term. Chemical imports are set to decline, and local production rise, with the Indian government providing support through subsidies. The outlook is uncertain for the Australian chemical industry, whereas the prospects for the Australian mining industry are good. Iron ore and gold mines are benefiting in particular from high demand, with investments being made in further expansion. We also consider the prospects for the chemical industry on the Arab peninsula to be good. Saudi Arabia is providing major investment in the expansion and diversification of its chemical production, with collaboration with international partners in high demand. The U.A.E. is also expanding its chemical production capacities to boost value creation in the country. The outlook is varied in African markets. The African mining industry is showing positive but subdued tendencies, whereas the oil and gas industry is under strain from underlying uncertainty, the effects of the coronavirus pandemic, and the slump in the price of oil.

We believe that the fire service market is developing at the same pace as the overall economy.

EXPECTATIONS FOR FISCAL YEAR 2021

	Results achieved for fiscal year 2020	Forecast for fiscal year 2021
Net sales (net of currency effects)	+ 25.7 %	- 7.0 to - 11.0 %
EBIT margin	11.6 %	5.0 to 8.0 % ¹
DVA	EUR 296.9 million	EUR 44 to 142 million
Other forecast figures		
Gross margin	47.2 %	On par with prior year (+ / - 1 percentage point)
Research and development expenses	EUR 289.6 million	EUR 295 to 310 million
Interest result	EUR - 36.4 million	Improvement
Days working capital (DWC)	96.9 days	On par with 2019 (2019: 109.4 days)
Investment volume ²	EUR 131.3 million	EUR 120 to 145 million
Net financial debt	EUR 326.4 million	Improvement

¹ Based on exchange rates at the start of fiscal year 2021

² Excluding company acquisitions and the capitalization of right-of-use assets pursuant to IFRS 16

FUTURE SITUATION OF THE COMPANY

The forecast table provides an overview of our expectations regarding the development of various forecast figures. The forecast horizon generally comprises one fiscal year. ↗ Please refer to the ›Expectations for fiscal year 2021‹ table

The strong business performance in fiscal year 2020 will not be repeated in the same manner in 2021 as the one-off effects from the coronavirus pandemic decline. For fiscal year 2021, we anticipate a decline in net sales (net of currency effects) of between - 7.0 and - 11.0 %.

Weaker net sales development will also have an impact on our earnings. We anticipate an EBIT margin of between 5.0 and 8.0 % in 2021. Our margin forecasts are based on the assumption that exchange rates remain unchanged compared to the start of 2021.

Dräger Value Added (DVA) is likely to stand at between EUR 44 million and EUR 142 million in fiscal year 2021, assuming the cost of capital remains unchanged at 7 % and capital employed rises slightly.

We believe that our gross margin in 2021 will match the prior-year level. We anticipate a positive one-off effect from the coronavirus pandemic to a certain degree in fiscal year 2021.

We also plan to invest more into the future of our Company in 2021. Our expenditure on research and development will therefore be higher than in the prior year. All in all, we plan to launch 19 new products and developments in our medical business, including four new products in our accessories business. In our safety business, we intend to bring 15 new products and developments to market.

Assuming interest rates remain stable, our interest result should decline year on year in 2021. The improved interest result will largely result from lower interest effects from the redemption of participation certificates.

We believe that days working capital (DWC) will return to pre-pandemic levels in fiscal year 2021, and so roughly on par with the figure reported in 2019.

Following the significant increase in investments in production capacities for products urgently required during the coronavirus pandemic, our investment volume should decline somewhat in 2021. Expanding infrastructure in Lübeck will continue to be the focal point of investment.

We expect net financial debt to decline due to the high operating free cash flow and the adjusted dividend policy.

DRÄGER MANAGEMENT OVERALL ESTIMATE

In the wake of the historic economic downturn caused by the coronavirus pandemic, Dräger expects economic activity to normalize somewhat in 2021 and economic growth rates to increase significantly on the low levels reported in the prior year. That being said, considerable uncertainty surrounds these forecasts. There is also a risk of further virus mutations.

Governments and central banks around the world are taking measures to prop up the economy and mitigate the effects of the pandemic on the economy and society as a whole. In addition, the outlook has also improved with regard to constructive international cooperation and the resolution of trade conflicts.

At Dräger, we anticipate a decline in one-off effects as the pandemic progresses. Generally speaking, our medical and safety technology markets remain growth markets, and this is in fact the case worldwide. We intend to use this market potential and remain competitive, which is why we will continue to work to strengthen our capacity for innovation and expand our global sales and service network in particular in 2021.

Remuneration report

This remuneration report is also part of the combined management report of Drägerwerk AG & Co. KGaA and the Dräger Group.

Executive Board remuneration

Dräger places great value on providing detailed information on the remuneration of the Executive Board, as this forms part of exemplary governance and transparency for its shareholders.

The remuneration report provides an overview of the current level and structure of Executive Board remuneration at Dräger. Dräger's remuneration system complies with the requirements of the German Stock Corporation Act (AktG) and most of the recommendations of the German Corporate Governance Code (GCGC) as amended and effective starting March 20, 2020:

- The remuneration structure is designed to support sustainable and long-term business performance.
- The remuneration consists of fixed and variable components.
- The variable remuneration component is based on a long-term measurement period over several years.
- Positive and negative developments in company value are taken into account.
- Remuneration is designed to appropriately reflect the function, the Company, and the industry (market compatibility) and is also in proportion to that of the top management and other employees.
- Incentives for entering into disproportionate risks are avoided.
- Upper limits on total remuneration and variable remuneration components.

The current remuneration system for members of the Executive Board has applied since fiscal year 2019 and was approved by the annual shareholders' meeting on May 10, 2019, by a majority of 90.53 %.

Contracts

All members of the Executive Board have concluded service contracts with Drägerwerk Verwaltungs AG. The Supervisory Board of Drägerwerk Verwaltungs AG is responsible for determining their remuneration. The Executive Board members' contracts run for five years. By resolution of the Supervisory Board of Drägerwerk Verwaltungs AG on December 9, 2020, Gert-Hartwig Lescow's appointment as CFO and Executive Board member for IT and Vice Chairman of the Executive Board was extended to March 31, 2026.

Dräger value added as a key management figure

Since 2010, Dräger has geared the management of the Company toward a long-term, sustainable increase in company value. We introduced the company-related key figure Dräger Value Added (DVA) as a key performance indicator to measure this. DVA is the result of EBIT in the last twelve months less calculated cost of capital (basis: average capital employed in the last twelve months). DVA management has been integrated into all relevant management processes. The maxim of value added is particularly important for the definition of strategies, planning, regular reporting, and when making investment and business decisions. Consequently, performance-related variable remuneration of the Dräger management also primarily reflects DVA. Dräger has adjusted the existing top management level and Executive Board remuneration systems accordingly by setting all quantitative targets so as to have a direct and positive impact on DVA, the cash flow, or selected strategic targets. That generally ensures that the variable remuneration of the Executive Board and all other TMI participants is based on the success of Dräger as a whole or in the respective region or country.

Remuneration structure

The absolute amount of remuneration for Executive Board members and top managers is based on each person's range of tasks, responsibilities, and required abilities.

For fiscal year 2020, monetary remuneration comprised three components:

- (i) **fixed annual remuneration**,
- (ii) an **annual bonus** based on annual individual targets and annual KPI targets, and
- (iii) a **long-term bonus** based on DVA development over a three- and five-year period.

The DVA-based bonus therefore represents the core component of variable remuneration for all Executive Board members. Upper limits are defined for all remuneration components, ensuring that the absolute value of the remuneration is limited. A future-oriented long-term measurement limit applies to the majority of variable salary components.

- **Fixed remuneration** is paid as a monthly salary. The fixed remuneration of the current Executive Board members was determined upon their appointments or at the time their contracts were extended and has remained unchanged since.
- Of the **variable target remuneration**, 50 % comprises an **annual bonus** and 50 % a **long-term bonus**.
- Of the **annual bonus**, 55 % is based on **individual targets** and 45 % on one or more KPI targets. Both underlying targets are defined every year by the Supervisory Board.
- In 2020, the **KPI targets** were based on three sub-goals:
 - the achievement of the Monitoring net sales targets set for 2020,
 - the achievement of a net sales target for selected new products from the medical division, and
 - the achievement of a net sales target for selected new products from the safety division.
- Target achievement of 0 to 200 % is possible for the annual bonus and its component targets.

Of the **long-term bonus**, 55 % is based on a **three-year DVA target** and 45 % on a **five-year DVA target**.

- The **three-year DVA target** is based on the cumulative achievement of DVA targets set by the Supervisory Board for the past three fiscal years (2018, 2019, and 2020).
- The **five-year DVA target** is based on the cumulative achievement of the DVA target of the five-year plan as presented to the Supervisory Board. The bonus for the first five-year period for the years 2019 to 2023 will be paid out on completion of the five-year period in 2024. A partial payment of 50 % of the benchmark may be made for the years 2019 to 2022 when at least the interim targets have been reached. The bonus for the five-year period for the years 2020 to 2024 will be paid out on completion of the five-year period in 2025. The payment is only made if the respective member of the Executive Board fulfills his or her contract in full. If the contractual term ends within the five-year period of a five-year DVA target and is not extended, target achievement is calculated on a pro rata basis.

For the long-term bonus, target achievement of 0 to a maximum of 250 % is possible.

The variable remuneration target system also forms the basis for roughly 150 managers at the Company. Remuneration below the level of the Executive Board is weighted more towards the achievement of one-year DVA and KPI targets and only takes the defined DVA target for the three-year period into limited account. This variable remuneration system is also applied to approximately 270 employees not covered by the collective agreement on wages and salaries. The aforementioned one-year targets are the sole basis for this, with no medium-term components included in the system.

Employee share program

The employee share program, offered for the first time in Germany in 2013, was once again offered by Dräger in fiscal year 2020. All five Executive Board members of Drägerwerk Verwaltungs AG took part in the employee share program. The participating Executive Board members purchased 20 sets, each consisting of three shares, at a price of EUR 67.10 per share using their own funds, which were booked at a price of EUR 67.10 per share. For every three preferred shares, participants received one preferred share worth EUR 67.10 on the date of entry free of charge from Dräger. The holding period for these preferred shares – including those that participants acquired themselves – runs until December 31, 2022. They are reported in the tables as share-based remuneration.

Additional benefits and remuneration components

The additional benefits that the Executive Board members receive in addition to the aforementioned remuneration include contributions for pension, care, and health insurance premiums and preventative health care, as well as a company car for business and private use. The use of the company car is calculated using the 1% method plus the benefit for trips between home address and place of work and taxed individually. The Executive Board members are responsible for paying the incurred payroll tax. The Company has also taken out group accident insurance for Executive Board members and pays the premium for the Directors & Officers (D&O) insurance; these policies do not constitute part of the Executive Board's remuneration. The D&O insurance includes a deductible that has been set since 2010 at one-and-a-half times the amount of gross fixed annual remuneration in accordance with Sec. 93 (2) Sentence 3 German Stock Corporation Act (AktG).

Remuneration tables

In accordance with the requirements of the German Corporate Governance Code and German Accounting Standard 17, individual Executive Board remuneration has been presented in the form of three separate tables to ensure sufficient clarity.

Fixed remuneration and additional benefits are based on the agreed fixed amount. In terms of the variable remuneration, the ›Granted allowances‹ table includes the minimum and maximum remuneration achievable and the expected remuneration.

EXECUTIVE BOARD REMUNERATION – GRANTED ALLOCATIONS

in €	2019	2020	2020 minimum	2020 maximum
Stefan Dräger				
Chairman of the Executive Board, since March 1, 2005				
Fixed remuneration	600,000	600,000	600,000	600,000
Additional benefits	14,435	12,861	12,861	12,861
Total fixed remuneration	614,435	612,861	612,861	612,861
One-year variable remuneration	1,223,387	1,430,470	0	1,540,000
Share-based remuneration	965	982	982	982
Long-term variable remuneration	378,431	1,018,791	0	1,925,000
Total fixed and variable remuneration	2,217,218	3,063,104	613,843	4,078,843
Pension cost	97,908	115,044	115,044	115,044
Total remuneration	2,315,126	3,178,148	728,887	4,193,887
Gert-Hartwig Lescow				
Finance and IT, since April 1, 2008				
Fixed remuneration	480,000	480,000	480,000	480,000
Additional benefits	26,169	24,740	24,740	24,740
Total fixed remuneration	506,169	504,740	504,740	504,740
One-year variable remuneration	699,078	817,411	0	880,000
Share-based remuneration	965	982	982	982
Long-term variable remuneration	216,246	582,166	0	1,100,000
Total fixed and variable remuneration	1,422,459	1,905,300	505,722	2,485,722
Pension cost	74,623	90,713	90,713	90,713
Total remuneration	1,497,082	1,996,013	596,435	2,576,435
Toni Schrofner				
Medical division, since September 1, 2010				
Fixed remuneration	400,000	400,000	400,000	400,000
Additional benefits	56,481	31,163	31,163	31,163
Total fixed remuneration	456,481	431,163	431,163	431,163
One-year variable remuneration	431,626	722,228	0	770,000
Share-based remuneration	0	982	982	982
Long-term variable remuneration	189,216	509,396	0	962,500
Total fixed and variable remuneration	1,077,322	1,663,769	432,145	2,164,645
Pension cost	21,011	24,901	24,901	24,901
Total remuneration	1,098,333	1,688,670	457,046	2,189,546

EXECUTIVE BOARD REMUNERATION – GRANTED ALLOWANCES (CONTINUED)

in €	2019	2020	2020 minimum	2020 maximum
Rainer Klug				
Safety division, since August 1, 2015				
Fixed remuneration	400,000	400,000	400,000	400,000
Additional benefits	11,185	11,787	11,787	11,787
Total fixed remuneration	411,185	411,787	411,787	411,787
One-year variable remuneration	335,575	648,039	0	770,000
Share-based remuneration	0	982	982	982
Long-term variable remuneration	189,216	509,396	0	962,500
Total fixed and variable remuneration	935,975	1,570,203	412,769	2,145,269
Pension cost	20,906	25,427	25,427	25,427
Total remuneration	956,881	1,595,630	438,196	2,170,696
Dr. Reiner Piske				
Sales and Human Resources, since November 1, 2015				
Fixed remuneration	400,000	400,000	400,000	400,000
Additional benefits	25,945	26,313	26,313	26,313
Total fixed remuneration	425,945	426,313	426,313	426,313
One-year variable remuneration	455,928	722,228	0	770,000
Share-based remuneration	965	982	982	982
Long-term variable remuneration	189,216	509,396	0	962,500
Total fixed and variable remuneration	1,072,054	1,658,919	427,295	2,159,795
Pension cost	20,743	24,700	24,700	24,700
Total remuneration	1,092,797	1,683,619	451,995	2,184,495

EXECUTIVE BOARD REMUNERATION – CONTRIBUTION

in €	2020	2019	2020	2019
Stefan Dräger Chairman of the Executive Board, since March 1, 2005			Gert-Hartwig Lescow Finance and IT, since April 1, 2008	
Fixed remuneration	600,000	600,000	Fixed remuneration	480,000
Additional benefits	12,861	14,435	Additional benefits	24,740
Total	612,861	614,435	Total	504,740
One-year variable remuneration	1,223,387	391,849	One-year variable remuneration	699,078
Share-based remuneration	982	965	Share-based remuneration	982
Long-term variable remuneration	203,431	348,108	Long-term variable remuneration	116,246
Total variable remuneration	1,427,800	740,922	Total variable remuneration	816,307
Pension cost	115,044	97,908	Pension cost	90,713
Total remuneration	2,155,706	1,453,265	Total remuneration	1,411,760
Toni Schrofner Medical division, since September 1, 2010			Rainer Klug Safety division, since August 1, 2015	
Fixed remuneration	400,000	400,000	Fixed remuneration	400,000
Additional benefits	31,163	56,481	Additional benefits	11,787
Total	431,163	456,481	Total	411,787
One-year variable remuneration	431,626	195,924	One-year variable remuneration	412,479
Share-based remuneration	982	0	Share-based remuneration	982
Long-term variable remuneration	101,716	174,054	Long-term variable remuneration	101,716
Total variable remuneration	534,323	369,978	Total variable remuneration	515,177
Pension cost	24,901	21,011	Pension cost	25,427
Total remuneration	990,387	847,470	Total remuneration	952,391
Dr. Reiner Piske Sales and Human Resources, since November 1, 2015				
Fixed remuneration	400,000	400,000		
Additional benefits	26,313	25,945		
Total	426,313	425,945		
One-year variable remuneration	470,332	172,600		
Share-based remuneration	982	965		
Long-term variable remuneration	101,716	153,333		
Total variable remuneration	573,029	326,898		
Pension cost	24,700	20,743		
Total remuneration	1,024,042	773,586		

EXECUTIVE BOARD REMUNERATION – DRS 17

in €	2020	2019	2020	2019
Stefan Dräger Chairman of the Executive Board, since March 1, 2005			Gert-Hartwig Lescow Finance and IT, since April 1, 2008	
Fixed remuneration	600,000	600,000	Fixed remuneration	480,000
Additional benefits	12,861	14,435	Additional benefits	24,740
Total	612,861	614,435	Total	504,740
One-year variable remuneration	1,430,470	1,223,436	One-year variable remuneration	817,411
Long-term variable remuneration	666,271	203,431	Long-term variable remuneration	380,726
Share-based remuneration	982	965	Share-based remuneration	982
Total variable remuneration	2,097,723	1,427,832	Total variable remuneration	1,199,120
Total remuneration	2,710,584	2,042,267	Total remuneration	1,703,860
Toni Schrofner Medical division, since September 1, 2010			Rainer Klug Safety division, since August 1, 2015	
Fixed remuneration	400,000	400,000	Fixed remuneration	400,000
Additional benefits	31,163	56,481	Additional benefits	11,787
Total	431,163	456,481	Total	411,787
One-year variable remuneration	722,228	431,650	One-year variable remuneration	724,943
Long-term variable remuneration	333,136	101,716	Long-term variable remuneration	333,136
Share-based remuneration	982	0	Share-based remuneration	982
Total variable remuneration	1,056,346	533,365	Total variable remuneration	1,059,061
Total remuneration	1,487,509	989,846	Total remuneration	1,470,848
Dr. Reiner Piske Sales and Human Resources, since November 1, 2015				
Fixed remuneration	400,000	400,000		
Additional benefits	26,313	25,945		
Total	426,313	425,945		
One-year variable remuneration	736,632	455,949		
Long-term variable remuneration	333,136	101,716		
Share-based remuneration	982	965		
Total variable remuneration	1,070,749	558,630		
Total remuneration	1,497,062	984,575		

Severance payment regulations

The employment contracts of all active Executive Board members contain regulations for the early termination of their contracts without good cause. They limit compensation to the total remuneration for two fiscal years (severance cap) and may never exceed total remuneration including additional benefits for the remaining term of the respective employment contract.

Third-party payments and reimbursements

In the fiscal year, no payments were made or promised by a third party to any member of the Executive Board in relation to duties as member of the Executive Board. If Executive Board remuneration is paid by Drägerwerk Verwaltungs AG, it is entitled to claim reimbursement from Drägerwerk AG & Co. KGaA monthly pursuant to Sec. 11 (1) and (3) of the articles of association of Drägerwerk AG & Co. KGaA. Pursuant to Sec. 11 (4) of the Company's articles of association, the general partner receives a fee, independent of profit and loss, of 6 % of the equity disclosed in its financial statements, payable one week after the general partner prepares its financial statements, for the management of the Company and the assumption of personal liability. For fiscal year 2020, this remuneration amounted to EUR 115,943 (2019: EUR 114,219) plus any incurred VAT.

Defined benefit plans

The terms and conditions of individual contracts with Drägerwerk AG & Co. KGaA with regard to obligations to the Executive Board members from the pension plan were adjusted as at January 1, 2019, in line with changes to the Company pension plan for management and for employees covered by the collective agreement on wages and salaries, and for employees outside the collective agreement. The ›Führungskräfteversorgung (FKV) 2019‹ guidelines, which have been in effect since January 2019, now form the basis for pension commitments.

The defined benefits under the pension plans offered to the members of the Executive Board are based on the basic annual salary of the Executive Board. It is calculated for all Executive Board members on the basis of an annual contribution of up to 15 % of the basic annual salary. Depending on the Group EBIT margin, the annual pension contribution of Gert-Hartwig Lescow increases by up to 15 % of the income eligible for retirement benefits. Under the deferred compensation option, an additional annual contribution of up to 20 % of the basic annual salary per year is possible. These personal contributions were as follows in fiscal year 2020: Stefan Dräger: EUR 120,000 (2019: EUR 120,000); Gert-Hartwig Lescow: EUR 90,000 (2019: EUR 90,000); and Dr. Reiner Piske: EUR 6,000 (2019: EUR 6,000). In years in which the Group EBIT margin exceeds 5 % of net sales, Stefan Dräger receives a further contribution of 50 % on his deferred compensation, but no more than 8 % of his basic annual salary. Gert-Hartwig Lescow also receives a further contribution that is as high as his deferred compensation, but no more than 5 % of his basic annual salary.

Dräger plans to reorganize its pension plan for members of the Executive Board with an external financing structure. The pension commitments are to be transferred effective as at January 1, 2021 into a defined contribution system with guaranteed minimum return.

PENSION OBLIGATIONS OF THE ACTIVE MEMBERS OF THE EXECUTIVE BOARD

in €	Allocations		Obligation	
	2020	December 31, 2020	2019	December 31, 2019
Dräger, Stefan	744,575	6,684,542	1,069,070	5,939,967
Lescow, Gert-Hartwig	455,865	2,957,744	594,969	2,501,879
Klug, Rainer	55,732	354,929	72,116	299,197
Piske, Dr. Reiner	62,281	334,632	75,557	272,351
Schrofer, Toni	91,580	887,477	139,754	795,897
Acting Members of the Executive Board	1,410,033	11,219,324	1,951,466	9,809,291

The amount of EUR 3,301,986 was paid to former members of the Executive Board and their surviving dependents as at the end of the reporting year (2019: EUR 3,272,086). The pension obligations to former members of the Executive Board and their surviving dependents amounted to EUR 42,279,905 (2019: EUR 43,115,745).

↗ Please refer to table ›Pension obligations of the active members of the Executive Board‹ on page 75

Remuneration of the Supervisory Board

The annual shareholders' meeting of Drägerwerk AG & Co. KGaA has defined the Supervisory Board remuneration of Drägerwerk AG & Co. KGaA in the articles of association since fiscal year 2011.

In accordance with Sec. 21 (1) of the articles of association of Drägerwerk AG & Co. KGaA, each Supervisory Board member receives compensation for expenses incurred plus annual remuneration, which is composed of fixed remuneration of EUR 20,000 (2019: EUR 20,000) and variable remuneration. The variable component is 0.015 % of DVA, but no more than EUR 20,000 (2019: EUR 20,000).

Pursuant to Sec. 21 (2) and (3) of the articles of association of Drägerwerk AG & Co. KGaA, the remuneration of members of the Supervisory Board is distributed according to the following principles: Its Chairman is entitled to three times and the Vice-Chairman to one and a half times the amount. The members of the Audit Committee receive an additional fixed annual remuneration of EUR 10,000 and the Chairman of the Audit Committee an additional EUR 20,000. The members of the Nomination Committee do not receive any additional remuneration.

Since fiscal year 2009, the Company has no longer paid Supervisory Board members a per diem. The Company concludes a D&O financial loss liability insurance policy, a liability insurance policy, and a legal expense insurance policy for Supervisory Board members; they are not part of the Supervisory Board's remuneration. The deductible for Supervisory Board members is one and a half times their fixed annual remuneration.

Employee representatives on the Supervisory Board who are employed by a Dräger Group company receive their regular remuneration from the respective Group company. In fiscal year 2020, they received the Thank-You bonus including five preferred shares, as did all other employees in Germany.

In fiscal year 2020, the total remuneration of the six members of the Supervisory Board of the general partner, Drägerwerk Verwaltungs AG, amounted to EUR 135,000 (2019: EUR 135,000), as well as additional flat fees for out-of-pocket expenses totaling EUR 60,000 (2019: EUR 60,000). No remuneration was paid to Supervisory Board members of Group companies.

↗ Please refer to table ›Remuneration of the Supervisory Board‹

REMUNERATION OF THE SUPERVISORY BOARD

in €	2020				2019			
	Fixed	Variable	Other	Total	Fixed	Variable	Other	Total
Lauer, Stefan Chairman	60,000	60,000	10,000	130,000	60,000	0	10,000	70,000
Kasang, Siegfried Vice Chairman	30,000	30,000	10,000	70,000	30,000	0	10,000	40,000
Benten, Nike	20,000	20,000	0	40,000	20,000	0	0	20,000
Dietz, Maria	20,000	20,000	0	40,000	20,000	0	0	20,000
Friedrich, Daniel	20,000	20,000	10,000	50,000	20,000	0	10,000	30,000
Grenz, Prof. Dr. Thorsten	20,000	20,000	20,000	60,000	20,000	0	20,000	40,000
Hamker, Astrid	20,000	20,000	0	40,000	20,000	0	0	20,000
Kruse, Stephan	20,000	20,000	0	40,000	20,000	0	0	20,000
Lüders, Uwe	20,000	20,000	10,000	50,000	20,000	0	10,000	30,000
Rickers, Thomas	20,000	20,000	0	40,000	20,000	0	0	20,000
Van Almsick, Bettina	20,000	20,000	0	40,000	20,000	0	0	20,000
Zinkann, Dr. Reinhard	20,000	20,000	0	40,000	20,000	0	0	20,000
Total	290,000	290,000	60,000	640,000	290,000	0	60,000	350,000

Disclosures pursuant to Secs. 289a and 315a of the German Commercial Code (HGB) and explanations of the general partner

The following disclosures reflect the circumstances on the balance sheet date.

Composition of capital stock

The subscribed capital stock of Drägerwerk AG & Co. KGaA amounts to EUR 48,025,600. It consists of 10,160,000 voting bearer common shares and 8,600,000 non-voting bearer preferred shares, each with a EUR 2.56 share in capital stock. Shares of the same type carry the same rights and obligations. The rights and obligations of the shareholders are laid down in the German Stock Corporation Act, in particular in Sec. 12, 53a et seq., 118 et seq., and 186 AktG, as well as in the articles of association of the Company. As compensation for the lack of voting rights, an advance dividend of EUR 0.13 per preferred share is distributed from net earnings. If sufficient net earnings are available, a dividend of EUR 0.13 per common share is then paid. Any profit in excess of this amount, if distributed, is allocated so that preferred shareholders receive EUR 0.06 more than common shareholders. If the net earnings are not sufficient for an advance dividend for preferred shares in one or more years, the amounts are paid from the net earnings of subsequent fiscal years before a dividend is paid on common shares. If amounts in arrears are not paid in the next year along with the full preferred dividend for that year, the preferred shareholders have voting rights until the arrears have been paid. In the event of liquidation, the preferred shareholders receive 25 % of net liquidation proceeds in advance. The remaining liquidation proceeds are distributed evenly among all shares.

Restrictions relating to voting rights or the transfer of shares

The legal structures of Dr. Heinrich Dräger GmbH mean that neither Stefan Dräger nor Stefan Dräger GmbH, which he controls, have any influence on the exercise of the voting rights of those common shares held by Dr. Heinrich Dräger GmbH in terms of the annual shareholders' meeting of Drägerwerk AG & Co. KGaA passing resolutions on agenda items within the meaning of Sec. 285 (1) Sentence 2 AktG. There are no further restrictions that relate to voting rights or the transfer of shares, even though they could arise from agreements between shareholders.

Direct or indirect shareholdings exceeding 10 %

A total of 67.19 % of the common shares of Drägerwerk AG & Co. KGaA, equivalent to 6,826,000 common shares or 36.39 % of the total capital stock, belong to Dr. Heinrich Dräger GmbH, Lübeck. Its shares are mainly owned by members and companies of the Dräger family, so that the voting rights associated with the common shares are held by the Dräger family. A total of 59.72 % of Dr. Heinrich Dräger GmbH, Lübeck, is held by Stefan Dräger GmbH. Stefan Dräger GmbH is wholly owned by Stefan Dräger, Lübeck. The voting rights of Stefan Dräger GmbH are to be allocated to its partner, Stefan Dräger, pursuant to Sec. 22 of the German Securities Trading Act (WpHG). Through Stefan Dräger GmbH, Stefan Dräger also holds all shares in Drägerwerk Verwaltungs AG, Lübeck, the general partner of Drägerwerk AG & Co. KGaA. This means that Stefan Dräger is a shareholder in the general partner as well as a common shareholder of Drägerwerk AG & Co. KGaA. In cases covered by Sec. 285 (1) Sentence 2 AktG, he would therefore not be entitled to vote. The legal structure of Dr. Heinrich Dräger GmbH ensures that, for such resolutions, Stefan Dräger cannot exert any influence on the exercise of the voting rights of common shares held by Dr. Heinrich Dräger GmbH.

Shares with special rights conferring control

There are no shares with special rights conferring control or special controls over voting rights.

Nature of control over voting rights by employee shareholders who do not directly exercise their control rights

Employees of the Company or the Dräger Group can purchase common shares in the Company with voting rights on the stock exchange. They can directly exercise the control rights to which they are entitled through the ownership of common shares with voting rights like other shareholders, subject to the applicable legal regulations and the provisions of the articles of association.

Appointment and removal of management and amendments to the articles of association

In the legal form of a partnership limited by shares (KGaA), the general partner is authorized to manage and represent the Company, a regulation derived from partnership law. Drägerwerk Verwaltungs AG is the general partner of Drägerwerk AG & Co. KGaA and acts through its Executive Board. The Supervisory Board of Drägerwerk AG & Co. KGaA, which has half of its members elected by employees, is not authorized to appoint or remove the general partner or its Executive Board. The general partner joined the Company with a corresponding declaration; it withdraws from the Company in the cases defined under Sec. 14 (1) of the articles of association.

The general partner's Executive Board, which is authorized to manage and represent Drägerwerk AG & Co. KGaA, is appointed and removed pursuant to Secs. 84 and 85 AktG and Sec. 8 of the articles of association of Drägerwerk Verwaltungs AG. The Executive Board of the general partner comprises at least two persons; the Supervisory Board of the general partner determines how many other members there are. The Supervisory Board of the general partner, elected by its annual shareholders' meeting, is responsible for appointing and removing members of the Executive Board. It appoints members of the Executive Board for a maximum of five years. Repeat appointments or extensions of the term of office are permissible.

The Supervisory Board of Drägerwerk AG & Co. KGaA is not authorized to adopt rules of procedure for management or to define a catalog of management transactions requiring its approval. The Joint Committee – comprising four members of each of the Supervisory Boards of the Company and its general partner – and not the annual shareholders' meeting, decides on the management transactions that require approval as set out in Sec. 23 (2) of the articles of association of Drägerwerk AG & Co. KGaA. The Supervisory Board of Drägerwerk AG & Co. KGaA represents the Company in dealings with the general partner.

Pursuant to Secs. 133, 179 AktG, amendments to the articles of association must be approved by the annual shareholders' meeting. Such a resolution requires a majority of at least three-quarters of the capital stock represented at the time of the vote. The articles of association may stipulate a different majority of capital stock, but for changes in the purpose of the Company this can only be a majority of more than three-quarters of capital (Sec. 179 [2] Sentence 2 AktG). At Drägerwerk AG & Co. KGaA, pursuant to Sec. 30 (3) of the articles of association, resolutions by the annual shareholders' meeting are adopted by a simple majority of votes cast (simple voting majority) if this does not conflict with any legal provisions and, if the law additionally requires a majority of capital, by a simple majority of the capital stock represented upon adoption of the resolution (simple capital majority). The Company has not made use of the possibility pursuant to Sec. 179 (2) Sentence 3 AktG to set further requirements in the articles of association for amendments to the same agreement. In addition to the relevant majority of limited shareholders, amendments to the articles of association also require the approval of the general partner (Sec. 285 [2] AktG). Pursuant to Sec. 20 (7) of the articles of association of the Company, the Supervisory Board is authorized to make amendments and additions to the articles of association which relate only to its wording.

Power of the general partner to issue or buy back shares

In accordance with the resolution agreed upon at the annual shareholders' meeting on April 27, 2016, the general partner is entitled to increase the Company's capital until April 26, 2021, with the approval of the Supervisory Board, by up to EUR 11,366,400.00 (approved capital) by issuing new bearer common and/or preferred shares (no-par value shares) in return for cash and/or contributions in kind, in either one or several tranches. The authorization includes the approval to issue new common shares and/or non-voting preferred shares, which carry the same status as the previously issued non-voting preferred shares with regard to the distribution of profits and/or company assets. The statutory maximum capital as stipulated in Sec. 139 (2) AktG is to be taken into account: No more than half of the capital stock may be issued as preferred shares. Shareholders are principally given a subscription right in the case of a capital increase – unless the Company excludes subscription rights with the approval of the Supervisory Board. In the case of common and preferred shares being issued together, the right of holders of one share type to subscribe to the other type of shares (crossed exclusion of subscription rights) can be excluded.

In accordance with the resolution agreed upon at the annual shareholders' meeting on April 27, 2016, the general partner is entitled, until April 26, 2021, and upon consent of the Supervisory Board, to acquire own shares of up to 10 % of capital stock, regardless of type (common and/or preferred shares) and to use them for all legally permissible purposes.

Material arrangements made by the company subject to a change of control in the wake of a takeover bid

The Company has not made any material arrangements subject to a change of control in the wake of a takeover bid.

Compensation agreements made by the company with members of the executive board of the general partner or employees in the event of a takeover bid

There are no compensation agreements in place within the Dräger Group with members of the Executive Board of the general partner or employees in the event of a takeover bid.

Business performance of Drägerwerk AG & Co. KGaA

Drägerwerk AG & Co. KGaA is the parent company of the Dräger Group. The following comments relate to this company's financial statements, prepared in accordance with the German Commercial Code (HGB).

☰ Please refer to the »Principles of the Group« section on pages 22 et seqq.

In fiscal year 2020, Drägerwerk AG & Co. KGaA's net loss amounted to EUR –103.5 million (2019: net profit of EUR 6.5 million). Over the course of the year, the Company had 2,957 employees on average (2019: 2,924 employees), of which 778 worked in Production (2019: 733 employees) and 2,179 worked in other areas (2019: 2,191 employees).

EARNINGS EFFECTS FROM OPERATING ACTIVITIES

In fiscal year 2020, Drägerwerk AG & Co. KGaA achieved profit from operating activities – excluding income from investments, interest result and taxes and the expenses from the termination of series A, D, and K participation certificates – of EUR 178.3 million (2019: loss of EUR –106.7 million).

Drägerwerk AG & Co. KGaA generated net sales from medical business of EUR 1,587.0 million in fiscal year 2020 (2019: EUR 1,059.7 million), which was offset by the cost of materials of EUR 815.9 million (2019: EUR 592.0 million). This sharp rise was due to considerable demand for ventilation technology on account of the coronavirus pandemic. Personnel expenses rose year on year from EUR 299.8 million to EUR 308.0 million. Other operating expenses amounted to EUR 355.5 million (2019: EUR 283.0 million). Operating exchange gains and write-ups of financial assets also contributed to the Company's positive operating result.

The main reasons for the increase in personnel expenses were the granting of increased profit shares and one-off payments in the form of the Thank-You bonus and thank you shares to reward employees for their performance during the coronavirus pandemic.

The members of the Executive Board of Drägerwerk Verwaltungs AG receive their remuneration directly from Drägerwerk Verwaltungs AG, whereas the Executive Board members' pension obligations are held by Drägerwerk AG & Co. KGaA.

RESULTS OF SUBSIDIARIES

The fall in earnings from profit and loss transfer agreements was mainly attributable to Dräger Safety AG & Co. KGaA (EUR –42.2 million), and was not able to be compensated by an increase at Dräger Medical Deutschland GmbH (EUR +25.6 million).

TERMINATION OF PARTICIPATION CERTIFICATES

The termination of series A, D, and K participation certificates led to expenses of EUR 423.5 million. Based on the proposed dividend for preferred shares of EUR 0.19 (2019: EUR 0.19), the distribution for participation capital amounts to EUR 1.90 per participation certificate for fiscal year 2020 (2019: EUR 1.90).

INVESTMENTS

In fiscal year 2020, the Company invested EUR 4.8 million (2019: EUR 4.4 million) in software and other intangible assets. Investments in property, plant and equipment came to EUR 29.4 million (2019: EUR 19.7 million). Investments were primarily focused in connection with the redevelopment of buildings, the construction of production facilities, and the production of various tools.

NET ASSETS AND FINANCIAL POSITION

After deducting cash and cash equivalents, net financial receivables from banks as at December 31, 2020 amounted to EUR 229.6 million (2019: net financial debt of EUR 67.6 million). Group financing of subsidiaries came to EUR 72.0 million (2019: EUR 205.8 million). Drägerwerk AG & Co. KGaA's equity stood at EUR 991.8 million and declined by a total of EUR 58.5 million year on year. The capital increase of EUR 76.5 million and the net loss of EUR 103.5 million significantly impacted the equity ratio. Due to the considerable increase in total assets, the equity ratio of Drägerwerk AG & Co. KGaA fell slightly as at the balance sheet date to 41.6 % (2019: 61.7 %).

COMPARISON OF FORECAST FIGURES AND ACTUAL FIGURES

The termination of series A, K, and D participation certificates led to expenses of EUR 423.5 million. The coronavirus pandemic triggered significant demand for medical technology, which positively affected Drägerwerk AG & Co. KGaA's earnings as well as net sales generated in Germany and abroad. In addition, income from services, investments, and profit and loss transfers were also included in Drägerwerk AG & Co. KGaA's earnings. The net loss of EUR 103.5 million fell significantly short of the net profit forecast in the prior year of EUR 6.5 million. Dividends in the amount of EUR 3.0 million were paid on common and preferred shares. Net financial debt came to EUR 628.2 million in fiscal year 2020, including the investment in short-term, highly liquid money market funds. The equity ratio amounted to 41.6%. In spite of the capital increase, Dräger was unable to achieve the figure of 61.7% forecast in the prior year due to the expenses from terminated participation certificates, which resulted in the net loss.

FORECAST FOR FISCAL YEAR 2021

The coronavirus pandemic increased demand for ventilators significantly and had a major impact on Drägerwerk AG & Co. KGaA's earnings. Demand is not likely to be repeated to the same extent in 2021, which is why we expect to generate a small net profit. In fiscal year 2020 we achieved a net loss of EUR 103.5 million. The termination of the participation certificates, the capital increase, and negative earnings had a significant effect on the equity ratio in the reporting year (December 31, 2020: 41.6%). We expect to see a slight rise in this figure in 2021.

Declaration / Group declaration of corporate governance (Secs. 289f and 315d of the German Commercial Code (HGB))

The Company management prepared the single entity financial statements and combined management report of Drägerwerk AG & Co. KGaA and is responsible for the contents of both documents and the objectivity of the information provided therein. The same applies to the combined management report associated with the single-entity financial statements.

The financial statements were prepared in accordance with the German Commercial Code.

REPORT ON CORPORATE GOVERNANCE

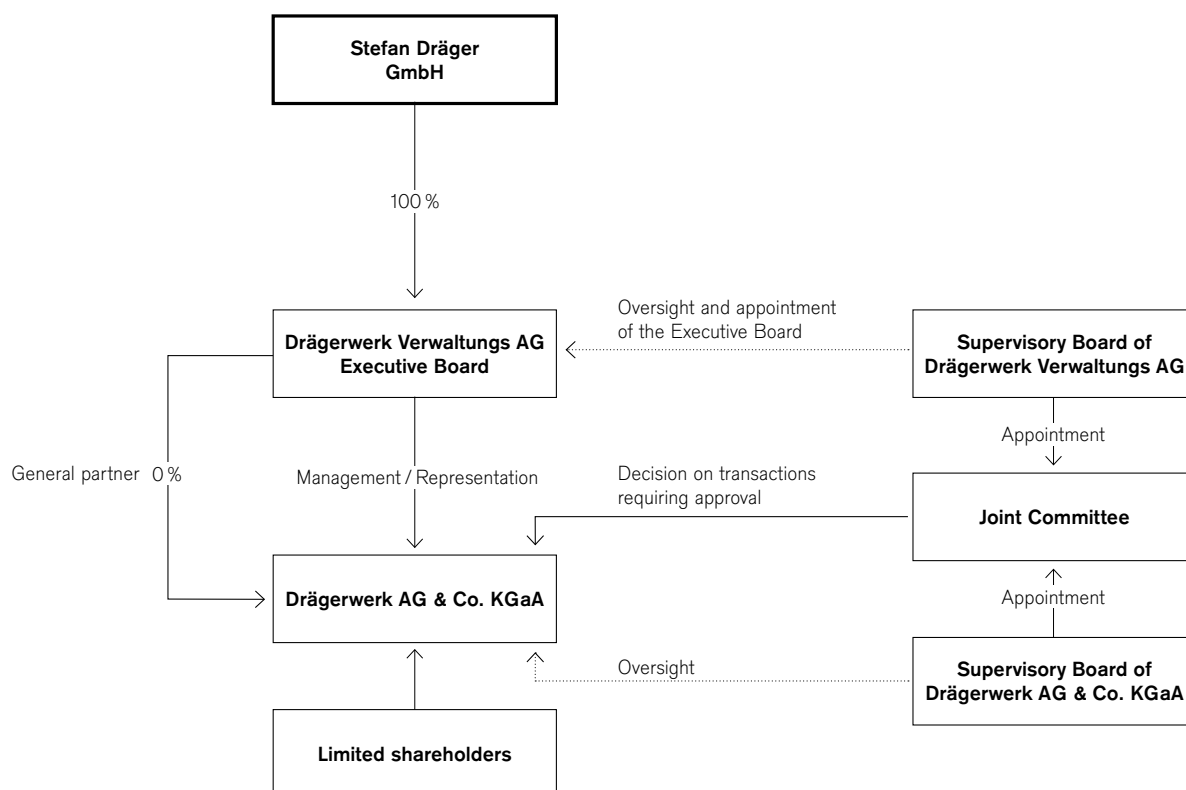
Dräger attaches great importance to corporate governance, which stands for a responsible and transparent management and control process that focuses on a long-term increase in the value of the Company. It fosters the trust of investors, customers, employees, and the public. To underline this, the German Corporate Governance Code, which is actually oriented toward stock corporations, is applied at Drägerwerk AG & Co. KGaA. The features of the management and control structure of Drägerwerk AG & Co. KGaA, as well as the significant rights of our shareholders, are explained below, along with the special features compared to a stock corporation.

PARTNERSHIP LIMITED BY SHARES

According to Sec. 278 (1) AktG, »A partnership limited by shares (KGaA) is a company with a separate legal personality where at least one partner is fully liable to the company's creditors (general partner) and the remaining shareholders have a financial interest in the capital stock, which is divided into shares, without being personally liable for the company's liabilities (limited shareholders).« Hence, a partnership limited by shares is a hybrid between a stock corporation and a limited partnership, with the character of a stock corporation predominating. As is the case at a stock corporation, a partnership limited by shares is also required by law to have a two-tier management and oversight structure. The general partner manages the company and its operations, while the supervisory board oversees the company's management. The primary difference to a stock corporation is that rather than an executive board, a KGaA has general partners represented by their executive board (who also generally manage its business). In addition, the rights and responsibilities of the supervisory board are limited.

At a stock corporation, the executive board is appointed by the supervisory board. At a KGaA, however, it does not appoint the general partners (or their management bodies) and does not determine their contractual conditions. It is also not authorized to adopt rules of procedure for management or to define a catalog of management transactions requiring approval. There are also differences relating to the annual shareholders' meeting: Certain resolutions must be approved by the general partner (Sec. 285 [2] AktG), in particular the resolution to approve the financial statements (Sec. 286 [1]

DRÄGERWERK AG & CO. KGAA



AktG). Many of the recommendations of the German Corporate Governance Code (hereinafter also referred to as the ›Code‹), which is designed for stock corporations, can therefore only be applied to a limited extent to a partnership limited by shares.

The sole general partner of Drägerwerk AG & Co. KGaA is Drägerwerk Verwaltungs AG, which is a wholly owned company of Stefan Dräger GmbH. Drägerwerk Verwaltungs AG manages the operations of Drägerwerk AG & Co. KGaA and represents it, acting through its Executive Board. Drägerwerk Verwaltungs AG does not hold an equity interest in Drägerwerk AG & Co. KGaA. ↗ Please refer to the ›Drägerwerk AG & Co. KGaA‹ chart.

DECLARATION OF CONFORMITY

The joint declaration of conformity by the general partner and the Supervisory Board of Drägerwerk AG & Co. KGaA was discussed and approved in the meeting of the Supervisory Board on December 10, 2020. It states that the Company applied the recommendations of the Government Commission of the German Corporate Governance Code in most areas.

The declaration was published on December 18, 2020, with the following wording:

›The recommendations of the Government Commission on the German Corporate Governance Code are tailored to the circumstances of a stock corporation. Insofar as these recommendations functionally affect the general partner and bodies of the AG & Co. KGaA due to special features of its legal form, Dräger applies these recommendations to Drägerwerk Verwaltungs AG.

The general partner, represented by its Executive Board, and the Supervisory Board declare that Drägerwerk AG & Co. KGaA has complied with the recommendations of the Government Commission on the German Corporate Governance Code in the version dated February 7, 2017 since issuing its last declaration of conformity on 19 December 2019 until 20 March 2020 and, as amended on 16 December 2019, has complied and will comply with them since 21 March 2020 with the following exceptions:

Recommendation G.10 is partly not complied with. According to this recommendation, the variable remuneration amounts granted to the member of the Executive Board, taking into account the long-term tax burden, shall be invested primarily in shares of the company or granted accordingly on a share basis. The Executive Board member shall only be able to dispose of these after four years. In the current remuneration system, the majority of the variable remuneration component is based on the development of the company-related ratio Dräger Value Added (DVA) in a three-year and a five-year period. In the opinion of the Supervisory Board, this variable remuneration component, which is based on the increase in the value of the Company, also achieves the objectives of the recommended long-term and sustainable orientation and avoids the disadvantages of share prices that might fluctuate erratically.

Recommendation G.11 is partly not complied with. According to this recommendation, the Supervisory Board shall have the possibility to take extraordinary developments into account within an appropriate framework. In justified cases, it shall be possible to retain or reclaim variable remuneration. With regard to possible retention or repayment claims of variable remuneration components, the Supervisory Board considers the statutory liability regime to be appropriate.«

OVERSIGHT BODIES

The Supervisory Board of Drägerwerk AG & Co. KGaA has twelve members, half of whom are elected by shareholders and half by employees in accordance with the Co-determination Act. The chief purpose of the Supervisory Board is to oversee the management by the general partner. It cannot appoint or remove the general partner or its Executive Board, nor is it authorized to define a catalog of management transactions. The Company's annual shareholders' meeting, not the Supervisory Board, is responsible for approving the financial statements of Drägerwerk AG & Co. KGaA. Several members of the Supervisory Board hold or held high-ranking positions at other companies. However, all of the shareholder representatives on the Supervisory Board are independent of the Company in the sense defined by the Corporate Governance Code. Where business relationships with Supervisory Board members exist, transactions are conducted on an arm's length basis as between unrelated parties and do not affect the independence of the members. The Supervisory Board of Drägerwerk Verwaltungs AG, which exists in parallel, has six members who are elected by Stefan Dräger GmbH and are also currently the shareholder representatives on the Supervisory Board of Drägerwerk AG & Co. KGaA. The Supervisory Board of Drägerwerk Verwaltungs AG therefore does not have any employee representatives. It appoints the Executive Board of Drägerwerk Verwaltungs AG.

Pursuant to Sec. 22 of the Company's articles of association, Drägerwerk AG & Co. KGaA has set up a Joint Committee as a voluntary, additional body. It comprises eight members: four members each from the Supervisory Boards of Drägerwerk Verwaltungs AG and Drägerwerk AG & Co. KGaA, which must include two shareholder representatives and two employee representatives from the Supervisory Board of Drägerwerk AG & Co. KGaA. The Joint Committee decides on the extraordinary management transactions by the general partner which require approval as set out in Sec. 23 (2) of the articles of association of Drägerwerk AG & Co. KGaA.

The Supervisory Board of Drägerwerk AG & Co. KGaA has resolved that, when selecting its members pursuant to recommendation C.1 of the Code, it will be guided by the following requirement profile, including the following competencies and goals that take into account diversity:

- professional and personal qualifications,
- business management experience in German and foreign companies with a worldwide presence in various cultural regions,
- experience as a representative of family-owned as well as listed companies,
- a proven track record in finance and accounting as well as in financing and capital market communication,
- experience in marketing and sales in diversified technology companies,
- intellectually and financially independent persons with a high degree of personal integrity who do not have a conflict of interest with the Company,

- the majority of shareholder representatives are independent members,
- must be under 70 years of age for new election or re-election, and
- usually no more than three terms on the Supervisory Board.

The most recent elections for shareholders' representatives took place at the annual shareholders' meeting on May 4, 2018. The criteria described above were taken into account and fulfilled without exception. It was ensured that a high proportion of Supervisory Board members have experience in representing family-run companies and listed companies, as well as in marketing and sales at technology-led companies. According to the assessment of the Supervisory Board, the shareholder representatives Stefan Lauer, Maria Dietz, Professor Dr. Thorsten Grenz, Astrid Hamker, Uwe Lüders, and Dr. Reinhard Zinkann are independent as defined by recommendation C.8 of the German Corporate Governance Code. The indicators to be taken into consideration under recommendation C.7 of the Code when assessing independence have been fulfilled without exception for all of the aforementioned Supervisory Board members, with the exception of the indicator relating to the duration of Supervisory Board membership in the cases of Professor Dr. Thorsten Grenz, Uwe Lüders, and Dr. Reinhard Zinkann. All three of these members have served on the Supervisory Board since 2008 and have since then continued discharging their duties with outstanding commitment and tremendous care. As a result, the Supervisory Board believes their independence is not impaired. The employee representatives Daniel Friedrich, Siegfried Kasang, and Thomas Rickers have also served on the Supervisory Board since 2008. Stefan Lauer has been a member of the Supervisory Board since 2013. Nike Benten, Maria Dietz, Astrid Hamker, Stephan Kruse, and Bettina van Almsick have been members of the Supervisory Board since 2018.

The Supervisory Board of Drägerwerk AG Co. KGaA monitors and advises the Executive Board of the general partner in the management of the partnership limited by shares. The Supervisory Board regularly discusses business performance and plans as well as the implementation of the business strategy based on written and oral reports by the Executive Board of the general partner. It reviews the financial statements of Drägerwerk AG & Co. KGaA and the Dräger Group. In doing so, it takes into account the audit reports of the auditor of the consolidated financial statements and the results of the review by the Audit Committee. The Supervisory Board makes its recommendation to the annual shareholders' meeting for a resolution to approve the financial statements and the Group financial statements.

Appointing and removing members of the Executive Board of Drägerwerk Verwaltungs AG, which manages the operations of Drägerwerk AG & Co. KGaA as the legal representative of the general partner, is the task of the Supervisory Board of Drägerwerk Verwaltungs AG.

In an effort to improve its effectiveness and efficiency, the Supervisory Board of Drägerwerk AG & Co. KGaA has established an audit committee in accordance with recommendation D.3 of the Code and a nomination committee in accordance with recommendation D.5 of the Code. The Audit Committee consists of Stefan Lauer, Chairman of the Supervisory Board, as well as four further members, of which two are shareholder representatives (Professor Grenz, who is Chairman of the Audit Committee, and Uwe Lüders) and two are employee representatives (Siegfried Kasang and Daniel Friedrich). The Supervisory Board ensures that the Committee members are independent and places great emphasis on their particular knowledge and experience in applying accounting standards and internal control processes. The Audit Committee monitors the adequacy and functionality of the Company's external and internal financial reporting system. Together with the auditor of the consolidated financial statements, the Audit Committee discusses the reports drawn up by the Executive Board during the year, the Company's financial statements, and the audit reports. On this basis, the Audit Committee draws up recommendations for the approval of the financial statements by the annual shareholders' meeting. It deals with the Company's internal control system and with the procedure for recording risks, for risk control, and risk management as well as compliance. The internal audit department reports regularly to the Audit Committee and is engaged by this Committee to carry out audits as is deemed necessary. Reference is also made to the report of the Supervisory Board.

Stefan Lauer, Chairman of the Supervisory Board, as well as two shareholder representatives, Uwe Lüders and Dr. Reinhard Zinkann, are members of the Nomination Committee. Stefan Lauer is also Chairman of the Nomination Committee, which is charged with proposing suitable candidates for election to the Supervisory Board. On this basis, the Supervisory Board compiles appropriate suggestions for the annual shareholders' meeting.

The Supervisory Board regularly deals with the application and enhancement of corporate governance principles within the Dräger Group. The Supervisory Board evaluates its activities and conducts an internal efficiency audit at regular intervals, most recently in 2019 for the period 2018 / 2019.

MANAGEMENT

Drägerwerk Verwaltungs AG manages the business of Drägerwerk AG & Co. KGaA as general partner.

It acts through its Executive Board, which makes decisions on corporate policy in its role as managing body of Drägerwerk AG & Co. KGaA and the Dräger Group. The Executive Board determines the Company's strategic focus, plans and sets budgets, is responsible for resource allocation, and monitors business performance. It also compiles the quarterly reports and the financial statements of Drägerwerk AG & Co. KGaA and the Group. It works closely with the oversight bodies. The Chairman of the Executive Board works closely with the Chairman of both Supervisory Boards – of the Company and of the general partner. He regularly provides the Supervisory Board with up-to-date and comprehensive information on all issues relevant to the Company: strategy and its implementation, planning, business performance, financial position, and results of operations, as well as business risk. The Chairman of the two Supervisory Boards speaks regularly with the Chairman of the Executive Board and the other Executive Board members, including about their personal plans and perspectives as Executive Board members, as well as the existing opportunities in their area of responsibility.

The Supervisory Board of Drägerwerk Verwaltungs AG approved the rules of procedure and its allocation of responsibilities for the Executive Board at its meeting on June 26, 2019. As an age limit within the meaning of recommendation B.5 of the German Corporate Governance Code, the Supervisory Board of Drägerwerk Verwaltungs AG has stipulated that the age of an Executive Board member should, as a rule, not exceed 67 during the member's term in office.

RELATIONSHIP TO SHAREHOLDERS

The annual shareholders' meeting is held annually within the first eight months of the fiscal year. Among other things, it approves the financial statements of Drägerwerk AG & Co. KGaA and votes on profit appropriation, the approval of the actions of the general partner and of the Supervisory Board, and the election of the auditor of the consolidated financial statements. Furthermore, it elects the shareholder representatives to the Supervisory Board and approves amendments to the articles of association and changes in capital, which the general partner implements. The shareholders exercise their rights at the annual shareholders' meeting in accordance with the legal requirements and the Company's articles of association. Insofar as the resolutions of the annual shareholders' meeting relate to extraordinary transactions and core business, they additionally require the approval of the general partner.

In addition, Dräger reports to its shareholders on business performance, net assets, financial position, and results of operations in two quarterly reports, in its half-yearly financial report, and in the annual report.

COMPLIANCE

For more than 130 years, Dräger has stood for 'Technology for Life.' The highest degree of professionalism and reliability determine Dräger's conduct, and both qualities are among its values. The Company's Principles of Business and Conduct provide the framework for this. They are supplemented with business-specific rules – such as on the topics of corruption, antitrust law, or conflicts of interest – which are regularly updated to avoid risk in these areas. Our compliance management system ensures that we can meet our own high standards. This system sets out the principles for Dräger's global compliance organization, for example. Appropriate management and further development measures, as well as training concepts, ensure that compliance principles are known and applied throughout the Group.

Dräger encourages its employees to engage in discussions with their managers and colleagues on the subject of compliance and integrity, and to voice any concerns they might have with regard to a business transaction. Employees also have the opportunity to discuss their concerns with Dräger's compliance experts in special advisory meetings. In keeping with the German Corporate Governance Code (GCGC), the Dräger Integrity Channel has been available since 2019 for tip-offs from employees and third parties – whether anonymous or in the informant's own name – regarding possible infringement of laws and regulations. This web-based whistleblower channel, which is available around the clock, supplements the whistleblower system already in place. □ www.draeger.com/en_corp/About-Draeger/Responsibility/Compliance

The Dräger Integrity Channel has successively replaced the compliance hotline, which was only accessible internally; global implementation is nearly complete. As part of a communication campaign, 99 % of employees have been informed about this reporting option.

In the prior year, as in 2019, additional compliance experts were appointed globally to ensure that advice is tailored to the local markets while remaining within the guidelines of the compliance management system. The members of our global compliance organization, which has grown to approximately 35 employees (including those at headquarters), are in constant contact with each other. More information on our compliance management system and its further development is available in the Dräger Sustainability Report 2020.

DECLARATION PURSUANT TO SEC. 161 AKTG

□ Our declaration of conformity is available to the public on the company website www.draeger.com in the Investor Relations / Corporate Governance section
≡ and is also printed in this Annual Report on page 82 et seq.

DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

The Executive Board has implemented effective internal control systems and relevant employee training measures to ensure that the Group's financial reporting system is correct and complies with legal requirements. The Company's principles are based on integrity and social responsibility in all areas such as environmental protection, quality, product and process safety, and compliance with local laws and regulations. The Internal Audit department continuously monitors the implementation of these principles as well as the reliability and functionality of the control systems. The Executive Board of Drägerwerk Verwaltungs AG governs the Group in the interest of its shareholders and is aware of its responsibility to employees, society, and the environment. We have made it our goal to use the resources entrusted to us in a manner that increases the value of the Dräger Group. According to the resolution passed by the annual shareholders' meeting on September 30, 2020, the Supervisory Board appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft as the independent auditor of the single entity financial statements of Drägerwerk AG & Co. KGaA for fiscal year 2020.

The auditing firm also examined the existing risk management system with regard to the Control and Transparency in Business Act (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich – KonTraG). Representatives of the statutory auditor attend the Audit Committee's meeting as well as the Supervisory Board's meeting to discuss the financial statements, during which the management report and auditor's report are deliberated on. The Supervisory Board has issued a separate report on this subject in the report of the Supervisory Board in the Annual Report 2020.

WORKING METHODS OF THE EXECUTIVE AND SUPERVISORY

Drägerwerk Verwaltungs AG manages the operations of Drägerwerk AG & Co. KGaA.

In its role as managing body of Drägerwerk AG & Co. KGaA and of the Dräger Group, the Executive Board of Drägerwerk Verwaltungs AG makes decisions on corporate policy. It determines the Company's strategic focus, plans and sets budgets, is responsible for resource allocation, and monitors business performance. It also compiles the quarterly reports and the financial statements of Drägerwerk AG & Co. KGaA and the Group. It works closely with the oversight bodies. The Chairman of the Supervisory Boards of the Company and of the general partner works closely with the Chairman of the Executive Board of the general partner. He regularly provides up-to-date and comprehensive information on all issues relevant to the Company: strategy and its implementation, planning, business performance, financial position, and results of operations, as well as business risk. The Supervisory Board of Drägerwerk Verwaltungs AG approved the rules of procedure and its allocation of responsibilities for the Executive Board at its meeting on June 26, 2019.

TARGET INDICATORS PURSUANT TO SECS. 76 (4) AND 111 (5) AKTG

In its meeting on November 27, 2017, the Executive Board of the general partner defined a target of 12 % in relation to female participation in the first level of management below the Executive Board and a target of 23 % for the second level of management below the Executive Board. These quotas must be achieved by June 30, 2022. The quotas, targets, and reasons provided above fulfill the legal reporting requirements. Please refer to the Sustainability Report for more information about the topic of women in management positions. ☐ www.draeger.com/sustainability

MINIMUM QUOTAS FOR THE COMPOSITION OF THE SUPERVISORY BOARD

The Company follows the regulations under Sec. 96 (2) AktG regarding the minimum quotas for women and men for the composition of the Supervisory Board.

DIVERSITY CONCEPT REGARDING THE COMPOSITION OF THE EXECUTIVE BOARD OF THE GENERAL PARTNER AND THE SUPERVISORY BOARD

In its goals, the Supervisory Board has established a number of criteria for its composition that take diversity into account. These are printed in the Corporate Governance Report in this Annual Report on page 81 ff. In the view of the Supervisory Board its current composition fully meets all goals. The composition of the Supervisory Board continues to meet the minimum quotas set by Sec. 96 (2) AktG. No diversity concept beyond these criteria has been determined for the Supervisory Board.

The composition of the general partner's Executive Board is based on the regulations of Sec. 76 AktG for large stock corporations and the recommendations of the German Corporate Governance Code. The Executive Board is made up of five individuals selected for their responsibilities only by the respective necessary qualifications. No diversity concept beyond these criteria has been determined for the Executive Board.

FORWARD-LOOKING STATEMENTS

This combined management report contains forward-looking statements. These statements are based on the current expectations, presumptions, and forecasts of the Executive Board of Drägerwerk Verwaltungs AG, as well as the information available to it to date. The forward-looking statements do not provide any guarantee of the future developments and results contained therein. Rather, the future developments and results are dependent on a number of factors; they entail various risks and uncertainties and are additionally based on assumptions that could prove to be incorrect. We do not assume any responsibility for updating the forward-looking statements made in this report.

Lübeck, February 19, 2021

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Rainer Klug
Gert-Hartwig Lescow
Dr. Reiner Piske
Anton Schrofner

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ANNUAL FINANCIAL STATEMENTS

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Annual Financial Statements 2020 of the Dräger Group

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP JANUARY 1 TO DECEMBER 31

in € thousand	Notes	2020	2019
Net sales	11	3,406,276	2,780,824
Cost of sales	12	-1,797,382	-1,592,404
Gross profit		1,608,894	1,188,419
Research and development costs	13	-289,595	-263,707
Marketing and selling expenses	14	-658,965	-621,917
General administrative costs	15	-248,120	-219,428
Impairment losses on financial assets and contract assets	16	-10,033	-14,087
Other operating income	17	2,638	4,133
Other operating expenses	17	-1,096	-1,760
Functional expenses		-1,205,171	-1,116,766
Result from net exposure from monetary items	9	-1,663	-925
Result from investments in associates		-485	281
Result from other investments		-46	-72
Other financial result		-4,930	-4,362
Financial result (before interest result)	18	-7,125	-5,078
EBIT		396,598	66,576
Interest result	18	-36,433	-17,048
Earnings before income taxes		360,165	49,528
Income taxes	19	-110,279	-15,737
Net profit		249,886	33,790
Net profit		249,886	33,790
Earnings to non-controlling interests		-273	441
Earnings attributable to shareholders and holders of participation certificates	22	250,159	33,350
Undiluted/diluted earnings per share on full distribution	22		
per preferred share (in €)		10.25	1.44
per common share (in €)		10.19	1.38

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

in € thousand	2020	2019
Net profit	249,886	33,790
Items that cannot be reclassified into the income statement		
Remeasurements of defined benefit pension plans	-49,621	-57,165
Deferred taxes on remeasurements of defined benefit pension plans	15,209	16,939
Items that may be reclassified into the income statement in the future		
Currency translation adjustment for foreign subsidiaries	-29,597	9,510
Changes in the fair value of the cash flow hedge reserve recognized directly in equity	5,974	-4,202
Deferred taxes on changes in the fair value of the cash flow hedge reserve recognized directly in equity	-1,884	1,160
Other comprehensive income (after taxes)	-59,919	-33,758
Total comprehensive income	189,967	33
of which attributable to non-controlling interests	-501	462
thereof earnings attributable to shareholders and holders of participation certificates	190,468	-429

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

in € thousand	Notes	December 31, 2020	December 31, 2019
Assets			
Intangible assets	23	330,962	333,985
Property, plant and equipment	24	456,577	416,520
Right-of-use assets	37	110,445	109,734
Investments in associates	25	7,384	2,475
Non-current trade receivables	26	1,447	1,499
Other non-current financial assets	27	19,825	15,501
Deferred tax assets	16	228,253	177,808
Other non-current assets	30	4,069	3,910
Non-current assets		1,158,963	1,061,433
Inventories	28	620,818	485,158
Trade receivables	26	717,169	672,638
Contract assets	26	49,195	38,059
Other current financial assets	27	182,629	28,669
Cash and cash equivalents	29	497,330	196,314
Current income tax refund claims		33,531	29,436
Other current assets	30	46,356	59,204
Current assets		2,147,028	1,509,478
Total assets		3,305,992	2,570,910
Equity and liabilities			
Capital stock		48,026	45,466
Capital reserves		307,035	234,028
Reserves retained from earnings, including group result		716,468	779,162
Participation capital	33	–	29,497
Other comprehensive income		-38,629	-13,350
Non-controlling interests	32	911	1,556
Equity	31	1,033,810	1,076,359
Liabilities from participation certificates	33	–	25,988
Provisions for pensions and similar obligations	34	430,127	390,939
Non-current personnel provisions	35	37,206	36,722
Other non-current provisions	35	36,031	22,666
Non-current note loans	36	–	59,986
Non-current liabilities to banks	36	157,814	58,583
Other non-current financial liabilities	37	391,031	98,074
Non-current income tax liabilities		20,422	19,267
Deferred tax liabilities	16	3,069	3,327
Other non-current liabilities	38	43,560	32,410
Non-current liabilities		1,119,259	747,962
Current personnel provisions	35	136,380	101,161
Other current provisions	35	120,741	113,959
Current note loans	36	59,998	–
Current liabilities to banks	36	36,252	51,009
Trade payables	37	234,623	205,106
Other current financial liabilities	37	236,058	70,660
Current income tax liabilities		27,177	22,860
Other current liabilities	38	301,694	181,833
Current liabilities		1,152,923	746,589
Total equity and liabilities		3,305,992	2,570,910

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

in € thousand	2020	2019
Operating activities		
Group net profit	249,886	33,790
+ Write-down / write-up of non-current assets	124,467	127,135
+ Interest result	36,433	17,048
+ Income taxes	110,279	15,737
+ Increase in provisions	50,491	13,437
+ / – Other non-cash expenses / income	37,461	-798
– Gain from the disposal of non-current assets	-140	-880
– Increase in inventories	-161,991	-24,515
– Increase in leased equipment	-10,577	-12,747
+ / – Decrease / Increase in trade receivables	-95,388	434
+ / – Decrease / Increase in other assets	-549	7,700
+ Increase in trade payables	29,714	3,870
+ Increase in other liabilities	146,233	11,600
+ Dividends received	331	328
– Cash outflow for income taxes	-41,376	-18,433
– Cash outflow for interest	-18,126	-12,355
+ Cash inflow from interest	2,830	3,068
Cash inflow from operating activities	459,980	164,420
Investing activities		
– Cash outflow for investments in intangible assets	-4,921	-5,878
+ Cash inflow from the disposal of intangible assets	68	0
– Cash outflow for investments in property, plant and equipment	-110,019	-58,512
+ Cash inflow from disposals of property, plant and equipment	918	3,494
– Cash outflow for investments in financial assets ¹	-149,721	-2,182
+ Cash inflow from the disposal of financial assets	42	1,510
– Cash outflow for the acquisition of subsidiaries	–	-500
+ Cash inflow from the disposal of subsidiaries	549	–
Cash outflow from investing activities	-263,085	-62,067
Financing activities		
– Distribution of dividends (including payments to participation certificate holders)	-5,454	-4,001
– Cash outflow from the acquisition of treasury shares for the employee share program and for the Thank-You bonus program	-7,284	-2,637
+ Cash inflow from the transfer of treasury shares from the employee share program	3,783	1,893
+ Cash provided by raising loans	110,674	7,709
– Cash used to redeem loans	-12,404	-15,256
– Net balance of other liabilities to banks	-9,600	-39,658
– Repayment of lease liabilities	-40,541	-35,587
+ Cash inflow from capital increase	75,217	–
– Profit distributed to non-controlling interests	-140	-332
Cash inflow / outflow from financing activities	114,252	-87,869
Change in cash and cash equivalents in the fiscal year	311,147	14,484
+ / – Effect of exchange rates on cash and cash equivalents	-10,131	2,269
+ Cash and cash equivalents at the beginning of the fiscal year	196,314	179,561
Cash and cash equivalents as at December 31 of the fiscal year	497,330	196,314

¹ This primarily includes an investment in Money Market Funds (see note 27)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

in € thousand	Capital stock	Capital reserves	Reserves retained from earnings incl. group result	Participation capital	Treasury shares	Other comprehensive income	Total equity of shareholder Drägerwerk AG & Co. KGaA	Non-controlling interests	Equity
January 1, 2019	45,466	234,028	790,039	29,497	0	-19,796	1,079,233	1,426	1,080,659
Net profit	–	–	33,350	–	–	–	33,350	441	33,790
Other comprehensive income	–	–	-40,226	–	–	6,447	-33,779	21	-33,758
Total comprehensive income	0	0	-6,876	0	0	6,447	-429	462	33
Distributions	–	–	-4,001	–	–	–	-4,001	-332	-4,333
Acquisition of treasury shares	–	–	–	–	-2,637	–	-2,637	–	-2,637
Employee share program	–	–	–	–	2,637	–	2,637	–	2,637
December 31, 2019 /									
January 1, 2020	45,466	234,028	779,162	29,497	0	-13,350	1,074,803	1,556	1,076,359
Net profit	–	–	250,159	–	–	–	250,159	-273	249,886
Other comprehensive income	–	–	-34,411	–	–	-25,280	-59,691	-228	-59,919
Total comprehensive income	0	0	215,748	0	0	-25,280	190,468	-501	189,967
Distributions (including payments to participation certificates holders)	–	–	-5,454	–	–	–	-5,454	-140	-5,595
Net result from termination of participation certificates	–	–	-272,963	–	–	–	-272,963	–	-272,963
Termination of participation certificates	–	–	–	-29,497	–	–	-29,497	–	-29,497
Capital increase	2,560	73,007	–	–	–	–	75,567	–	75,567
Acquisition of treasury shares	–	–	–	–	-7,284	–	-7,284	–	-7,284
Employee share and Thank You Bonus program	–	–	–	–	7,284	–	7,284	–	7,284
Change in the shares in subsidiaries	–	–	-24	–	–	–	-24	-4	-28
December 31, 2020	48,026	307,035	716,468	0	0	-38,629	1,032,899	911	1,033,810

Notes of the Dräger Group for 2020

1 GENERAL

The Dräger Group is managed by Drägerwerk AG & Co. KGaA, Moislinger Allee 53–55, 23542 Lübeck, Germany, the ultimate parent company. Drägerwerk AG & Co. KGaA is entered in the commercial register of the Local Court of Lübeck, Germany, under HR B 7903 HL.

On March 4, 2021, the Executive Board is approving the publication of the Group financial statements of Drägerwerk AG & Co. KGaA for fiscal year 2020. The Group financial statements are published in the electronic version of the Federal Gazette.

The Group's business activities and structure are described in the segment reporting, as well as in the combined management report.

2 BASIS OF PREPARATION OF THE GROUP FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA prepared its Group financial Statements for fiscal year 2020 in accordance with the International Financial Reporting Standards (IFRS) as defined by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). Drägerwerk AG & Co. KGaA applied all the IFRSs adopted by the IASB as at December 31, 2020, to its 2020 Group financial statements, provided that these standards had been endorsed by the European Commission and published in the Official Journal of the European Union by the date of publication of the Group financial statements and that application of such standards is mandatory for fiscal year 2020. Only the amendments to IFRS 16 due to the coronavirus pandemic were applied early.

In particular, Dräger applied the following revised standards issued by the IASB for the first time in fiscal year 2020 on their effective dates:

- The amendments to IFRS 3 ›Business Combinations‹ (issued October 2018) define the minimum requirements of a business combination. In addition, the previous requirement for an assessment into a market participant's ability to replace missing elements has been removed and the definition of ›output‹ specified in greater detail. This does not materially impact Dräger's Group financial statements.
- The amendments to IFRS 9, IAS 39, and IFRS 7 ›Interest Rate Benchmark Reform‹ (issued September 2019) are the Board's response to uncertainties relating to the potential impact of what is known as the IBOR reform on financial reporting. The amendments relate specifically to certain simplifications regarding hedge accounting regulations. Their application is mandatory for all hedges affected by the reform of the reference interest rate. Additional information on the matter is also required. This does not materially impact Dräger's Group financial statements.
- The amendments to IAS 1 and IAS 8 ›Definition of Material‹ (issued October 2018) introduced changes regarding the definition of materiality of financial statements made in IFRS financial reports. The amendments to IAS 1 ›Presentation of Financial Statements‹ and IAS 8 ›Accounting Policies, Changes in Accounting Estimates and Errors‹ are aimed at making it easier for IFRS reporters to determine material information without making any significant changes to previous requirements. In addition, the amendments ensure that the IFRS framework has a standardized definition of materiality. This does not materially impact Dräger's Group financial statements.
- The ›Covid-19-Related Rent Concessions‹ amendment to IFRS 16 Leases (issued on May 28, 2020) grants lessees practical expedients for recognizing rent concessions as a consequence of the coronavirus pandemic. Users of annual financial statements are also to be provided with useful information regarding lease agreements. Dräger received rent concessions of EUR 23 thousand in the fiscal year and recognized them as other income.

Through the amendments to the ›Conceptual Framework for Financial Reporting‹, the conceptual framework in existence to date was revised to include new concepts, updated definitions and recognition criteria for assets and liabilities, and clarifications pertaining to certain concepts.

The following accounting requirements have not yet been adopted into European law by the EU and are to be applied to fiscal years beginning on or after January 1, 2021. Dräger did not voluntarily apply these requirements prematurely.

- The new IFRS 17 ›Insurance Contracts‹ (issued May 2017) governs the recognition, measurement, and disclosure of insurance contracts, reinsurance contracts, and capital investment contracts with discretionary participation features. Due to the deferral of the effective date of IFRS 17 to fiscal years beginning on or after January 1, 2023, IFRS 4 ›Extension of the Temporary Exemption from Applying IFRS 9‹ (issued June 2020) was also amended to postpone the fixed expiration date of the temporary exemption from applying IFRS 9 to such fiscal years as well under IFRS 4. This has no impact Dräger's Group financial statements.
- The amendments to the provisions of IAS 28 and IFRS 10 ›Sale or Contribution of Assets between an Investor and its Associate or Joint Venture‹ (issued September 2014) resolved a conflict between these standards. These clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. This does not materially impact Dräger's Group financial statements.
- The Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 ›Interest Rate Benchmark Reform – Phase 2‹ (issued April 2020) are aimed at assisting users in providing useful information about the impact resulting from the replacement of previous benchmark interest rates with alternative, risk-free interest rates. In addition, the amendments allow the user to treat contractual and cash flow changes resulting from the reform as changes in a variable interest rate.
- The amendments to IAS 1 under ›Classification of Liabilities as Current or Non-current (Amendments to IAS 1)‹ (issued on January 23, 2020) clarify that the classification of liabilities as current or non-current must be based on the contractual arrangements in place at the reporting date. This does not materially impact Dräger's Group financial statements.
- Furthermore, minor changes to the following standards were made and did not have a material influence on Dräger's Group financial statements:
 - IFRS 3 ›Business Combinations‹: The amendments to IFRS 3 update the standard to refer to the changed conceptual framework.
 - IAS 16 ›Property, Plant and Equipment‹: As a result of the amendment to IAS 16, it is no longer permissible to deduct from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
 - IAS 37 ›Provisions, Contingent Liabilities and Contingent Assets‹: The amendments to IAS 37 specify that the ›cost of fulfilling a contract‹ comprises only the costs that relate directly to the contract (e.g., direct labor, materials, or the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
 - Annual Improvements 2018 – 2020: The amendments result in minor improvements to IFRS 1, IFRS 9, IFRS 16, and IAS 41.

The provisions of Art. 4 EC Regulation No. 1606/2002 of the European Parliament in conjunction with Sec. 315e (1) HGB (Handelsgesetzbuch – German Commercial Code) governing a company's exemption from its obligation to prepare group financial statements in accordance with German commercial law have been met.

To ensure that the Group financial statements are equivalent to consolidated financial statements prepared in accordance with the German Commercial Code, all disclosures and explanations required by German commercial law above and beyond the provisions of the IFRSs have been provided in accordance with Sec. 315e (1) HGB.

The Group financial statements were prepared in euros. Unless stated otherwise, all figures were disclosed in thousands of euros (EUR thousand); rounding differences may arise as a result. The balance sheet is classified according to the current / non-current distinction; the income statement was prepared according to the cost of sales method. Where certain items of the financial statements have been grouped with a view to enhancing the transparency of presentation, they are disclosed separately in the notes. The single entity financial statements of the companies included in consolidation were prepared as at the balance sheet date of the Group financial statements and are based on uniform accounting and valuation policies.

3 CAPITAL INCREASE

In April 2020, Dräger placed 1,000,000 new bearer preferred shares (ISIN: DE0005550636) with institutional investors using an accelerated bookbuilding placement process. The new preferred shares were issued within the scope of a capital increase through the utilization of parts of the authorized capital under exclusion of subscription rights. The price of placement for the new preferred shares stood at EUR 76.50, resulting in gross proceeds of EUR 76,500 thousand for the Company. Equity increased by EUR 75,567 thousand as a result of the capital increase.

4 TERMINATION OF THE PARTICIPATION CERTIFICATES

In March 2020, Dräger terminated the 566,819 series D participation certificates in accordance with the terms and conditions effective December 31, 2022. The calculation of the buyback value per participation certificate is regulated in the terms and conditions of the participation certificates and – at EUR 546.20 – corresponds to ten times the average market price of the preferred share in the last three calendar months before the announcement of the termination (December 2019 to February 2020). The total buyback value amounts to EUR 309,597 thousand and was recognized for the first time as a payment obligation at the discounted value of EUR 289,663 thousand. The balance sheet values for the series D participation certificates in equity of EUR 20,966 thousand and debt of EUR 19,151 thousand were derecognized. The termination of the series D participation certificates led to a decrease in equity of EUR 189,330 thousand in total in March 2020 following the recognition of deferred tax assets of EUR 81,183 thousand. By December 31, 2020, interest expenses amounting to EUR 5,322 thousand from the compound interest on the payment obligation had already been recognized.

In April 2020, Dräger terminated the 195,245 series A participation certificates, as well as 69,887 series K participation certificates, in accordance with the terms and conditions effective December 31, 2020. The calculation of the buyback value per participation certificate is regulated in the respective terms and conditions of the participation certificates and – at EUR 596.00 – corresponds to ten times the average market price of the preferred share in the last three calendar months before the announcement of the termination (January 2020 to March 2020). The total buyback value of EUR 158,019 thousand was recognized as a payment obligation. The balance sheet values for the series A and K participation certificates in equity of EUR 8,531 thousand and in debt of EUR 7,046 thousand were derecognized. The termination of the series A and K participation certificates led to a decrease in equity of EUR 120,725 thousand in total in April 2020 following the recognition of deferred tax assets of EUR 30,248 thousand.

All told, the termination of all participation certificate series led to a reduction in equity of EUR 310.1 million. The derecognition of the equity components of the participation certificates reduced equity by EUR 29.5 million. At EUR 380.9 million, the largest reduction in equity from this transaction resulted from the buyback value of the participation certificates less the balance sheet values previously reported under equity and liabilities. Interest and taxes affecting profit or loss reduced equity by EUR 7.6 million. In addition, the capitalization of deferred taxes on the buyback transaction increased equity by EUR 107.9 million.

The series A and K participation certificates are still entitled to dividends for fiscal year 2020. Series D participation certificates are still entitled to dividends for the years 2020, 2021, and 2022.

5 CHANGES IN SEGMENT REPORTING

Segment reporting in the quarterly and annual reports is geared toward the organizational and management system (pursuant to IFRS 8).

Until the end of fiscal year 2019, the Company was managed through the Europe, Americas, and Africa, Asia, and Australia regions. In the course of the reorientation toward the medical and safety divisions, which began at the end of 2018, we have revised and adjusted our Group management. The changes became effective at the beginning of 2020 and are aimed at better reflecting and supporting collaboration between Sales & Service and the product-side responsibilities of the two segments. This will enable us to increase customer intimacy at headquarters and implement solutions for our customers more rapidly.

Since January 2020, we have no longer managed our business by region, but instead primarily through the medical and safety divisions. Moreover, we have adjusted our segment reporting accordingly.

This division-based management approach results in the following changes to our segment reporting:

- Reporting is divided into the medical division and the safety division.
- For reporting EBIT, cross-segment costs are now allocated to the two segments with a plan-based formula.
- Apart from the key influencing factors of net working capital (trade receivables, trade payables, inventories including prepayments received), reported capital employed also includes long-term capital, such as property, plant and equipment. This is also assigned to the segments using a net sales formula.
- Dräger Value Added (DVA) is the central key management figure at Dräger. In the future, it will be disclosed for both the medical and safety divisions in accordance with the adjusted segment reporting.

Key figures that cannot be reasonably allocated to the divisions, such as net financial debt, are only reported at Group level.

The change in segment reporting results in slight variations of the order intake and net sales per division, compared to the figures reported in the prior year.

6 SCOPE OF CONSOLIDATION

As at December 31, 2020, the consolidated group of Drägerwerk AG & Co. KGaA was composed of 103 fully consolidated entities (2019: 103 entities) and three associated entities (2019: two entities).

Besides Drägerwerk AG & Co. KGaA, the fully consolidated companies include all subsidiaries controlled by Drägerwerk AG & Co. KGaA within the meaning of IFRS 10 (including structured companies). Drägerwerk AG & Co. KGaA controls a company when it has power over the company, exposure to variable returns from its involvement with the company, and the ability to use its power over the company in such a way as to affect the amount of said company's returns. Those of the company's activities that significantly influence the company's returns are classified as relevant activities.

Control can also exist without a majority of voting rights if Drägerwerk AG & Co. KGaA has other practical means of controlling a company's relevant activities. These practical means can result, for example, from other contractual agreements, potential voting rights, or the size of its voting rights relative to the size and dispersion of holdings of the other voting rights.

The consolidated group includes three (2019: four) real estate companies and, as in the prior year, a further special purpose entity as structured companies. The activities of these companies are limited because they were each only founded for a specific purpose. Dräger controls these structured companies not exclusively through voting rights or comparable rights, but partially only through other contractual agreements (please refer to our comments on the use of assumptions and estimates in [note 10](#)). Dräger does not provide these companies with any financing or guarantees, nor does it intend to do so in the future.

Controlled companies are included in the Group financial statements as subsidiaries from the date on which Dräger obtains control and are removed from the Group financial statements as subsidiaries from the date on which Dräger no longer has control.

Joint arrangements where Dräger has joint control together with one or more parties are accounted for in accordance with IFRS 11. As a result, a distinction is made between joint operations and joint ventures.

A joint operation occurs when the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities. In the case of investments in joint operations, only a proportionate share of the assets, liabilities, income, and expenses are recognized. Dräger is not involved in any material joint operations.

Joint ventures, on the other hand, occur when the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Dräger is currently contractually involved in five joint ventures (2019: seven joint ventures) in the form of working groups. These companies are not presented in the notes, as their business in and of itself and when taken as a whole is not material, their shares have no costs, and the companies – as in the case of the working groups in the prior year – do not generate any earnings of their own. Drägerwerk AG & Co. KGaA directly and indirectly exerts a significant influence on associates. In compliance with IAS 28, the associates are accounted for according to the equity method.

The consolidated companies of the Dräger Group as at December 31, 2020, are listed under \equiv note 48.

7 EFFECTS OF THE CHANGES IN THE SCOPE OF CONSOLIDATION

The scope of consolidation of Drägerwerk AG & Co. KGaA developed as follows in fiscal year 2020:

SCOPE OF CONSOLIDATION

	Germany	Abroad	Total
Drägerwerk AG & Co. KGaA and fully consolidated companies			
January 1, 2020	21	82	103
Established	0	1	1
Disposals	1	0	1
December 31, 2020	20	83	103
Associates			
January 1, 2020	1	1	2
Additions	0	1	1
December 31, 2020	1	2	3
Total	21	85	106

In March 2020, the shares in Dräger Finance Services GmbH & Co. KG, Bad Homburg v.d. Höhe, were sold in full and the company deconsolidated.

In August 2020, the French subsidiary Dräger Production France SAS, Obernai, was founded. The production site in Obernai manufactures protective masks.

In addition, a total of 16.04 % of the shares in MultiSensor Scientific Inc., Somerville, USA, were acquired in March, June, and August 2020, increasing the stake from 19.99 % to 36.03 %. Since this increase, the company has been accounted for as an associated company.

8 CONSOLIDATION PRINCIPLES

Purchases are accounted for according to the acquisition method. On initial consolidation of acquired subsidiaries, the identifiable assets and liabilities (including contingent liabilities) are measured at their fair values at the date on which control of the subsidiary is obtained. Goodwill is recognized if the cost of the investment exceeds the acquirer's interest in the net fair value of the identifiable assets and liabilities. Incidental purchase costs relating to the acquired company, with the exception of the costs of issuing debt instruments or shares, are recognized as expenses at the time they are incurred. Adjustments to components of the contingent purchase price are recognized in profit or loss, provided that they are recognized as a liability at the time of acquisition. Non-controlling interests have to be measured either at fair value (full goodwill method) or at the proportionally fair value of the acquired assets and assumed liabilities. Pursuant to IAS 36, goodwill is subject to an impairment test to be performed at least once annually (impairment-only approach). Any excess of the Group's share in equity over the cost of the investment is recognized in profit or loss at the date of acquisition.

Successively acquired shares that do not affect the controlled status of an entity are treated as transactions between providers of equity capital (entity concept). The carrying amounts of assets and liabilities remain the same. The value shift between Dräger and the non-controlling interests is recorded directly in equity. Any non-controlling interests in equity are shown in the consolidated balance sheet (please refer to \equiv note 32).

When swapping or exchanging shares or engaging in similar transactions, the fair value of the shares given is attributed to the shares received.

Associates and joint ventures are accounted for using the equity method at cost on the date of acquisition. The cost of investments is adjusted to reflect their share in net profit or loss for the period and dividend distributions. The goodwill is included in the carrying amount of the investments. Impairments are accounted for separately. At each balance sheet date, Dräger determines whether there are indications that the shares in the associates are not recoverable. If this is the case, the difference between the carrying amount and the recoverable amount is calculated as the impairment loss and recognized in profit or loss as profit from investments in associates.

Intercompany receivables and liabilities are netted (elimination of intercompany balances). The carrying values of assets from intercompany goods and services are adjusted for unrealized intercompany profits and losses (elimination of intercompany profits and losses). Therefore, these assets are to be measured at Group cost. For associates, elimination of intercompany profits and losses is waived due to immateriality. Internal net sales are eliminated. All other intercompany income and expenses are mutually offset (elimination of income and expenses). Deferred tax assets or liabilities from consolidation entries that affect profit or loss are recognized whenever differences in tax expenses or income are expected to reverse in subsequent fiscal years.

9 CURRENCY TRANSLATION

In the single entity financial statements of Drägerwerk AG & Co. KGaA and its subsidiaries, foreign currency transactions are translated at the average exchange rate at the date of the transaction.

Exchange differences from the settlement of monetary items in foreign currencies during the year and from the measurement of open foreign currency positions at the rate on the balance sheet date are recognized in profit or loss.

The consolidated foreign subsidiaries each prepare their financial statements in the local currency in which they mainly operate (functional currency). These financial statements are translated into the Group reporting currency, the euro, at the mean exchange rate on the balance sheet date (closing rate) for assets and liabilities and at the annual average exchange rate for income statement positions. All resulting translation differences are recognized directly in equity under other comprehensive income.

The financial statements and comparative figures of economically independent foreign entities operating in a hyperinflationary environment and reporting in a currency of a hyperinflationary economy must be restated in terms of the measuring unit current on the balance sheet date using a general price index for the country in question. Since fiscal year 2018, Argentina has been considered a hyperinflationary economy, meaning that the subsidiary in Argentina is affected by revaluation. The applied price index of the Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) stood at 387.72 as at December 31, 2020 (December 31, 2019: 283.44). The effects of inflation amounted to EUR 771 thousand (2019: EUR 1,180 thousand) and were recognized as an increase in equity within currency translation differences. The loss from the net exposure from monetary items amounted to EUR -1,663 thousand (2019: EUR -925 thousand).

The exchange gains/losses on operating foreign currency items included in cost of sales and in functional costs gave rise to a total loss of EUR -18,492 thousand (2019: loss of EUR -6,933 thousand).

The exchange gains/losses on foreign currency items disclosed in the financial result led to total losses of EUR –4,800 thousand (2019: loss of EUR –4,412 thousand).

Currency translation for foreign subsidiaries gave rise to a decrease in other comprehensive income of EUR -29,369 thousand as at the balance sheet date (2019: decrease of EUR 8,945 thousand).

The major Group currencies by third-party net sales and their exchange rates developed as follows:

CURRENCIES / EXCHANGE RATES					
	1 € =	Closing rate			Average rate
		December 31, 2020	December 31, 2019	2020	2019
U.S.	USD	1.23	1.12	1.15	1.12
P.R. China	CNY	8.04	7.81	7.91	7.72
United Kingdom	GBP	0.90	0.85	0.89	0.88
Australia	AUD	1.59	1.60	1.66	1.61

10 ACCOUNTING POLICIES

The single entity financial statements of Drägerwerk AG & Co. KGaA and its consolidated German and foreign subsidiaries as at December 31 of the fiscal year are prepared on the basis of uniform accounting and valuation policies and included in the Group financial statements. The following accounting and valuation policies are applied:

GENERAL

As a matter of principle, the Group financial statements are prepared on a historical cost basis. Dräger does not utilize the option of remeasuring intangible assets and property, plant and equipment. The historical cost basis does not apply to any financial instrument acquired for the purpose of also generating cash flows through its sale or any financial instrument that is exclusively held for sale. These financial instruments are measured at fair value.

The historical costs are determined on the basis of the fair value of the consideration transferred on the date of acquisition. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. This fair value measurement method does not apply to the following at Dräger:

- leasing transactions within the scope of IFRS 16 / IAS 17 and
- measurements that have some similarities to fair value but are not fair value.

Net sales recognition

In accordance with the provisions of IFRS 15, net sales should be realized at the time of and in an amount that reflects the contractual service obligations to the customer.

The amount of the net sales is calculated on the basis of the transaction price of the relevant customer contract – in other words, on the basis of the expected consideration to which the company is entitled in exchange for goods or services provided to the customer. At Dräger, this consideration mostly comprises fixed prices. Variable consideration components are only negotiated infrequently and then only included in the transaction price if there is no uncertainty regarding the consideration. Payment periods are mostly set at 30 days. Payment periods greater than one year are only contractually agreed to a limited extent. In the event that the agreed payment period is longer than one year, financing components are also included in the calculation of the transaction price.

In the event of one or more performance obligations being fulfilled for the same customer at the same time or within a short time frame and included in a single civil-law contract with a single transaction price (multi-element contracts) with different fulfillment dates, the agreed transaction price is to be split across the respective performance obligations on the basis of the individual sales prices.

Net sales are reduced by sales deductions, if any arise. Anticipated obligations for discounts on sales volumes are measured using empirical values and reduce net sales. Dräger only issues manufacturer warranties to customers in a handful of exceptional cases. Warranties to protect from faulty deliveries are generally issued for up to a period of twelve months and are recognized as part of warranty provisions. As a rule, Dräger does not enter into buyback and reimbursement obligations beyond these warranties.

IFRS 15 applies the concept of control when it comes to the fulfillment date for performance obligations. This concept stipulates that net sales are recognized as control is passed to the customer. Under IFRS 15, a distinction is accordingly drawn between the fulfillment of performance obligations at a point in time, which is usually the case, and the fulfillment of performance obligations over time, provided the criteria for recognition over time are met.

Net sales from the sale of products are recognized at the point in time at which control is passed to the buyer and there is therefore a claim to receipt of the agreed payment. In the case of products that need to be installed at customers' locations, control is passed to the buyer at the point in time at which the product is delivered and installed.

Net sales from the provision of services are recognized over the period of time in which the services are rendered if the customer receives the benefits from the provision of the service while the service is being rendered. Services are provided either permanently or periodically.

Net sales from construction contracts (project business) are recognized over the period of time in which the service is rendered, provided the customer acquires control of the created asset while the services are rendered or there is a customer-specific order (the created asset does not have any alternative benefit) and Dräger has a legal entitlement to corresponding payment, including a profit margin, at any point during the provision of the service. The stage of completion, which has to be established to this end in the case of fixed price contracts, is determined using the cost-to-cost method (input-based method). This method determines the stage of completion based on the costs incurred as at the balance sheet date in relation to the estimated total cost. Due to the extended period of performance, payment plans covering the period of construction are generally agreed in the case of construction contracts.

Costs of initiating and fulfilling the contract would be recognized as expenses as they arise if the useful life is no greater than one year; however, such costs are extremely rare.

Intangible assets

Group-controlled intangible assets from which future economic benefits are expected to flow to the Group and which can be reliably measured are recognized at cost, provided that these are clearly identifiable and are therefore to be distinguished from goodwill.

In the event of the acquisition of intangible assets within the scope of a business combination, the cost corresponds to the fair value on the date of acquisition.

The intangible assets are amortized on a straight-line basis over their expected useful lives. Borrowing costs that are material and directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of that asset in accordance with IAS 23.

Purchased software for internal use is capitalized as a separate asset unless it is an integral part of the related hardware. Installation and implementation costs incurred in connection with purchased software are recognized as incidental purchase costs of the same.

Expenses required for maintaining the original use of the software (functionality) as well as updates via hot packages shall be expensed as incurred.

Dräger's research costs include direct research costs as well as the directly attributable overheads and are charged as an expense in the period in which they are incurred.

Internal development costs for products, including their software as well as software for internal use, are capitalized if the following conditions are met:

- The completion of the product is technically feasible.
- Management intends to complete the product and to use or sell it.
- The ability to use or sell the product exists.
- It can be proven that the product will likely generate future economic benefits.
- Adequate technical, financial, and other resources are available to complete the development and use or sell the product.
- The development costs attributable to the product can be measured reliably.

However, due to strict legal and safety requirements for Dräger Group products, this means that the product must have already been approved for sale in the major markets. If the necessary criteria for capitalization have not been met, internal development costs for products, including their software, are expensed as incurred (as in the case of research costs).

Intangible assets are generally assumed to have a useful life of four years. Patents and trademarks are amortized over their term (eleven years on average) using the straight-line method.

Goodwill recognized as an intangible asset is disclosed at cost less accumulated impairment losses. Under IAS 36, amortization is no longer charged on a systematic basis (please also refer to our comments under ›Impairment losses on intangible assets and property, plant and equipment‹).

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation.

The cost of purchase of an item of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Production costs comprise attributable direct and overhead costs, as well as depreciation attributable to the production process. Borrowing costs that are material and directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of that asset in accordance with IAS 23. Subsequent expenditure incurred after the property, plant and equipment assets have been put into operation, such as ongoing repairs and maintenance and overhaul costs, is charged as expense in the period in which the costs are incurred.

Whenever it is probable that the expenditure will result in additional future economic benefits in excess of the originally assessed standard of performance of the existing asset flowing to the company, the expenditure is recognized as an additional cost of property, plant and equipment.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

– Office and factory buildings	20 to 40 years
– Other buildings	15 to 20 years
– Production plant and machinery	5 to 8 years
– Other plant, factory, and office equipment (except low-value assets)	2 to 15 years

Land is not depreciated.

Where significant parts of property, plant and equipment contain components with substantially different useful lives, such components are recorded separately and depreciated over their useful lives.

The useful life and depreciation method used for property, plant and equipment are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Assets under construction are stated at cost.

Investment allowances

When determining the carrying amount of the relevant asset, investment allowances (government grants) for assets are deducted from the cost. Grants are therefore recognized in profit or loss through a reduced depreciation charge over the useful life of the depreciable asset.

Impairment losses on intangible assets and property, plant and equipment

If there are external or internal indicators of impairment of intangible assets or property, plant and equipment on the balance sheet date, these items are subjected to an impairment test pursuant to IAS 36. If the carrying amount of the asset exceeds its recoverable amount (the higher of its value in use and fair value less selling costs), an impairment loss is charged. If no future cash flows independently generated from other assets can be attributed to individual assets, the recoverable amount is tested for impairment on the basis of the cash-generating unit to which the asset belongs.

An impairment test is to be performed on goodwill and intangible assets with indeterminable useful lives annually and whenever there are indications that it may be impaired. The impairment test for goodwill is performed on the basis of the cash-generating unit to which the asset belongs and is expected to benefit from the underlying business combination.

Goodwill is tested for impairment using the discounted cash flow method based on the operational five-year plan and, as in the prior year, an assumed sustained growth of 1% in the subsequent period for the individual cash-generating units. A risk-adjusted interest rate is used for discounting. Goodwill is based on the business segments that also constitute the operating business segments in accordance with IFRS 8.

If the reasons for such an impairment loss cease to apply, write-ups are performed, except in the case of goodwill.

Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Dräger Group holds the following financial assets:

- other investments,
- securities,
- loans and other receivables,
- derivative financial assets,
- other financial assets, and
- cash and cash equivalents.

The Dräger Group reports the following financial liabilities:

- liabilities to banks and loan liabilities,
- trade payables,
- derivative financial liabilities, and
- other financial liabilities.

Financial assets

Financial assets are initially recognized at fair value, which in most cases is identical to the transaction price. Incidental purchase costs (transaction fees), such as commission, agents' costs, or notary costs, are only to be allocated to those financial assets or liabilities whose changes in value are not recognized at fair value in profit or loss.

Financial assets are categorized into one of the following classes for subsequent valuation:

- at amortized cost,
- at fair value directly in equity through other comprehensive income (with recycling through profit or loss),
- at fair value directly in equity through other comprehensive income (without recycling through profit or loss),
- or
- at fair value through profit or loss.

These assets are classified on the basis of:

- the business model applied by the company to manage the financial assets and
- the characteristics of the contractual cash flows generated by the financial asset and
- the characteristics of the financial instrument from the perspective of the issuer (equity instrument or debt instrument).

At the Dräger Group, debt instruments are primarily held to generate contractual cash flows and are therefore measured at amortized cost. Trade receivables and contract assets are considered to be material financial instruments. A debt instrument is measured at fair value in profit or loss on the basis of the characteristics of the contractual cash flows.

The option to designate financial assets for fair value measurement through profit or loss is not exercised. In addition, there are no financial assets measured at fair value through other comprehensive income.

Equity instruments are generally measured at fair value through profit or loss, as they are held for trading. The option to designate equity instruments for fair value measurement through other comprehensive income is not exercised.

For purchases or sales of financial assets at normal market conditions, the settlement date is relevant (i.e., the date on which the asset is delivered to or supplied by Dräger). Purchases or sales at normal market conditions are understood to be those under which assets have to be delivered within the statutory or conventional time scale applicable to the location where the transaction took place.

Financial assets held for or due in more than twelve months are disclosed as non-current financial assets.

Generally speaking, the three-level general model to determine expected losses is used for the subsequent valuation of debt instruments as part of the expected credit loss model. Debt instruments are categorized into one of three levels that correspond to the respective risk of default. Depending on the respective risk level, risk provisions are formed either in the amount of the expected losses over a 12-month period (level 1: low credit risk) or in the amount of the expected losses over the entire term in the case of a significant increase in credit risk in the period since initial recognition (levels 2 and 3).

When assessing whether the credit risk of a debt instrument has increased significantly, Dräger compares the credit risk at the point of initial recognition with the credit risk as at the balance sheet date. Available and reliable forward-looking information concerning changes to the economic environment and the economic capabilities of the debtor is taken into account.

Changes to the volume of risk provisions are recognized as a reversal of an impairment loss or an impairment loss in the income statement.

In the case of trade receivables, contract assets, and leasing receivables, which account for over 92 % of Dräger's debt instruments (excluding short-term money market funds), Dräger exercises its option to apply the simplified method whereby risk provisions are measured in the amount of the expected losses from default for the entire term both at initial recognition and on all subsequent reporting dates.

Trade receivables and contract assets are structured according to credit risk portfolios in order to calculate expected losses. The risk portfolios are based on the customer regions. The payment and past due structure is determined for each risk portfolio using a default matrix. The historical default rates are calculated by allocating average defaults on receivables over the past three years to payment structures. These default rates are then applied

to the individual past due structures in order to calculate the risk provisions. In addition to historical defaults, a prospective forward-looking element is also taken into consideration.

Values are usually adjusted through the use of allowance accounts. Assets and allowances are written off if it is established that the financial assets are determined to be impaired. In the event of the unforeseeable impairment of receivables, these receivables are written off directly, not using the allowance account.

The effects of the impairment loss and of the subsequent measurement by applying the effective interest method are recognized in profit or loss.

A financial asset must not be removed from the balance sheet until the rights to cash flows from the asset have expired or the rights to cash flows and the significant opportunities and risks have been transferred and the seller no longer has any control over the asset.

Financial liabilities

Financial liabilities are initially recognized at fair value. Transaction fees directly attributable to the issue of the liability are deducted upon the initial measurement of the liabilities if changes in value are not recognized at fair value in profit or loss.

Financial liabilities are generally disclosed at amortized cost in subsequent periods, taking into account repayment amounts, as well as premiums and discounts. Any differences between the payment (less transaction fees) and repayment are recognized in the income statement over the term of the loan, using the effective interest method.

Liabilities held for trading because they were acquired with the intention of repurchasing them in the short term are an exception to this and are always recognized at fair value in profit or loss. At Dräger, this primarily affects derivatives that are not part of a hedge and have a negative market value. Changes to the fair value that are attributable to the Company's own credit risk are recognized through other comprehensive income only if the fair value option is exercised.

Dräger does not exercise its option to voluntarily measure a financial liability at fair value through profit or loss.

Financial assets and liabilities are offset and reported at net amounts if there is a right at the present time to set off the reported amounts against each other and the intention is to settle on a net basis or to settle the associated liability simultaneously with the realization of the asset.

Non-current liabilities that do not bear interest or bear interest at a rate substantially below market rates are disclosed at present value. Premiums and discounts are allocated over the term of the liability using the effective interest method.

Financial liabilities that are due in more than twelve months are disclosed as non-current financial liabilities.

Financial liabilities are disclosed until the corresponding obligation has been settled or canceled, or has expired.

Derivative financial instruments

The Dräger Group uses derivative financial instruments in the form of currency futures and a single interest rate swap as part of its risk management to hedge currency and interest rate risks.

Derivative financial instruments are recognized at fair value. For derivative financial instruments that meet the hedge accounting criteria of IAS 39, the changes in fair value are recognized depending on the type of hedge.

Changes in the fair value of derivatives that hedge the exposure to variability in future cash flows (cash flow hedge) are recognized directly in equity under other comprehensive income if the hedge is effective. These amounts are recognized in profit or loss if the hedged item affects profit or loss.

The effectiveness of the hedge is determined at the start of the hedging relationship and by means of periodic prospective valuations in order to ensure that there is likely to be an economic relationship between the hedged item and the hedging instrument. At the Dräger Group, the prospective valuation is conducted by reviewing the contractual terms and conditions of the hedged item and the hedging transaction. Generally speaking, hedging instruments at Dräger are always concluded at identical terms and conditions to the hedged item, so that it can be assumed that the hedge will be effective in the future.

Furthermore, the hypothetical derivative method is used within the scope of a retrospective effectiveness test to determine whether the hedge was effective in the prior period and to calculate potential inefficiencies that may result from variations regarding the timing and volume of the underlying transactions.

Due to the forward-to-forward designation, the spot and forward components of the hedge are designated to the hedge. The effective portion of the designated components calculated through the retrospective effectiveness test is recognized directly in equity in the cash flow hedge reserve, and the ineffective portion of the designated components is recognized in profit or loss. Fair value changes of the non-designated components are also recognized in profit or loss.

The amounts accumulated in the hedge reserve are reclassified to the income statement as a so-called ›reclassification adjustment.«

Dräger uses cash flow hedge accounting to account for future cash flows from highly likely future currency hedging transactions. Excess cash flows from planned operating net sales and costs denominated in the respective foreign currencies are considered to be the hedged item. Through the use of hedge accounting, changes in the fair value of currency futures are recognized directly in equity under other comprehensive income until they are transferred to the income statement, if the hedged item also affects profit or loss.

In hedging foreign currency risks posed by recognized assets or recognized liabilities, the Dräger Group does not use hedge accounting to recognize hedges, as the profit or loss from the currency translation of the hedged item affects the income statement at the same time as the profit or loss from the measurement of the hedging instrument.

Derivative financial instruments are recognized at fair value. The fair value of listed derivatives is the positive or negative market value. In the absence of a market value, the fair value is determined according to generally accepted methods of financial mathematics such as the discounting of expected future cash flows.

We refer to [§ note 39](#) for details of the nature and scope of the Dräger Group's existing financial instruments.

Inventories

Inventories comprise raw materials, consumables, and supplies, as well as work in progress, finished goods, and merchandise. They are measured at the lower of cost and net realizable value. Costs are measured using the average cost method. Cost comprises production-related full costs calculated on the basis of normal capacity utilization. In addition to direct materials and production costs, it includes material and production overheads as well as special direct production costs allocable to the production process. Depreciation on items classified as property, plant and equipment used in the production process is also included. Borrowing costs that are material and directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of that asset in accordance with IAS 23.

Net realizable value is the estimated selling price achievable in the ordinary course of business less the estimated costs of completion and the costs necessary to make the sale. Unrealizable inventories are written off.

The finished goods and merchandise item also includes rental and demo equipment, which is generally taken over by the customers after a short period of time. The net realizable value declines by 25 % per year over the period during which rental and demo equipment is used.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances, including short-term deposits, and may in some cases be subject to restricted availability.

Participation capital

In accordance with IAS 32 and IFRS 9, the individual Dräger participation certificate series are recognized pursuant to the commercial value of their contractual agreements. Until their termination in April 2020, series A certificates were classified as equity. However, they included an obligation in the amount of the minimum return that was recognized as a liability. Since the termination of series A, only the payment obligations to the holders of series A have been reported. The previous items in equity and debt have been derecognized.

Until their termination in March 2020 (series D) and April 2020 (series K), series K and D certificates were classified as debt. The premium on the issue price exceeding Dräger's obligation was recognized as equity. Since the termination of series D and K, only the payment obligations to the holders of series D and K have been reported. The previous items in equity and debt have been derecognized.

The entitlement to dividends remains in effect for the fiscal year of the termination date (series A and K: fiscal year 2020; series D: fiscal year 2022). The compounding of liabilities for payments to the holders of the three series and the minimum dividend for series A and K are included in the interest expense of the respective period. The distributions for series D certificates and the amount exceeding the minimum dividend for series A and K certificates are paid with equity capital.

Dividends

Dividends are recognized in profit or loss once a legal right exists to receive payment.

Provisions for pensions and similar obligations

The Dräger Group's provisions for pensions and similar obligations are calculated annually by actuaries in compliance with IAS 19 (revised) using the projected unit credit method, allowing for future adjustments to salaries and pensions and employee turnover.

Remeasurements due to changes in demographic and/or financial assumptions and experience-based adjustments are immediately recognized directly in equity under other comprehensive income taking account of deferred taxes. These are not subsequently recognized in Group profit or loss.

The net interest expense is calculated by multiplying the chosen capital market-oriented interest rate by the performance-oriented net liability or net asset at the beginning of the year. The performance-oriented net liability or net asset is the balance of defined benefit obligations and plan assets.

With effect as at December 2007, funds from the German pension plan were paid into a new fund including a settlement account and secured in favor of the employees via a contractual trust arrangement (CTA). They therefore serve only to cover and finance the Company's direct German pension obligations.

Any excess of plan assets over the pension obligations is recognized as an asset at a maximum of the present value of the economic benefit to the company (due to a refund of contributions or reduction of future contributions) plus any past service cost not yet recognized (asset ceiling).

Public pension schemes, which are classified as public plans pursuant to IAS 19, are also defined contribution plans. The Group does not accrue any other payment obligations once the due payments have been made. The amounts are recognized as pension expenses when the payments are due. Paid amounts are recognized as other receivables if these advance payments result in a reimbursement or a reduction in future payments.

Other provisions

Other provisions are recognized when the entity has a present obligation (legal or constructive) to a third party as a result of a past event and it is probable that an outflow of resources representing economic benefits will be required to settle the obligation. It must also be possible to reliably estimate the amount of the obligation.

Provisions are stated at the amount expected to be required to settle the obligation. This settlement amount also includes cost increases that have to be taken into account on the balance sheet date. Non-current provisions are discounted to the balance sheet date using appropriate pre-tax market rates. These interest rates are determined taking into account the risk and the term of the provision, if the risk had not already been recognized when determining future payments. Provisions are not offset against rights of recourse.

Other provisions include long-term employee benefits (other than provisions for pension obligations and similar obligations). These are measured based on the net balance of the present value of the obligation at the reporting date less the fair value at the reporting date of plan assets out of which the obligations are to be settled directly. The present value of the obligation and plan assets are determined in the same way as provisions for pensions and similar obligations.

Other provisions additionally include post-employment benefits, which are employee benefits (not including pensions) that are mainly paid in connection with personnel-related structural measures, such as one-time payments, periodic payments over a number of years, as well as salary payments during leaves of absence. An entity shall recognize termination benefits as a liability and an expense if the entity is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary resignation. In the case of an offer made to encourage voluntary resignation, the measurement of termination benefits should be based on the number of employees expected to accept the offer. Additional payments as part of a pre-retirement part-time work agreement must be recognized periodically from the time the obligation arises (if necessary taking into account minimum periods of service) until the end of the employment phase.

Income taxes

The tax expense for the period is made up of current and deferred taxes. Taxes are reported in the income statement, unless they relate to items recognized in other comprehensive income. In this case, the taxes are also recognized in other comprehensive income.

The Dräger Group's companies are required to pay income taxes in several countries. Current tax expenses are determined using the tax regulations applicable on the balance sheet date in the individual countries. When determining global income tax receivables and liabilities, the interpretation of tax regulations in particular can carry a degree of uncertainty. It cannot be ruled out that the various fiscal authorities have different perspectives with regards to the correct interpretation of tax standards. The associated uncertainty is taken into account in that uncertain tax receivables and liabilities are estimated as soon as management is of the view that the probability of occurrence exceeds 50%. Changes in the assumptions as to the correct interpretation of tax standards, such as on account of amended prevailing jurisdiction, are consolidated in the accounting of uncertain tax receivables and liabilities in the corresponding fiscal year. The likely estimated tax payment is taken as the best estimate when accounting for uncertain income tax positions.

Pursuant to IAS 12, deferred taxes are determined using the balance sheet-based liability method. Deferred taxes on loss carryforwards and on temporary differences between the Group financial statements and the tax accounts of the consolidated companies are recognized. Deferred tax liabilities are not recognized if they result from the initial recognition of goodwill.

Deferred tax assets are only recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be offset. Deferred tax assets and liabilities are only offset if they relate to the same taxation authority.

Deferred tax liabilities resulting from temporary differences in connection with investments in subsidiaries are recognized unless the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not be reversed on account of this influence in the foreseeable future.

Deferred taxes are measured using the tax rates and tax laws enacted at the balance sheet date that are expected to apply to the period when the deferred tax asset is realized or the deferred tax liability is settled.

Some companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognized for unclaimed and / or carried forward tax credits.

IAS 12 does not specifically address the tax implications of the recognition of leases under IFRS 16. However, on July 17, 2019, the IASB published a draft with proposed amendments to IAS 12 'Income Tax' (ED/2019/5). Accordingly, the prohibition on the recognition of deferred taxes in connection with the initial recognition of an asset or liability is to be restricted to the extent that it does not apply to transactions that result in the simultaneous occurrence of taxable and deductible temporary differences of the same amount. Deferred tax assets and liabilities arising from leases are therefore recognized to this extent, reported as net amounts in the consolidated balance sheet, and disclosed as gross amounts in the notes.

Share-based payment

In fiscal year 2020 – as in fiscal year 2013, and annually since fiscal year 2015 – Dräger offered all Dräger employees in Germany share-based compensation in the form of an employee share program. The intent is to increase employees' identification with the Company and Dräger's attractiveness as an employer.

This program allows employees who acquire Dräger preferred shares within a specified period of time within the fiscal year to receive one preferred share as a bonus for every three Dräger preferred shares purchased (matching model). These Dräger preferred shares are subject to a two-year holding period. The employee does not need to remain at Dräger during this period. The bonus preferred shares are not new shares but treasury preferred shares repurchased by Dräger on the capital market and transferred to the employee's securities account.

These bonus preferred shares are measured at fair value on the entry date (grant date). The entry date is the date on which Dräger and the employees conclude the share-based payment agreement. The fair value of the bonus preferred shares is the price of Dräger's preferred shares on the stock exchange.

Leases

A lease in accordance with IFRS 16 is an agreement under which the right to control the use of an identifiable asset is transferred and under which the customer has the right to both define the use of this asset and to obtain substantially the benefits from the use of this asset during the term of use.

A) DRÄGER GROUP AS A LESSEE

Since the application of IFRS 16 starting January 1, 2019, lessees have been required to recognize assets and liabilities for the right-of-use assets and payment obligations arising under all existing leases.

The transition to IFRS 16 took place using the modified retrospective approach as at January 1, 2019; the option to not adjust prior-year figures was exercised.

Where contracts contain both leasing and non-leasing components, the leasing components of the contract are accounted for separately from the non-leasing components of the contract as a lease on the basis of the relative unit price. The non-leasing components are accounted for in accordance with the standards applicable to them.

The lease term generally comprises the non-cancelable basic term during which a lessee is entitled to use an underlying asset. The term is adjusted for periods arising from an option to extend or terminate the lease if the lessee is reasonably certain that they actually intend to exercise this option.

Dräger exercises the option of continuing to recognize leases as expenses on a monthly basis if they are either short-term leases (term of up to 12 months) or leases with an underlying asset of minor value (up to EUR 5,000 new).

In accordance with IFRS 16, the initial measurement of right-of-use assets is based on the value of the corresponding lease liability, adjusted for the following items:

- completed lease payments and received lease incentives,
- initially incurred direct costs, and
- expected costs at the point of recognition in order to restore the leased asset to its original or contractually agreed condition at the end of the lease.

The initial measurement of the lease liabilities takes place at the present value of future lease payments. Lease payments include:

- fixed lease payments,
- variable lease payments that are pegged to indices,
- payments resulting from purchase options, where there is a sufficient degree of certainty at the point of measurement that the option will be exercised, as well as
- any expected payments from agreed guaranteed residual values and contractual payments due to options to terminate leases being exercised.

Within the scope of the subsequent valuation, the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for any revaluation of the lease liability.

B) DRÄGER GROUP AS A LESSOR

Finance leases

Leases with the Dräger Group as lessor continue to be classified as finance leases and recognized if all material risks and rewards of ownership are transferred to the lessee.

Accordingly, assets held under a finance lease are recognized in the balance sheet and presented as a receivable at an amount equal to the net investment (present value of the gross investment) in the lease. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease. The corresponding interest income is recognized in the interest result. Initial direct costs are capitalized and allocated as an expense over the term of the lease.

Operating leases

Assets subject to operating leases are presented in the balance sheet according to the nature of the asset. Lease income from these leases is recognized in profit or loss on a straight-line basis over the lease term and, depending on the lease object, reported in net sales (Dräger products) or other operating income (e.g., buildings).

Use of estimates and assumptions and changes in method

In preparing the Group financial statements in accordance with IFRS, assumptions and estimates have to be made which have an effect on the recognition of assets and liabilities, the disclosure of contingent liabilities as at the balance sheet date, and the recognition of income and expenses. Actual amounts may differ from these assumptions and estimates.

The estimates and changes in method pertain to the following areas in particular:

- Beside Dräger's voting rights, other matters and circumstances need to be taken into account when determining whether a special purpose entity or a company is controlled to such an extent that it should be included as a subsidiary in the Group financial statements. Assumptions need to be taken into account, in particular in those cases in which other contractual rights or constructive circumstances exist, so as to determine whether Dräger can use its power over the company to influence the company's variable returns. Changes to contractual agreements or facts or circumstances are monitored with regard to their potential impact on the assumptions made.
- In the case of two real estate companies, many corporate measures are predetermined on account of their narrow business purposes, meaning that they do not need to be consolidated on the basis of voting rights. However, Dräger has contractual purchasing options for these properties, which are integrated in Dräger's premises. As a result, by managing the residual value of these properties Dräger exercises control over the variable returns of these companies and therefore over the own returns from the investments. As in the prior year, these real estate companies therefore need to be included in Dräger's scope of consolidation as subsidiaries. Rational expectations as to the development of real estate prices were used when assessing the management of the residual values.
- As part of the annual assessment of the recoverable amount of capitalized goodwill, Dräger's management uses estimates to arrive at its conclusions. With regard to anticipated earnings trends, the data management uses is based on internal analyses and forecasts.

- On the date of provision, and in the subsequent period, Dräger as a lessee assesses whether it is sufficiently certain that Dräger will exercise a renewal option or a purchase option for the underlying asset or will not exercise a termination option. The entity considers all relevant facts and circumstances that could provide an economic incentive for the lessee to exercise or not exercise the option, including any changes in those facts and circumstances that are expected to occur between the date of provision and the option exercise date.

Management draws on data from external information sources with regard to other analysis parameters.

Other assumptions and estimates mainly relate to the determination of useful lives throughout the Group. At least once a year, the Group assesses the applied useful lives and carries out adjustments if necessary. Useful lives are determined on the basis of market observations and empirical values.

The recoverability of receivables is subject to the assessment and valuation of individual customers and their creditworthiness. This takes into account current economic developments as well as experience from past receivable losses.

Construction contracts from project business, the net sales from which are realized over time, are recognized according to the percentage of completion method. The most important measurements used for the careful determination of the percentage of performance of the service include total costs, total revenues, and risks related to the contract as well as other estimates. Management continuously assesses all estimates made in connection with such construction contracts.

Defined benefit pension plans and similar obligations are recognized in accordance with actuarial methods. These methods are based on actuarial assumptions such as the discount rate, wage and salary trends, increases in pensions, and employee turnover. The discount factors used are calculated on the basis of the effective market return on high-quality corporate bonds. Deviations of actuarial assumptions from actual developments could have serious implications for the measurement of defined benefit pension plans and similar obligations. The results of sensitivity analyses for the discount rate, future increases in pensions, and life expectancy as stated in € note 34 provide indications of these effects.

The Group has set aside provisions for various additional risks. The likelihood of these provisions being used is assessed on the basis of prior experience and assessments of individual business transactions. Adjusting events were taken into account accordingly.

Assets and liabilities recognized at fair value are measured on the basis of available market data. In the event that such data does not exist, Dräger also refers to the assessments of qualified external experts.

The Group has to pay income taxes in several countries. This involves a specific calculation of the expected actual income tax exposure for each taxable entity and an assessment of temporary differences resulting from the different treatment of certain items for IFRS and tax reporting purposes. Management has to make assumptions when calculating effective and deferred taxes. Tax estimates are made in accordance with local laws.

Notes to the income statement

11 NET SALES

For the breakdown of net sales by business segment, please see the table below.

NET SALES			
in € thousand	2020	2019	Change in %
Net sales from the sale of products and goods ¹	2,081,883	1,668,043	24.8
Net sales from the sale of services and accessories (including replacement parts)¹	1,252,825	1,077,855	16.2
Net sales from projects	71,568	34,926	104.9
Net sales	3,406,276	2,780,824	22.5

¹ Some safety products were allocated to new product groups. Prior-year figures were adjusted accordingly.

A detailed segment report, including net sales by regions, is provided in [note 42](#).

Net sales of EUR 807.8 million were generated in Germany during the reporting year (2019: EUR 603.5 million). Net sales of EUR 2,302.2 million (2019: EUR 1,741.8 million) were generated with medical products and services in fiscal year 2020, and net sales of EUR 1,104.1 million (2019: EUR 1,039.1 million) were generated with safety products and services.

Net sales from the sale of products are recognized at the point in time at which control is passed to the buyer, on the condition that the company is likely to receive the agreed transaction price. In the case of products that need to be installed at customers' locations, control is passed to the buyer at the point in time at which the product is delivered and installed.

Net sales from the provision of services are recognized over the period of time in which the services are rendered if the customer receives the benefits from the provision of the service while the service is being rendered. Services are provided either at certain points in time (service / maintenance intervals) or over a certain period (functional warranty). In the case of services performed over a certain period, the performance of the service is measured on a pro-rata basis over the period for which Dräger guarantees the functionality of the device.

Net sales from construction contracts (project business) are recognized over the period of time in which the service is rendered, provided the customer acquires control of the created asset while the services are rendered or there is a customer-specific order (the created asset does not have any alternative benefit) and Dräger has a legal entitlement to corresponding payment, including a profit margin, at any point during the provision of the service.

In the reporting year, as in the prior year, there were no customers whose share of net sales exceeded 10 % of Group net sales.

Recognized net sales of EUR 88,797 thousand (2019: EUR 85,781 thousand) were still included under contract liabilities at the start of the reporting period.

FUTURE NET SALES FROM LONG-TERM SERVICE AND CONSTRUCTION CONTRACTS

in € thousand	2020	2019
Expected net sales in year 1	57,117	57,125
Expected net sales in year 2	44,905	44,149
Expected net sales from year 3 on	47,915	38,083
	149,937	139,357

The reporting period included net sales of EUR 402 thousand (2019: EUR 369 thousand) that we fulfilled either in full or in part in prior fiscal years.

12 COST OF SALES

Cost of sales include the following:

COST OF SALES

in € thousand	2020	2019
Direct materials	996,605	842,232
Direct labor	341,324	328,527
Direct costs	1,337,929	1,170,759
Material overheads	62,716	62,246
Production overheads	293,947	267,597
Other indirect costs	102,790	91,803
Indirect costs	459,453	421,645
Cost of sales	1,797,382	1,592,404

Production overheads comprise amortization of production-related intangible assets and depreciation of property, plant and equipment, as well as costs of internal transportation until delivery to the distribution warehouse.

Cost of warranties and impairments on inventories, among others, are recognized in other indirect costs.

Costs of sales include inventory variances, measurement differences, and scrapping. Income from the reversal of previously impaired inventories reduces the cost of sales.

Please refer to our comments in € note 9 for information on the effects from currency translation included in the cost of sales.

Any borrowing costs included in the valuation of inventories are contained in the cost of sales at the time of delivery or performance.

13 RESEARCH AND DEVELOPMENT COSTS

Research and development costs comprise all costs incurred during the research and development process, also including registration costs, costs of prototypes, and the costs of the first series, if they are not capitalized as separate development costs.

14 MARKETING AND SELLING EXPENSES

Marketing expenses comprise all costs associated with corporate marketing and product marketing, including, among other things, expenses for advertising and trade shows. Selling expenses include the costs of sales management, logistics costs, where they relate to the sales depot or shipping, and the costs of the internal and external sales force, including order processing. Income arising in direct connection with the costs is netted.

15 GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses comprise the costs of administrative activities not related to other functions. This includes in particular the cost of the Executive Board, corporate controlling, the tax, customs, insurance and treasury departments, legal, accounting and consulting fees, audit fees, and general infrastructure costs. Income arising in direct connection with the costs is netted. The costs comprise the material costs and personnel expenses arising from administration as well as depreciation and amortization.

16 IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS

The impairment losses on financial and contract assets comprised the following:

IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS		
in € thousand	2020	2019
Release of risk provisions	4,527	4,718
Allocations to risk provisions	-14,191	-17,865
Direct derecognition	-369	-940
	-10,033	-14,087

17 OTHER OPERATING INCOME / EXPENSES

OTHER OPERATING INCOME / EXPENSES		
in € thousand	2020	2019
Gains on the disposal of intangible assets and property, plant and equipment	543	1,933
Rental income	1,950	2,135
Income from the derecognition of liabilities	145	65
Other operating income	2,638	4,133
Expenses for leased assets	693	794
Losses on the disposal of intangible assets and property, plant and equipment	403	966
Other operating expenses	1,096	1,760

18 FINANCIAL RESULT

FINANCIAL RESULT (BEFORE INTEREST RESULT)

in € thousand	2020	2019
Result from net exposure from monetary items	-1,663	-925
Share in the profits from investments in associates	328	328
Other expenses from investments in associates	-835	-156
Other income from investments in associates	21	108
Result from investments in associates	-485	281
Profit from the disposal of subsidiaries	65	-
Net result from the measurement of financial assets measured at fair value through profit and loss	-111	-72
Result from other investments	-46	-72
Net result from foreign exchange transactions	-4,800	-4,412
Other financial expenses	-131	51
Other financial result	-4,930	-4,362
Financial result (before interest result)	-7,125	-5,078

INTEREST RESULT

in € thousand	2020	2019
Income from financial assets measured at amortized cost	3,169	3,507
Income from financial assets measured at fair value through profit and loss	9	9
Interest contained in lease payments	148	64
Interest and similar income	3,326	3,580
Expenses from financial liabilities measured at amortized cost	-29,081	-7,813
Interest portion contained in pension provisions	-4,124	-5,837
Interest contained in lease payments	-4,858	-5,047
Expenses from interest hedges	-496	-512
Other interest and similar expenses	-1,200	-1,418
Interest and similar expenses	-39,760	-20,628
Interest result	-36,433	-17,048

Expenses from financial liabilities measured at amortized cost include the compounding of participation certificates of EUR 209 thousand (2019: EUR 1,146 thousand) as well as the compounding of the payment obligation from the termination of the series D participation certificates of EUR 5,322 thousand. This item also includes the one-off remeasurement of debt components as at the termination of the participation certificates in the amount of EUR 11,086 thousand. Distribution of participation certificates of EUR 345 thousand (2019: EUR 345 thousand) continues to be reported as part of this item.

Other interest and similar expenses include expenses incurred from the compounding of other provisions (≡ note 35).

19 INCOME TAXES

COMPOSITION OF INCOME TAXES

in € thousand	2020	2019
Germany	-3,945	-6,022
Abroad	-38,639	-22,310
Current tax expense	-42,584	-28,332
Germany		
Deferred tax expense / income from temporary differences	-84,469	9,066
Deferred tax income / expense from loss carryforwards	912	-113
Deferred tax expense / income (Germany)	-83,557	8,953
Abroad		
Deferred tax income from temporary differences	15,771	4,783
Deferred tax income / expense from loss carryforwards	91	-1,141
Deferred tax income (abroad)	15,862	3,642
Deferred tax expense / income	-67,695	12,595
Income taxes	-110,279	-15,737

Deferred tax expenses in Germany primarily concern the reduction of deferred tax assets recognized directly in equity in relation to the termination of participation certificates in March and April 2020.

Deferred tax expenses include a tax-increasing effect of EUR 141 thousand (2019: EUR 369 thousand) from the change in tax rates.

A deferred tax liability of EUR 2,316 thousand (2019: EUR 1,645 thousand) was recognized for temporary differences in connection with retained profits of foreign subsidiaries. No deferred tax liabilities are recognized for temporary differences associated with investments in subsidiaries to the amount of EUR 11,711 thousand (2019: EUR 10,251 thousand) as the sale of these companies or a distribution of retained profits is unlikely in the foreseeable future.

Payment of dividends to the shareholders of the parent company does not have any income tax consequences.

RECONCILIATION OF EXPECTED INCOME TAX EXPENSE TO RECOGNIZED INCOME TAX EXPENSE

in € thousand	2020	2019
Earnings before income taxes	360,165	49,528
Expected income tax expense (tax rate: 31.5 %; 2019: 31.5 %)	-113,452	-15,601
Reconciliation		
Effects from other periods and non-deductible withholding tax	-372	-5,867
Effect from changes in tax rates	-141	-369
Effect from different tax rates	7,128	4,899
Tax effect of non-deductible expenses and tax-free income	-6,911	-2,055
Recognition and measurement of deferred tax assets	3,958	3,387
Other effects	-489	-131
Recognized income tax expense	-110,279	-15,737
Tax rate (%) overall	30.6	31.8

The parent company's tax rate of 31.5 % (2019: 31.5 %) was used as the expected tax rate. The expected tax rate is composed of a corporate income tax component of 15.83 % (2019: 15.83 %), including the 5.5 % solidarity surcharge, and a trade tax component of 15.67 % (2019: 15.67 %). Domestic deferred taxes are determined on the basis of a 31.5 % tax rate (2019: 31.5 %).

The following deferred tax assets and deferred tax liabilities relate to recognition and measurement differences in the individual balance sheet items:

DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

in € thousand	Deferred tax assets		Deferred tax liabilities	
	2020	2019	2020	2019
Intangible assets	3,041	4,398	7,476	8,275
Property, plant and equipment	7,741	7,901	8,912	7,218
Right-of-use assets	23	491	18,788	15,210
Other non-current financial assets	364	45	4,160	3,891
Other non-current assets	–	10	16	27
Non-current assets	11,169	12,845	39,352	34,621
Inventories ¹	17,056	17,755	724	829
Trade receivables and receivables from contract assets	4,099	3,802	443	557
Other current financial assets ¹	1,238	149	7,419	2,197
Other current assets ¹	916	521	8,726	5,755
Current assets¹	23,309	22,227	17,312	9,338
Liabilities from participation certificates	–	–	–	5,705
Provisions for pensions and similar obligations	107,516	96,374	–	14
Other non-current provisions ¹	6,754	6,203	–	–
Non-current interest-bearing loans	–	–	542	757
Other non-current financial liabilities	942	1,342	5,087	675
Non-current lease liabilities	12,934	10,193	–	–
Other non-current liabilities	4,076	3,042	93	–
Non-current liabilities¹	132,222	117,154	5,722	7,151
Other current provisions ¹	23,097	13,907	–	–
Current interest-bearing loans and liabilities to banks	542	752	–	–
Trade payables	902	712	133	51
Other current financial liabilities ¹	1,832	3,403	333	161
Current lease liabilities	6,654	4,894	–	–
Other current liabilities ¹	11,621	7,228	154	527
Current liabilities¹	44,648	30,896	620	739
Capitalized tax loss carryforwards and tax credits	32,506	5,314	–	–
Gross amount¹	243,854	188,436	63,006	51,849
Impairment of temporary differences	–209	–422	–	–
Offset ¹	–79,951	–67,915	–79,951	–67,915
Deferred taxes from consolidation entries	64,559	57,709	20,014	19,393
Carrying amount	228,253	177,808	3,069	3,327

¹ Deferred tax liabilities are offset with deferred tax assets on the balance sheet items where these refer to the same taxable entity.

The recoverable amount of the recognized deferred tax assets on tax loss carryforwards and temporary differences at the consolidated companies is tested for valuation allowances once a year on the basis of the future taxable profit, which was determined on the basis of an operating budget plan. An impairment loss is recognized where a realization of the deferred tax assets is unlikely. Deductible temporary differences of EUR 662 thousand (2019: EUR 1,458 thousand) are not accounted for as these are not expected to be utilized during the planning period.

The deferred taxes on consolidation entries mainly relate to deferred taxes from the elimination of intercompany profits in inventories as well as in intangible assets and in property, plant and equipment.

Deferred taxes are determined on the basis of the tax rates which, under the legislation in force, apply in the individual countries at the time of realization or which are expected.

Tax loss carryforwards were as follows at the end of the year:

CAPITALIZED TAX LOSS CARRYFORWARDS

in € thousand	2020	2019
Corporate income tax	103,221	13,367
Trade tax and U.S. state tax	89,867	11,982
	193,088	25,349

NON-CAPITALIZED TAX LOSS CARRYFORWARDS

in € thousand	2020	2019
Corporate income tax	101,044	40,428
of which does not expire	101,044	40,428
Trade tax and U.S. state tax	81,942	16,055
of which does not expire	81,942	16,055
	182,986	56,483

The rise in capitalized and non-capitalized tax loss carryforwards in 2020 predominantly took place in the income tax fiscal unit of Drägerwerk AG & Co. KGaA. The deferred taxes deemed recoverable were capitalized directly in equity in March and April 2020 in relation to the termination of the participation certificates.

Deferred taxes are recognized on loss carryforwards of EUR 8,163 thousand (2019: EUR 10,299 thousand) of the U.S. companies which are subject to an average state tax of between 4.47 % and 4.64 % (2019: 4.73 %).

Deferred tax assets are recognized on unclaimed tax credits in the amount of EUR 2,556 thousand (2019: EUR 1,550 thousand).

Theoretically, deferred taxes of EUR 30,140 thousand (2019: EUR 10,745 thousand) would have been recognized for unrecognized corporate income and trade tax losses. However, these deferred taxes were not recognized as the recoverability of the loss carryforwards could not be assumed.

Despite tax losses in the current and / or prior year, deferred tax assets of EUR 153,982 thousand (2019: EUR 11,612 thousand) were recognized for loss carryforwards and temporary differences. The amounts are recognized on the basis of the tax planning. Management assumes that the companies in question will generate sufficient taxable profits in the future. The significant increase is primarily due to deferred tax assets of EUR 144,764 thousand on temporary differences and tax loss carryforwards of the fiscal unit of Drägerwerk AG & Co. KGaA in 2020.

The expense from the valuation allowance on deferred tax assets amounted to EUR 75 thousand (2019: EUR 673 thousand). The income from the reversal of a previous valuation allowance on deferred tax assets came to EUR 4,033 thousand in fiscal year 2020 (2019: EUR 4,060 thousand).

Current income taxes of EUR 429 thousand relating to the issuing of new shares were offset directly against equity.

The deferred tax assets recognized in other comprehensive income increased by EUR 13,325 thousand (2019: increased by EUR 18,099 thousand) during the period and mainly concerned the recognition of the effects from the remeasurements of pension plans directly in equity.

20 PERSONNEL EXPENSES / HEADCOUNT

Personnel expenses include the remuneration of the members of the Executive Board of the general partner Drägerwerk Verwaltungs AG, Lübeck, Germany. Please refer to our comments in the remuneration report. [≡](#) note 44

PERSONNEL EXPENSES

in € thousand	2020	2019
Wages and salaries	1,029,320	934,313
Social security	186,868	168,915
Pension expenses and related employee benefits	25,046	23,147
	1,241,234	1,126,375

Depending on function, personnel expenses are taken into account in the cost of sales, research and development costs, marketing and selling expenses, as well as administrative expenses.

Personnel expenses also include EUR 23,200 thousand for the global Thank-You bonus and severance payments of EUR 2,463 thousand (2019: EUR 6,729 thousand).

HEADCOUNT AS AT THE BALANCE SHEET DATE

	2020	2019
Germany	7,350	6,996
Abroad	8,307	7,849
Total headcount	15,657	14,845
Production	2,393	2,152
Other	13,264	12,693
Total headcount	15,657	14,845

HEADCOUNT (AVERAGE)

	2020	2019
Germany	7,179	6,951
Abroad	8,050	7,744
Total headcount	15,229	14,695
Production	2,256	2,174
Other	12,972	12,521
Total headcount	15,229	14,695

Please see the comments in the management report for more information on the development of headcount.

21 AMORTIZATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Amortization of intangible assets and depreciation of property, plant and equipment were incurred in the following functional areas:

DISTRIBUTION OF DEPRECIATION / AMORTIZATION ON THE FUNCTIONAL AREAS

in € thousand	2020	2019
Cost of sales	53,420	51,757
Research and development costs	4,888	4,828
Marketing and selling expenses	12,142	12,670
General administrative costs	53,982	58,013
	124,432	127,269

Pursuant to IAS 36, checks were performed as at the reporting date to establish whether there are any indications that assets may be impaired. Due to the challenging competitive environment in a handful of countries, asset impairment tests were performed for the cash-generating units. For this purpose, the cash-generating units are the individual companies, broken down into medical business and safety business where necessary.

The following impairments and reversals of impairments were recognized in fiscal year 2020:

RECOGNIZED NEED FOR IMPAIRMENT

Cash-generating unit in € thousand		Discount rate	Value in use	Recognized impairment loss	Recognized income from reversal of impairment
Dräger Industria e Comércio Ltda., São Paulo	medical division	10.3 %	7,811	–	456
Dräger Chile Ltda., Santiago	safety division	9.5 %	2,563	–	265
Draeger Colombia SA, Bogota D.C.	medical division	10.8 %	2,253	–	170
Draeger Peru S.A.C., Piso Miraflores-Lima	medical division	7.2 %	2,111	144	–
Draeger Peru S.A.C., Piso Miraflores-Lima	safety division	8.8 %	1,629	68	–
Dräger-Simsa S.A., Santiago	safety division	9.5 %	2,851	–	222
Draeger Japan Ltd., Tokyo	medical division	5.2 %	25,023	–	170
Draeger Medikal Ticaret ve Servis Anonim Sirketi, Istanbul	medical division	19.3 %	3,380	–	299
Draeger Arabia Co. Ltd., Riyadh	medical division	6.7 %	19,008	921	–
Draeger Arabia Co. Ltd., Riyadh	safety division	8.3 %	7,768	302	–
Draeger India Private Limited, Mumbai	medical division	9.8 %	21,008	–	256
Draeger Safety Korunma Teknolojileri, Anonim Sirketi, Ankara	safety division	20.9 %	3,463	140	–
Dräger South Africa (Pty.) Ltd., Johannesburg	safety division	13.1 %	8,906	–	351
Dräger Safety Zenith (Pty.) Ltd., East London	safety division	13.1 %	2,100	787	–
			109,874	2,362	2,189

Of the impairments of cash-generating units, EUR 1,065 thousand was attributable to the medical division and EUR 1,297 thousand to the safety division, while EUR 140 thousand concerned the Europe region, EUR 212 thousand the Americas region, and EUR 2,010 thousand the Africa, Asia, and Australia region. Of the reversals of impairments of cash-generating units, EUR 1,351 thousand was attributable to the medical division and EUR 838 thousand to the safety division, while EUR 299 thousand concerned the Europe region, EUR 1,113 thousand the Americas region, and EUR 777 thousand the Africa, Asia, and Australia region. Impairments and reversals of impairments were predominantly recognized on property, plant and equipment, and particularly factory and office equipment. The value in use was calculated on the basis of a future performance indicator, which is based on the discounting of future surpluses taken from the operational five-year plan for the respective cash-generating unit. The assessment corresponds to level 3 of the measurement hierarchy.

In fiscal year 2019, impairment losses of EUR 4,478 thousand were recognized on property, plant and equipment, and in particular office and operating equipment. No reversals of impairments were made. Of the impairments of cash-generating units, EUR 421 thousand was attributable to the former Europe segment, EUR 2,679 thousand to the former Americas segment, and EUR 1,379 thousand to the former Africa, Asia, and Australia segment in fiscal year 2019. Of the total impairments, EUR 2,076 thousand were attributable to the medical division and EUR 2,403 thousand to the safety division.

In view of IAS 36.105, the recoverable amount of Dräger assets is based on the assumption of resale, and so the calculated impairment requirement in both fiscal years was not recognized in full.

22 EARNINGS / DIVIDEND PER SHARE

Dräger determines and reports earnings per share in the case of a full dividend distribution. The method used for calculating earnings per share in the case of a full distribution assumes an actual full distribution of net profit less the share in net profit of non-controlling interests to common and preferred shareholders as well as to holders of participation certificates. Here, the future tax benefits, which would result in the case of a hypothetical full distribution on participating equity instruments (which include in particular instruments in the form of participation certificates at Dräger), are to be taken into account when calculating earnings per share and distributed to shareholders and holders of participating equity instruments. If an actual full distribution of net profit is assumed, earnings per share are calculated as follows in the case of a full distribution due to the effects on earnings attributable to participation certificates with an unchanged average number of shares outstanding:

EARNINGS / DIVIDEND PER SHARE ON FULL DISTRIBUTION

		2020	2019
Group net profit	in € thousand	249,886	33,790
less the share of earnings attributable to non-controlling interests	in € thousand	-273	441
Earnings attributable to shareholders and holders of participation certificates	in € thousand	250,159	33,350
plus future tax benefits resulting from the hypothetical case of a full distribution on participating equity instruments	in € thousand	23,383	3,205
Earnings attributable to shareholders and holders of participation certificates including the tax benefit	in € thousand	273,542	36,555
less earnings attributable to holders of participation certificates (excluding the minimum dividend of EUR 345 thousand)	in € thousand	84,954	11,621
Earnings attributable to shareholders	in € thousand	188,588	24,934
Weighted average of outstanding preferred shares	units	8,293,151	7,600,000
Weighted average of outstanding common shares	units	10,160,000	10,160,000
Undiluted earnings per common share	in €	10.19	1.38
Preference per preferred share	in €	0.06	0.06
Undiluted earnings per preferred share	in €	10.25	1.44
Diluted earnings per common share	in €	10.19	1.38
Preference per preferred share	in €	0.06	0.06
Diluted earnings per preferred share	in €	10.25	1.44

The proposed distribution is based on the annual financial statements of Drägerwerk AG & Co. KGaA in accordance with German commercial law and is as follows:

CALCULATION OF PROPOSED DISTRIBUTION

	Number of shares (units)	Dividend per share in €	Dividends in €
Common shares	10,160,000	0.13	1,320,800.00
Preferred shares	8,600,000	0.19	1,634,000.00
Participation certificates	831,951	1.90	1,580,706.90
			4,535,506.90

Taking into account the tax advantage and the minimum dividend for participation certificates, the proposed effective distribution rate is 1.81 % (2019: 13.03 %).

In April 2020, Dräger terminated all 195,245 series A participation certificates and all 69,887 series K participation certificates by giving six months' notice to the end of the 2020 calendar year. In March 2020, Dräger had canceled all 566,819 series D participation certificates with 24 months' notice to the end of the 2022 calendar year. The series A and K participation certificates are still entitled to dividends for fiscal year 2020. Series D participation certificates are still entitled to dividends for the years 2020, 2021, and 2022 (please refer to our comments in [note 4](#)).

A dilution of earnings per share does not have to be calculated.

Notes to the consolidated balance sheet

23 INTANGIBLE ASSETS

INTANGIBLE ASSETS AS AT DECEMBER 31, 2020

in € thousand	Goodwill	Patents, trademarks and licenses	Purchased software	Internally generated intangible assets	Prepayments made	2020 Total
Costs						
January 1, 2020	314,110	35,053	126,388	12,802	4,046	492,399
Additions	–	281	3,569	–	1,811	5,662
Disposals	–	–	-2,372	-224	-5	-2,601
Reclassifications	–	5	2,445	–	-2,451	0
Currency translation effects	-1,362	-1,697	-1,026	-70	-2	-4,157
December 31, 2020	312,748	33,642	129,004	12,509	3,399	491,302
Accumulated depreciation and impairment losses						
January 1, 2020	4,819	23,335	117,457	12,802	–	158,413
Additions	–	1,663	5,706	–	–	7,369
Disposals	–	–	-2,334	-224	–	-2,558
Currency translation effects	-36	-1,678	-1,101	-70	–	-2,885
December 31, 2020	4,783	23,320	119,728	12,509	0	160,340
Net carrying amount	307,965	10,323	9,276	0	3,399	330,962

INTANGIBLE ASSETS AS AT DECEMBER 31, 2019

in € thousand	Goodwill	Patents, trademarks and licenses	Purchased software	Internally generated intangible assets	Prepayments made	2019 Total
Costs						
January 1, 2019	313,804	34,614	126,037	12,786	1,356	488,597
Additions	–	22	1,460	–	3,664	5,146
Disposals	-64	–	-2,581	–	–	-2,645
Reclassifications	–	25	950	–	-974	0
Currency translation effects	370	392	523	16	–	1,300
December 31, 2019	314,110	35,053	126,388	12,802	4,046	492,399
Accumulated depreciation and impairment losses						
January 1, 2019	4,843	21,327	113,622	12,786	–	152,578
Additions	–	1,623	6,160	43	–	7,827
Disposals	-64	–	-2,579	-43	–	-2,686
Currency translation effects	40	385	254	16	–	695
December 31, 2019	4,819	23,335	117,457	12,802	0	158,413
Net carrying amount	309,291	11,717	8,931	0	4,046	333,985

Goodwill mainly resulted from the transfer in fiscal year 2003 of the Electromedical Systems business unit of Siemens Medical Solutions to Dräger Medical GmbH (now: Drägerwerk AG & Co. KGaA). Goodwill increased further on account of the buyback of Siemens' 35 % share in Dräger Medical GmbH (now: Drägerwerk AG & Co. KGaA) in fiscal years 2007 and 2009.

Amortization is contained in the cost of sales and the other functional costs.

Goodwill impairment

The medical division and the safety division form the cash-generating units in terms of the goodwill impairment test. The value in use of the cash-generating units is calculated using the discounted cash flow method on the basis of the operational five-year plan. This calculation is assigned to level 3 \equiv note 39), as there are unobservable input factors that significantly influence the measurement. A reconciliation of goodwill can be found in the statement of changes for intangible assets.

Please refer to \equiv note 42 for details of the change in segment reporting and therefore of the cash-generating units for fiscal year 2020. As part of the change, goodwill was allocated to the new segments using the relative valuation approach. Goodwill was allocated according to the proportion of value in use attributable to the medical division and the safety division as at December 31, 2019.

Of the goodwill previously attributed to the Europe segment (EUR 228.1 million), EUR 116.1 million was allocated to the medical division and EUR 112.0 million to the safety division. Of the goodwill previously attributed to the Africa, Asia, and Australia segment (EUR 81.2 million), EUR 41.3 million was allocated to the medical division and EUR 39.9 million to the safety division. Goodwill totaled EUR 308.0 million as at December 31, 2020, of which EUR 156.8 million was attributable to the medical division and EUR 151.2 million to the safety division.

The main planning assumptions are market growth, development of market shares, and market price trends. Using these assumptions, net sales growth is planned for each division, broken down into regions and selected focus countries. For the period from 2021 to 2025, the planning assumptions indicate net sales growth of 4.5 % for the medical division and 7.0 % for the safety division, resulting in total growth for the Group in this period of 5.5 %. At the same time, the consolidated gross margins of the regions for each division and the regional and central functional costs are also planned. The average EBIT margin resulting from these figures amounts to 4.9 % for the medical division and 9.2 % for the safety division.

The calculation was also based on discount rate assumptions. A discount rate of 6.3 % after taxes (9.3 % before taxes) and a growth rate of 1.0 % were taken into account in the current planning for perpetual annuity of the medical division. For the safety division, a discount rate of 7.7 % after taxes (11.2 % before taxes) and a growth rate of 1.0 % were taken into account in planning for perpetual annuity. The underlying planning assumptions are validated by external sources of information on market development. The multi-year plan did not provide any grounds of impairment losses. Even if the perpetual annuity was to grow by 0 % and the discount rate were to increase by a further 2 percentage points, there would still be no grounds for impairment losses.

24 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT AS AT DECEMBER 31, 2020

in € thousand	Land, equivalent titles and build- ings	Production plant and machinery	Other plant, factory and office equipment	Leased equipment	Prepayments made and assets under construction	2020 Total
Costs						
January 1, 2020	492,335	117,971	453,995	95,106	38,043	1,197,450
Additions	3,963	11,199	39,051	2,735	56,748	113,696
Disposals	-3,412	-1,543	-15,695	-9,820	-30	-30,502
Reclassifications	3,400	12,113	14,878	451	-30,843	0
Reclassification of rental and demo equipment	-	-	2,645	8,787	-	11,431
Currency translation effects	-6,856	-2,380	-10,955	-5,305	-626	-26,121
December 31, 2020	489,430	137,360	483,919	91,954	63,291	1,265,954
Accumulated depreciation and impairment losses						
January 1, 2020	253,589	99,288	350,533	77,507	12	780,930
Additions	17,005	5,802	40,489	12,280	-	75,575
Disposals	-3,369	-1,495	-15,013	-7,465	-	-27,342
Reclassification of rental and demo equipment	-	-	468	-853	-	-385
Currency translation effects	-4,526	-2,198	-8,225	-4,449	-3	-19,401
December 31, 2020	262,699	101,397	368,252	77,020	10	809,378
Net carrying amount	226,731	35,963	115,667	14,934	63,282	456,577

PROPERTY, PLANT AND EQUIPMENT AS AT DECEMBER 31, 2019

in € thousand	Land, equivalent titles and build- ings	Production plant and machinery	Other plant, factory and office equipment	Leased equipment	Leased assets (finance lease)	Prepayments made and assets under construction	2019 Total
Costs							
January 1, 2019	488,707	113,283	431,664	83,838	11,092	30,866	1,159,450
Additions	3,878	3,579	21,133	4,152	-	31,310	64,052
Disposals	-6,905	-3,701	-19,372	-2,703	-	-26	-32,707
Reclassifications	4,495	3,824	15,266	760	-11,092	-24,344	-11,092
Reclassification of rental and demo equipment	-	-	2,072	7,644	-	-	9,716
Currency translation effects	2,159	986	3,233	1,416	-	237	8,031
December 31, 2019	492,335	117,971	453,995	95,106	0	38,043	1,197,450
Accumulated depreciation and impairment losses							
January 1, 2019	240,886	97,201	323,195	66,809	2,240	11	730,341
Additions	17,156	4,923	42,168	12,826	-	-	77,073
Write-ups	-2	-2	-30	-100	-	-	-134
Disposals	-5,462	-3,665	-18,207	-2,248	-	-	-29,581
Reclassifications	-	-13	429	-417	-2,240	-	-2,240
Reclassification of rental and demo equipment	-	-	699	-625	-	-	74
Currency translation effects	1,012	843	2,278	1,262	-	2	5,397
December 31, 2019	253,589	99,288	350,533	77,507	0	12	780,930
Net carrying amount	238,746	18,683	103,462	17,598	0	38,031	416,520

As in the prior year, Dräger did not receive any government grants that would have led to a reduction in additions to property, plant and equipment.

Depreciation and impairment losses are included in the cost of sales and other functional costs (see also \equiv note 21).

Right-of-use assets from leases are recognized in the separate right-of-use assets item on the balance sheet (see also \equiv note 40).

As in the prior year, no borrowing costs for additions for new buildings were recognized in fiscal year 2020.

25 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Dräger holds shares in three associates (2019: two associates). MAPRA Assekuranzkontor GmbH, Lübeck, is an insurance broker, in which Dräger holds 49 % of the shares and over which Dräger exercises significant influence. The fiscal year of this associate ends as at December 31. Canadian software developer Focus Field Solutions Inc., St. John's, is a leading provider of industrial safety solutions for the digitalization of critical employee and system workflow data, in which Dräger acquired a 29.53 % stake in July 2019. This company's fiscal year was adjusted from March 31 to December 31. In March, June, and August 2020, Dräger acquired 16.04 % of the shares in MultiSensor Scientific Inc., Somerville, USA, increasing its stake from 19.99 % to 36.03 %. The company develops technical solutions to detect and quantify emissions from leaks along the oil and natural gas supply chain and, since the increase in shareholding, is also recognized as an associate. The fiscal year of this associate ends as at December 31.

All three companies are included in the Group financial statements according to the equity method. There are no active market prices for these companies.

No impairment losses were required for the associates in fiscal year 2020.

As the associates in and of themselves and when taken as a whole are not material, Dräger exercises the option to use the simplified consolidated method.

The following disclosures are provided on the basis of information available at the time of writing, namely, in the case of MAPRA Assekuranzkontor GmbH, the most recently published annual financial statements and, in the case of Focus Field Solutions Inc. and MultiSensor Scientific Inc., the most recent quarterly statement as at September.

FINANCIAL INFORMATION ON ASSOCIATES

in € thousand	2020	2019
Carrying amount of the Group shares of associates	7,384	2,475
Share in the profits from continued operations / total profits of the associates	-485	198
Distributions received	328	245

In its engineered solutions business, Dräger works together with partners in working groups to offer fire training facilities for firefighters. As at the balance sheet date, Dräger is involved in five (2019: seven) working groups, which are accounted for as joint ventures using the equity method. Dräger's shareholding ratio in these joint ventures is between 40.0 % and 77.11 % (2019: between 40.0 % and 77.0 %). These working groups do not generate any income of their own and their shares were not purchased. As a result, these do not need to be presented in the consolidated balance sheet nor does any financial information need to be presented. As their business in and of itself and when taken as a whole is not material, Dräger exercises the option to use the simplified consolidated method.

There are no obligations to associates and joint ventures to provide financing or resources that are not accounted for; nor are there any contingent liabilities.

26 TRADE RECEIVABLES AND CONTRACT ASSETS

TRADE RECEIVABLES AND CONTRACT ASSETS

in € thousand	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	758,059	1,447	759,506	709,162	1,499	710,661
Contract assets	49,268	–	49,268	38,152	–	38,152
less risk provisions	-40,962	–	-40,962	-36,618	–	-36,618
	766,364	1,447	767,812	710,696	1,499	712,195

The risks associated with trade receivables and contract assets are adequately accounted for by risk provisions. Please refer to [note 39](#) for our comments on calculating risk provisions.

Contract assets include all claims for payment from project business, which are recognized over time, and from services rendered, provided the claims are not linked to the time period alone.

27 OTHER FINANCIAL ASSETS

OTHER FINANCIAL ASSETS

in € thousand	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Money market funds	139,349	–	139,349	–	–	–
Positive fair values of derivative financial instruments	13,883	1,565	15,448	3,186	487	3,673
Notes receivable	11,732	–	11,732	14,390	–	14,390
Security deposits paid	3,968	4,875	8,843	3,947	5,589	9,536
Other loans	–	6,727	6,727	–	189	189
Creditors with debit balances	3,943	–	3,943	2,061	–	2,061
Finance lease receivables (lessor)	1,270	2,593	3,863	417	1,757	2,174
Other investments	–	3,117	3,117	–	6,315	6,315
Receivables from employees	983	–	983	1,262	–	1,262
Receivables from associates	–	322	322	6	–	6
Receivables from commissioning agents	–	–	–	331	–	331
Sundry financial assets	7,500	627	8,126	3,069	1,163	4,233
	182,629	19,825	202,454	28,669	15,501	44,170

Dräger invested cash and cash equivalents of EUR 139,349 thousand in money market funds for the first time in fiscal year 2020 (see [note 43](#)).

Other financial receivables of EUR 9,439 thousand (2019: EUR 9,555 thousand) are impaired (please refer to our comments in [note 39](#)).

Where other non-current financial assets do not bear interest, fair value is determined by discounting future cash flows.

Notes receivable chiefly stem from the Chinese and Japanese subsidiaries where the bill of exchange is a common method of payment.

Sundry non-current financial assets include other non-current securities of EUR 714 thousand (2019: EUR 708 thousand).

For further details of the positive fair values of derivative financial instruments, please refer to the table of derivative financial instruments in the Dräger Group (≡ note 39).

For further details of finance lease receivables, please refer to our comments on recognition of finance leases by the lessor (≡ note 40).

28 INVENTORIES

INVENTORIES

in € thousand	2020	2019
Finished goods and merchandise	353,671	261,662
Work in progress	69,947	61,664
Raw materials, consumables and supplies	191,747	158,320
Prepayments made	5,453	3,511
	620,818	485,158

The carrying amount of inventories written down to their net realizable value as at December 31, 2020 is EUR 282,725 thousand (2019: EUR 223,806 thousand).

Impairment losses of EUR 31,822 thousand (2019: EUR 28,348 thousand) were charged on inventories in the fiscal year and recognized in cost of sales. However, EUR 8,963 thousand (2019: EUR 6,987 thousand) of impairment losses recognized in prior years were reversed through profit or loss, as the reasons for the impairment losses no longer applied.

Finished goods and merchandise comprise rental and demo equipment lent to customers in the short term and amount to EUR 10,679 thousand (2019: EUR 12,447 thousand). Loan and demo equipment is usually taken over by the customers after a short period of time and is therefore recognized in inventories. Appropriate allowances have been made for wear and tear over the useful lives of loan and demo equipment.

In fiscal year 2020, inventories with a carrying amount of EUR 1,194,334 thousand (2019: EUR 1,015,307 thousand) were recognized in cost of sales.

As in the prior year, no interest on debt was included in the valuation of inventories.

29 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and balances at various banks in different currencies. Cash and cash equivalents which were subject to restrictions as at the balance sheet date amount to EUR 5,100 thousand (2019: EUR 7,879 thousand). These restrictions primarily concerned currency export restrictions and other contractual and legal limitations.

30 OTHER ASSETS

OTHER ASSETS						
in € thousand	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Prepaid expenses	25,887	–	25,887	24,678	–	24,678
Other tax refund claims	19,307	–	19,307	28,390	–	28,390
Fund assets from pension plans	–	71	71	–	106	106
Sundry	1,162	3,997	5,159	6,136	3,803	9,939
	46,356	4,069	50,425	59,204	3,910	63,114

As in the prior year, no individual impairments are required for other current assets.

Other tax refund claims largely consist of VAT claims.

Fund assets relating to pension plan assets contain the available excess of plan assets (see also \equiv note 34).

As in the prior year, sundry non-current assets include non-current receivables from taxes of three foreign subsidiaries of EUR 3,964 thousand (2019: EUR 3,766 thousand).

31 EQUITY

For the breakdown and changes in equity in fiscal years 2020 and 2019, please see the ›Consolidated statement of changes in equity of the Dräger Group.«.

Capital stock

In April 2020, Dräger issued 1,000,000 new preferred bearer shares. As a result of this capital increase, the capital stock of Drägerwerk AG & Co. KGaA increased by EUR 2,560 thousand to EUR 48,026 thousand (2019: EUR 45,466 thousand).

The capital stock therefore consists of 10,160,000 limited no-par bearer common shares (2019: 10,160,000) and 8,600,000 non-voting limited no-par preferred shares (2019: 7,600,000).

The nominal value of both share types is EUR 2.56. Drägerwerk Verwaltungs AG, the general partner, holds no shares in capital.

The capital stock has been fully paid in. As before, the preferred and common shares are traded on the capital market.

Other than voting rights, the preferred shares have the same rights as those attached to the common shares. As compensation for the lack of voting rights, an advance dividend of EUR 0.13 per preferred share is distributed from net earnings.

If sufficient profits are available, a dividend of EUR 0.13 per common share is then paid. Any profit in excess of this amount, if distributed, is allocated so that holders of preferred shares receive a dividend that is EUR 0.06 higher than the dividend on common shares.

If profit is not sufficient for an advance dividend for preferred shares in one or more fiscal years, the amounts are paid from the profits of subsequent fiscal years before a dividend is paid on common shares.

If amounts in arrears are not paid in the next year, along with the full preferred dividend for the current year, the preferred shareholders have voting rights until the arrears have been paid.

In the event of liquidation, the preferred shareholders receive 25 % of net liquidation proceeds in advance. The remaining liquidation proceeds are distributed evenly among all shares.

By resolution agreed upon at the annual shareholders' meeting on April 27, 2016, the general partner is entitled to increase the Company's capital until April 26, 2021, with the approval of the Supervisory Board, by up to EUR 11,366,400.00 (authorized capital) by issuing new bearer common and/or preferred shares (no-par value shares) in return for cash and/or contributions in kind, in either one or several tranches. The authorization includes the approval to issue new common shares and/or non-voting preferred shares up to the statutory maximum as stipulated in Sec. 139 (2) AktG, which carry the same status as the previously issued non-voting preferred shares with regard to the distribution of profits and/or Company assets.

In the case of common and preferred shares being issued at the same time while maintaining the ratio of both share types at the time of issuance, the general partner is authorized, subject to approval by the Supervisory Board, to exclude the subscription right of holders of one category of shares to the other category of shares (crossed exclusion of subscription rights). Also in this case, the general partner is entitled to exclude further subscription rights under the terms of the regulations stated below.

The general partner is further authorized, subject to the approval of the Supervisory Board, to exclude the subscription rights of the shareholders:

- in order to compensate for any fractional amounts;
- if the shares are issued in exchange for contributions in kind, especially in the context of company mergers or the acquisition of companies, business units, or equity interests in companies or of other assets or of claims to the acquisition of other assets, including receivables from the Company or from companies controlled by it within the meaning of Sec. 17 AktG;
- if the shares of the Company are issued in exchange for cash and the issue price per share does not significantly fall below the stock market price of an essentially similarly structured, already listed share of the same class at the time the shares are issued. However, the exclusion of the subscription right can, in this event, be conducted only if the number of the shares issued in this way, together with the number of other shares that are issued or sold during the term of this authorization subject to an exclusion of the subscription right in direct application or application mutatis mutandis of Sec. 186 (3) sentence 4 AktG and the number of shares that may be created as the result of the exercise or fulfillment of option and / or conversion rights or obligations arising from warrant and / or convertible bonds and / or participation rights that are issued during the term of this authorization subject to an exclusion of the subscription right in application mutatis mutandis of Sec. 186 (3) sentence 4 AktG, does not exceed 10 % of the share capital either at the time that this authorization comes into effect or at the time the new shares are issued;
- if this is necessary in order to grant holders or creditors of warrant and / or convertible bonds with option and / or conversion rights and obligations that are issued by the Company or one of the companies in which it holds a majority interest a right to subscribe to new shares in the extent to which they would be entitled after exercising the option or conversion rights or after fulfilling option or conversion obligations.

The proportion of the capital stock attributed in total to new shares for which the subscription right is excluded on the basis of this authorization may, together with the proportion of the capital stock that is attributed to treasury shares or to new shares from other authorized capital or that relates to the option or conversion rights or obligations arising from options, warrant and / or convertible bonds and / or participation rights that have been sold or issued during the term of this authorization subject to the exclusion of subscription rights, not exceed 20 % of capital stock. Shares issued under a crossed exclusion of subscription rights are excluded from the limitation to 20 % of capital stock. The key factor for calculating the 20 % limit is the existing capital stock at the time that this authorization comes into effect or is exercised, on whichever of these dates the capital stock is at its lowest.

The general partner is authorized, subject to the approval of the Supervisory Board, to determine the details of the share rights and of the capital increase, as well as the terms and conditions of the share issue, in particular the issue price. The Supervisory Board is entitled to adjust the wording of the articles of association in line with the utilization of the authorized capital or after the authorization period expires.

Reports regarding voting rights

Sec. 160 (1) No. 8 AktG requires disclosure of the existence of investments that have been notified to the Company in accordance with Sec. 21 (1) or (1a) WpHG.

The following table shows the reportable investments disclosed during the Drägerwerk AG & Co. KGaA's fiscal year. Please note that the disclosures may have changed following the preparation of this report.

DISCLOSED REPORTABLE INVESTMENTS

Reporter	Date on which thresholds were exceeded or undercut	Reporting threshold ¹	Investment	Investment in voting rights
Lazard Freres Gestion S.A.S., Paris, France	January 24, 2020	3 % undercut	2.30 %	233,726
Lazard Small Caps Euro, Paris, France	January 24, 2020	3 % undercut	2.30 %	233,726
Brandes Investment Partners, L.P., San Diego, USA	July 23, 2020	3 % undercut	2.93 %	297,534

¹ Disclosure as a result of changes to directly or indirectly held voting rights

Capital reserves

The capital reserves originated from share premiums from the 25 option rights exercised in the period from 2013 to 2015, Drägerwerk AG & Co. KGaA's establishment (transformation) in 1970 and from capital increases in 1979, 1981, 1991, 2010, and 2020. The capital increase in April 2020 resulted in the capital reserves increasing by EUR 73,007 thousand.

Retained earnings

Retained earnings comprise the earnings generated until fiscal year 2020 by the companies included in the Group financial statements, where they were not attributed to minority interests or paid as a dividend by Drägerwerk AG & Co. KGaA. The actual tax benefit from the tax deductibility of the distribution on participation certificates, which relates to the participation capital recognized in equity, was recognized directly in retained earnings. Effects from the remeasurements of the Company's pension provisions, including deferred taxes, are also included in retained earnings.

Other effects, which reduced retained earnings, mainly comprise the distribution to shareholders and participation certificate holders of EUR 5,454 thousand (2019: EUR 4,001 thousand).

Retained earnings, including Group result, therefore changed as follows:

RETAINED EARNINGS, INCL. GROUP RESULT

in € thousand	2020	2019
Retained earnings, incl. Group result, as at January 1	779,162	790,039
Changes from remeasurements of pension plans (after taxes)	-34,411	-40,226
Net profit for the year (excluding non-controlling interests)	250,159	33,350
Net result from the termination of participation certificates	-272,963	-
Other effects	-5,479	-4,001
Retained earnings, incl. Group result, as at December 31	716,468	779,162

Own shares within the scope of the employee share program and the Thank-You bonus shares

In fiscal year 2020, the Executive Board once again resolved to enable Dräger employees in Germany to participate in the Company through an employee share program. The intent is to increase employees' identification with the Company and Dräger's attractiveness as an employer.

One bonus share was issued for every three investment shares bought by the employee. The maximum purchase price per investment share for the employees amounted to EUR 67.10 (which is lower than the closing price of the preferred shares in Xetra trading on the last trading day before the start of the acquisition period, November 18, 2020 of EUR 69.66). The shares are subject to a two-year holding period and may not be sold or otherwise transferred during this period. Employees do not have to continue their employment with the Company during the holding period.

The participation period, during which employees could acquire the share parcels, started on November 2, 2020 and ended on November 11, 2020. During this period, 18,105 bonus shares resulted from the shares acquired by employees, including Executive Board members. An account was opened with Deutsche Bank Privat- und Geschäftskunden AG (paying agent), Frankfurt am Main, Germany, for the entry and custody of bonus shares for participating employees.

The 18,105 bonus shares were acquired for Dräger on the stock exchange in the period from November 3 to November 27, 2020, by the paying agent on a commission basis in the form of a share buyback at a total cost of EUR 1,261 thousand. The price on the stock exchange amounted to an average of EUR 69.66. The price for investment and bonus shares, acquired for and on behalf of Dräger, totals EUR 5,045 thousand. Of this amount, EUR 1,261 thousand was passed on to the employees. The shares were transferred directly to the respective employee's securities accounts. The contractually agreed benefits for the employees arising from this program consist of the lower average price compared to the maximum purchase price plus the values of the bonus shares. This benefit was recognized in personnel expenses in the amount of EUR 1,400 thousand. Aside from the price paid on the stock exchange, no other expectations for future dividends or other characteristics were included in the fair value of the bonus shares.

In fiscal year 2020, the Executive Board also decided to pay a Thank-You bonus to eligible employees worldwide in order to alleviate the unusual burdens caused by the coronavirus pandemic. In Germany, part of the bonus was paid in the form of preferred shares. All eligible employees at German locations were given the option of receiving five shares free of charge. A total of 6,600 employees took advantage of this opportunity and received 33,000 preferred shares in total. The price on the stock exchange amounted to an average of EUR 67.86. The total price for the Thank-You bonus shares, acquired for and on behalf of Dräger, totals EUR 2,239 thousand. Dräger also acquired the preferred shares required for the bonus in regular market trading (Xetra trading platform).

The acquisition of own shares to pass on to participating employees in the form of bonus shares is covered by resolution of the annual shareholders' meeting on April 27, 2016, according to which the general partner was authorized to acquire until April 26, 2021 up to 10 % in own shares of both types (common and / or preferred shares) of the Company's capital stock as at the date of resolution or – if this value is lower – as at the date on which the authorization is exercised. Together with all other shares held by the Company or attributable to it according to Secs. 71a et seq. AktG, shares purchased under this provision may at no time equal more than 10 % of capital stock. The authorization may not be used for the purpose of trading in treasury shares. The authorization may be exercised in whole or in part, on one or more occasions and for one or more purposes by the Company or by dependent Group companies or enterprises in which the Company has a majority shareholding, or by third parties for its or their account. The purchase may be limited in part or in full to a single class of shares by excluding, in part or in full, the shareholders' right to sell the other class of share.

The purchase may, at the discretion of the general partner, be effected on the stock exchange, or by means of a public purchase offer to all holders of the respective type of share or by means of a public invitation to all holders of the respective type of share to submit offers for sale.

If the shares are acquired on the stock exchange, the purchase price paid by the Company per share of the same class (excluding incidental acquisition costs) may not be more than 10 % higher or lower than the price of the shares of the class in question ascertained on the relevant trading day by the opening auction in Xetra trading (or on a functionally comparable successor system replacing the Xetra system) on the Frankfurt Stock Exchange.

If the purchase is effected by means of a public purchase offer to all holders of the respective type of share or by means of a public invitation to all holders of the respective type of share to submit offers for sale,

- the offered purchase price per share of the respective type (excluding incidental acquisition costs) in the case of a public purchase offer to all holders of the respective type of share, or rather
- the threshold values of the purchase price spread defined by the Company (excluding incidental acquisition costs) in the case of a public invitation to all holders of the respective type of share to submit offers for sale

may not be more than 10 % higher or lower than the volume-weighted average of the closing auction prices for shares of the class in question in Xetra trading (or on a functionally comparable successor system replacing the Xetra system) on the Frankfurt Stock Exchange during the last five stock exchange trading days before the date that the public purchase offer or the public invitation to submit offers for sale is publicly announced.

If significant deviations in the relevant price arise after a public purchase offer directed to all shareholders of a class or a public invitation to submit offers for sale directed to all shareholders of a class is published, then the purchase offer or the public invitation to submit offers for sale can be adjusted. In this case, the volume-weighted average of the closing auction prices for shares of the class in question in Xetra trading (or on a functionally comparable successor system replacing the Xetra system) on the Frankfurt Stock Exchange during the last five stock exchange trading days before the adjustment is publicly announced will be taken as the basis.

The volume of the purchase offer or of the public solicitation of offers can be limited. If in a public purchase offer or a public solicitation of offers, the volume of the tendered shares exceeds the intended buyback volume, the acquisition can be conducted in proportion to the shares subscribed and offered in each case; the right of the shareholders to offer their shares for sale in proportion to their shareholding ratio is excluded in this respect. A preferential acceptance of small lots of up to 100 tendered shares per shareholder as well as commercial rounding in order to avoid mathematical fractions of shares can be stipulated. Any further option to sell on the part of the shareholders is excluded in this respect

The public purchase offer or the public solicitation of offers can stipulate further terms and conditions.

The general partner is authorized to use treasury shares acquired on the basis of this authorization for any lawful purposes.

The authorization to use treasury shares subject to the exclusion of the subscription right of the shareholders is limited, however, in so far as the sum of the treasury shares used subject to the exclusion of the subscription right of the shareholders together with the number of other shares that are issued from authorized capital during the term of this authorization subject to the exclusion of the subscription right or have to be issued on account of options, warrant and / or convertible bonds or participation rights issued during the term of this authorization subject to the exclusion of the subscription right may not exceed 20 % in total of the capital stock after the authorization is exercised. The key factor is either the capital stock at the time that this authorization comes into effect or the capital stock present at the time this authorization is exercised, depending on which value is lower.

The purchase of treasury shares by the general partner may be initiated only with the approval of the Supervisory Board.

Participation capital

Please refer to [§ note 33](#) for details on participation capital.

Other comprehensive income

CHANGE IN OTHER COMPREHENSIVE INCOME

in € thousand	Currency translation adjustment	Cash flow hedge reserve	Total
January 1, 2019	-17,718	-2,078	-19,796
Currency translation differences	9,489	-	9,489
Change from the remeasurement of cash flow hedge instruments	-	-16,239	-16,239
Reclassification to the income statement	-	12,037	12,037
Deferred taxes recognized directly in equity	-	1,160	1,160
December 31, 2019 / January 1, 2020	-8,229	-5,120	-13,350
Currency translation differences	-29,369	-	-29,369
Change from the remeasurement of cash flow hedge instruments	-	3,815	3,815
Reclassification to the income statement	-	2,158	2,158
Deferred taxes recognized directly in equity	-	-1,884	-1,884
December 31, 2020	-37,598	-1,031	-38,629

Dräger does not hold any financial instruments that are subsequently valued directly in equity via other comprehensive income.

The year-on-year change in the adjustment item for foreign currency transactions was mainly due to the translation of income statement items at average prices as well as the historical rates from the consolidation of investments.

Please see [note 39](#) for further explanations on cash flow hedge reserve and the distribution of currency and interest hedging.

Capital management

One of Dräger's most important goals is to increase the business's value. The key function of capital management in this respect is to minimize the cost of capital while ensuring solvency at all times by coordinating the due dates of financial liabilities with the expected free cash flow and creating sufficient liquidity reserves.

Capital is monitored regularly using various key metrics, which include gearing and the equity ratio.

The Dräger Group's equity and liabilities were as follows as at the balance sheet date:

EQUITY AND LIABILITIES

in € million	2020	2019
Equity interest held by shareholders of Drägerwerk AG & Co. KGaA	1,032.9	1,074.8
+ Non-controlling interests	0.9	1.6
Equity of the Dräger Group	1,033.8	1,076.4
Share of total equity and liabilities	31.3 %	41.9 %
Non-current liabilities	1,119.3	748.0
Current liabilities	1,152.9	746.6
Total liabilities	2,272.2	1,494.6
Share of total equity and liabilities	68.7 %	58.1 %
Total equity and liabilities	3,306.0	2,570.9

The Dräger Group's gearing had developed as follows as at the balance sheet date:

GEARING			
in € million	2020	2019	
Non-current interest-bearing loans	157.8	118.6	
+ Current interest-bearing loans and liabilities to banks	96.2	51.0	
+ Non-current and current lease liabilities	116.7	115.4	
+ Payment obligation from the termination of the participation certificates	453.0	–	
– Short-term money market funds	–139.3	–	
– Cash and cash equivalents	–497.3	–196.3	
Net financial debt	187.1	88.7	
Equity	1,033.8	1,076.4	
Gearing (= net financial debt / equity)	0.18	0.08	

As at December 31, 2020, the Dräger Group held bilateral credit lines of EUR 220 million due on June 30, 2022 to secure its liquidity (the agreement concerning guarantee and letter of credit facilities with no effect on liquidity of EUR 157 million continued to apply). The framework agreement for the bilateral credit lines stipulates target values based on certain financial covenants. Should the Dräger Group not comply with these, the banks are entitled to terminate the bilateral credit lines. The values have been specified so that the Dräger Group would only run the risk of being unable to meet them if the Company's financial position was to deteriorate drastically. It is also possible for the Dräger Group to obtain the banks' approval to exceed or undercut these key figures in advance. Key financial performance figures are monitored continuously.

An existing loan commitment from the European Investment Bank in the amount of EUR 110 million was disbursed in 2020. The loan was structured into two tranches, each with terms of five years. One tranche of EUR 50 million has a fixed five-year interest rate and one tranche of EUR 60 million has a variable interest rate.

In addition, Dräger agreed a note loan of EUR 100 million in 2020 that will be disbursed in 2021. A total of EUR 40 million of the funds are to be used to partially repay the participation certificates terminated in 2020, while EUR 60 million is to be used to completely refinance a note loan due in fiscal year 2021.

32 NON-CONTROLLING INTERESTS

Non-controlling interests are as follows:

NON-CONTROLLING INTERESTS				
in € thousand	Non-controlling interests			thereof net profit
	2020	2019	2020	2019
Dräger-Simsa S.A.	950	745	226	109
Dräger South Africa Pty. Ltd.	–40	807	–499	331
Other	–	3	–	1
	911	1,556	–274	441

Non-controlling interests are of minor importance for the Group.

In the statement of changes in equity, other comprehensive income from non-controlling interests of EUR -228 thousand (2019: EUR 21 thousand) only include exchange rate differences.

33 PARTICIPATION CAPITAL / LIABILITIES FROM PARTICIPATION CERTIFICATES

In April 2020, Dräger terminated all 195,245 series A participation certificates and all 69,887 series K participation certificates by giving six months' notice to the end of the 2020 calendar year. In March 2020, Dräger canceled all 566,819 series D participation certificates with 24 months' notice to the end of the 2022 calendar year (please refer to our comments in [note 4](#)).

The series A and K participation certificates are still entitled to dividends for fiscal year 2020. Series D participation certificates are still entitled to dividends for the years 2020, 2021, and 2022. The distribution on participation certificates is ten times the preferred share dividend, as the par value of the securities was originally identical, but the arithmetic par value of the preferred share has since been reduced to one tenth of the original par value.

PARTICIPATION CAPITAL / LIABILITIES FROM PARTICIPATION CERTIFICATES 2020

	Number	Par value	Premium	Payments received	thereof recognized as debt	thereof recognized in equity
		€	€	€	€	€
Series A until June 1991	195,245	4,990,462.20	7,642,509.00	12,632,971.20	4,230,928.03	8,402,043.17
Series K until June 27, 1997	69,887	1,786,311.72	1,168,305.27	2,954,616.99	1,765,413.90	1,189,203.09
Series D from June 28, 1997	566,819	14,487,893.64	14,023,388.96	28,511,282.60	5,262,183.29	23,249,099.31
	831,951	21,264,667.56	22,834,203.23	44,098,870.79	11,258,525.22	32,840,345.57
Accumulated interest effect until 2019 (for remaining participation certificates after buyback)					14,729,228.62	–
Compensation for participation certificate holders in 2010 (for remaining participation certificates after buyback)					–	-3,343,471.88
Compounding 2020					208,833.63	–
Termination of participation certificates in 2020					-26,196,587.47	-29,496,873.69
Recognition as at December 31, 2020					0.00	0.00

PARTICIPATION CAPITAL/LIABILITIES FROM PARTICIPATION CERTIFICATES 2019

	Number	Par value	Premium	Payments received	thereof recognized as debt	thereof recognized in equity
		€	€	€	€	€
Series A until June 1991	195,245	4,990,462.20	7,642,509.00	12,632,971.20	4,230,928.03	8,402,043.17
Series K until June 27, 1997	69,887	1,786,311.72	1,168,305.27	2,954,616.99	1,765,413.90	1,189,203.09
Series D from June 28, 1997	566,819	14,487,893.64	14,023,388.96	28,511,282.60	5,262,183.29	23,249,099.31
	831,951	21,264,667.56	22,834,203.23	44,098,870.79	11,258,525.22	32,840,345.57
Accumulated interest effect until 2018 (for remaining participation certificates after buyback)					13,583,420.65	–
Compensation for participation certificate holders in 2010 (for remaining participation certificates after buyback)					–	–3,343,471.88
Compounding 2019					1,145,807.97	–
Recognition as at December 31, 2019					25,987,753.84	29,496,873.69

The fair values of the individual participation certificate series as at prior-year balance sheet date (December 31, 2019) were as follows: 45,882,575.00 (price: EUR 235.00) for series A, 15,794,462.00 (price: EUR 226.00) for series K, and 133,202,465.00 (price: EUR 235.00) for series D.

34 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

As at December 31, 2020, the Dräger Group mainly had defined benefit pension plans and similar obligations in addition to defined contribution pension plans.

Defined benefit pension plans and similar obligations

Under the Group's defined benefit pension plans, provisions for pensions and similar obligations have been accrued for benefits payable in the form of old-age, disability, and surviving dependents' pensions. The amount of the obligations is determined using the projected unit credit method. The obligations are partly funded by plan assets.

The defined benefit pension plans of the German companies, which use the 2018G Heubeck mortality tables as a basis of calculation, account for some 92.4 % (2019: 90.7 %) of the provisions for pensions and similar obligations disclosed as at the balance sheet date. As at January 1, 2005, the new Company pension plans ›Rentenplan 2005‹ and ›Führungskräfteversorgung 2005‹ came into effect for almost all employees of the Dräger Group's German companies, superseding the ›Versorgungsordnung '90‹ and ›Ruhegeldordnung '90‹ schemes.

Under the previous pension plans, employees received pensions based on their salaries and period of employment. As part of the transition to the new plan, employees were guaranteed a pension based on the old plan for their years of service prior to 2005.

The new pension plan is based on contributions into three components:

- employer-funded basic level
- employer-funded top-up level (deferred compensation)
- employer-funded supplementary level

The pension cost for the employer-funded basic level is based on the respective employee's income. In the employee-funded top-up level, employees can increase their pension entitlement through deferred compensation. The contribution made at the employer-funded supplementary level depends on the employee contribution through deferred compensation and on the Company's business performance (EBIT). When the pension is drawn, the pension benefit is calculated on the basis of the saved pension volume and an age-based annuitization factor.

The changes to the ›Rentenplan 2019‹ and ›Führungskräfteversorgung 2019‹ mark a continuation of this basic structure. Besides structural changes to the calculation of contributions, changes have also been made to the minimum guaranteed return and the calculation of the annuitization factor in line with the changing framework conditions.

Since December 2007, these funds from the pension plan as well as the employee contributions from the respective fiscal year have been paid into a new fund (WKN [securities identification number] AOHG1B) and secured in favor of the employees via a contractual trust arrangement (CTA), meaning that they only serve to cover and finance the Company's direct pension obligations. Until December 31, 2018, the employees' pension accounts had a minimum guaranteed return of 2.75 % annually. This minimum guaranteed return was lowered to 0.9 % annually for pension capital paid in from fiscal year 2019. Given that the assets of this fund fulfill the criteria of plan assets pursuant to IAS 19, the EUR 165,113 thousand (2019: EUR 164,876 thousand) in assets secured by the CTA were offset against the gross pension obligations in fiscal year 2020. Additions to the CTA of EUR 14,735 thousand are expected for fiscal year 2021 (in fiscal year 2019 for fiscal year 2020: EUR 11,128 thousand).

The available excess of plan assets over the relevant pension obligations totaling EUR 71 thousand (2019: EUR 106 thousand) is disclosed under other non-current assets (see \equiv note 30).

The defined benefit pension plans of Dräger Schweiz AG, which use the BVG 2015 generation tables (2019: BVG 2010) as a basis of calculation, account for 2.4 % (2019: 2.5 %) of the provisions for pensions and similar obligations disclosed as at the balance sheet date. The Swisscanto Collective Foundation provides occupational pension plans which cover the economic consequences of old-age, invalidity, and death. Employees can decide for themselves how much they want to save, picking from one of three options. The employer's contributions equal the amounts contributed by the employees. The employer and employee contributions are defined as a percentage of the insured salary. The pension amount is derived from the retirement assets accumulated on the date of retirement multiplied by the conversion rates stipulated in the regulations. Employees have the option to withdraw their retirement benefits as capital. Savings contributions are also paid on employee bonuses. The assets are invested by the Swisscanto Collective Foundation.

Under the Group's defined benefit pension plans, Dräger is exposed to the following risks:

- Due to the specific benefits, defined benefit pension plans are particularly long-term employee benefits, the measurement of which includes making long-term assumptions that are subject to an increased risk in view of actual realization.
- The underlying discount rate in the recognition of pension obligations reflects the effective market return on high-quality corporate bonds (calculated on the basis of modified Bloomberg indices) with the same term as the pension obligations as at the balance sheet date. If the actual return on plan assets is less than the calculated return, this creates a shortfall.
- Reducing the effective market return of high-quality corporate bonds leads to an increase in the projected benefit obligation. If the projected benefit obligation is counteracted by plan assets, some of this effect is compensated for.
- If benefit obligations are not covered by plan assets, Dräger has to generate pension payments within the course of its operating activities in the respective year.
- Due to the minimum guarantee return commitment of 2.75 % on paid in pension capital by December 31, 2018 and 0.9 % for paid in pension capital starting fiscal year 2019, Dräger must compensate for the actual return on plan assets if it falls below this minimum guaranteed amount.
- According to Sec. 16 (1) of the German Act to Improve Occupational Pensions (BetrAVG), an employer that has guaranteed company pension plan obligations must consider adjusting these obligations in line with the rate of inflation every three years. The employer's decision regarding such adjustments must consider the needs of the pension recipient and, above all, the economic situation of the company.

The net obligation from defined benefit pension plans is recognized in the balance sheet as follows:

NET OBLIGATION FROM DEFINED BENEFIT PENSION PLANS

in € thousand	2020	2019
Present value of benefit obligations with plan assets	422,559	376,755
Fair value of plan assets	-242,069	-238,836
Underfunded pension plans	180,489	137,919
Present value of benefit obligations without plan assets	249,566	252,914
Net obligation as at December 31	430,055	390,833
Available excess of plan assets	71	106
Provisions for pensions and similar obligations	430,127	390,939

Changes in the net obligation are as follows:

CHANGES IN THE PROJECTED BENEFIT OBLIGATIONS AND PLAN ASSETS

in € thousand	2020			2019		
	Projected benefit obligation	Fair value of plan assets	Total	Projected benefit obligation	Fair value of plan assets	Total
January 1	629,668	-238,836	390,833	541,402	-202,205	339,197
Service costs	13,767	-	13,767	10,708	-	10,708
Interest income (-)/interest expense (+)	6,212	-2,087	4,124	8,935	-3,097	5,837
Past service costs	-3,741	-	-3,741	-1,624	-	-1,624
Other effect on profit or loss	41	-	41	36	-	36
Changes recognized in profit or loss	16,278	-2,087	14,191	18,055	-3,097	14,958
Return on plan assets excluding amounts included in interest	-	11,053	11,053	-	-20,889	-20,889
Revaluations from changes to demographic assumptions	-9	-	-9	1	-	1
Revaluations from changes to financial assumptions	34,944	-	34,944	71,601	-	71,601
Revaluations from adjustment to empirical values	3,610	-	3,610	6,453	-	6,453
Changes in other comprehensive income	38,546	11,053	49,598	78,055	-20,889	57,165
Benefits paid	-16,387	2,081	-14,306	-16,592	3,767	-12,825
Employee contributions	4,593	-4,581	12	4,432	-4,420	12
Employer contributions	-	-9,486	-9,486	-	-9,276	-9,276
Transfer of obligations and other effects	-64	-	-64	1,291	-202	1,089
Currency changes	-510	-214	-724	3,026	-2,514	512
Other changes	-12,368	-12,199	-24,567	-7,843	-12,645	-20,488
December 31	672,125	-242,069	430,055	629,668	-238,836	390,833
Net obligation			430,055			390,833

Service costs and past service costs are included under personnel expenses.

Plan assets are composed as follows:

COMPOSITION OF PLAN ASSETS

in € thousand	2020			2019		
	Active market	No active market	Total	Active market	No active market	Total
Cash and cash equivalents	6,766	–	6,766	3,352	–	3,352
Equity instruments	24,512	–	24,512	25,093	–	25,093
Securities	52,805	1,252	54,057	61,018	1,213	62,231
Debt instruments	134,220	–	134,220	128,775	–	128,775
Real estate	11,230	–	11,230	7,694	–	7,694
Other	11,286	–	11,286	11,689	–	11,689
			242,069			238,836

Plan assets do not contain Dräger shares or properties used by Dräger itself.

The investment strategy for the plan assets in the German pension plan is defined by an investment committee on the basis of reports prepared by external fund managers. The investment strategy takes into account anticipated pension payment structures as well as risk assessments (asset-liability matching).

For the next fiscal year, additions to plan assets are expected to amount to EUR 16,583 thousand (2019: EUR 12,951 thousand).

The following actuarial assumptions were made in measuring the projected benefit obligation (weighted averages):

ACTUARIAL ASSUMPTIONS

in %	2020		2019	
	Germany	Abroad	Germany	Abroad
Discount rate	0.80	0.46	1.10	0.65
Future wage and salary increases	3.00	1.76	3.00	1.76
Future pension increases	1.30	0.25	1.15	0.29

The following changes implemented by Bloomberg, the Bloomberg Barclays Classification System (BCLASS) has replaced the Bloomberg Industry Classification System (BICS) as a basis for measuring the portfolio of high-quality corporate bonds relevant to determining the interest rates for pension obligations in Germany, which forms part of the RATE:Link methodology of Willis Towers. Refining the choice of bonds applying to the interest calculation process constitutes a change of accounting estimate as defined in IAS 8. As a result of this change, the interest rate as at December 31, 2020 increased by 40 basis points, resulting in the defined benefit obligation (DBO) falling by EUR 50.4 million, recognized directly in equity. The change in fiscal year 2021 will likely reduce service costs by EUR 2.5 million and increase interest expenses by EUR 2.0 million.

The weighted average term of the defined benefit obligation in the fiscal year is 20 years (2019: 20 years).

The effect of changes in fundamental assumptions on the projected benefit obligation is as follows:

EFFECT OF FUNDAMENTAL ASSUMPTIONS ON THE PROJECTED BENEFIT OBLIGATION

	2020			2019		
	Discount rate	Future pension increases	Life expectancy	Discount rate	Future pension increases	Life expectancy
Change in assumption	1.00 %	0.25 %	1 Jahr	1.00 %	0.25 %	1 Jahr
Effect on the projected benefit obligation if the assumption increases	Decrease by 17.0 %	Increase by 0.8 %	Increase by 4.9 %	Decrease by 16.6 %	Increase by 0.9 %	Increase by 4.8 %
Effect on the projected benefit obligation if the assumption decreases	Increase by 23.1 %	Decrease by 0.4 %	Decrease by 4.9 %	Increase by 22.6 %	Decrease by 0.5 %	Decrease by 4.8 %

The sensitivity analyses were performed using the same calculation method used for the determination of defined benefit obligations; one assumption was changed in each analysis while all other assumptions remained constant (*ceteris paribus*); this means that possible correlation effects between the individual assumptions are not taken into account.

The following pension payments are expected to be due:

EXPECTED PENSION PAYMENTS 2020

in € thousand	2021	2022	2023 bis 2025	> 2025	Total
Expected pension payments	17,612	17,627	56,752	893,978	985,968

EXPECTED PENSION PAYMENTS 2019

in € thousand	2020	2021	2022 bis 2024	> 2024	Total
Expected pension payments	16,978	17,446	55,475	888,580	978,478

Expenses for additional benefits to pensioners of EUR 2,732 thousand (2019: EUR 2,372 thousand) were recognized in fiscal year 2020.

Defined contribution plans

In addition to the defined benefit plans and similar obligations described above, Dräger pays voluntary or statutory contributions to government and private pension insurers (defined contribution plans).

Dräger also paid statutory pension contributions in Germany of EUR 43,467 thousand (2019: EUR 41,421 thousand) in fiscal year 2020. In addition, the cost of other defined contribution plans came to EUR 12,247 thousand (2019: EUR 11,655 thousand).

35 OTHER NON-CURRENT AND CURRENT PROVISIONS

OTHER NON-CURRENT AND CURRENT PROVISIONS

in € thousand	Provisions for personnel and welfare obligations	Warranty provisions	Provisions for potential losses	Provisions for commissions	Provisions for other obligations in the normal course of business	2020 Total
January 1	137,883	44,027	1,259	4,591	86,748	274,508
Allocation	138,402	25,916	872	3,296	72,936	241,423
Compounding	116	3	1	–	34	153
Utilization	-89,355	-13,595	-824	-2,713	-50,916	-157,403
Reversal	-7,560	-1,083	-50	-255	-8,758	-17,706
Reclassifications	-231	–	–	–	231	0
Change in scope of consolidation	–	–	–	–	-20	-20
Currency translation effects	-5,669	-1,619	-87	-526	-2,695	-10,596
December 31	173,586	53,650	1,170	4,393	97,559	330,358

Provisions for personnel and welfare obligations were largely recognized for bonuses and sales compensation; the basis on which these are calculated had not been finalized as at the balance sheet date, meaning that the obligations are not yet reported as a liability. This item also includes provisions for phased retirement and long-service awards.

The warranty provisions were measured by reference to the warranty claims made in the past and specific known risks.

Provisions for commissions relate to those contractual commission entitlements where the underlying intermediary transaction had not been finalized as at the balance sheet date, meaning that the obligation is not yet reported as a liability.

Provisions for other obligations in the normal course of business contain provisions for unpaid invoices for services received amounting to EUR 43,006 thousand (2019: EUR 41,271 thousand), the amount of which is not sufficiently certain. These mainly relate to provisions for services received that have not yet been settled; as a result, the amount of these provisions has not been finalized. In addition, obligations for the audit of financial statements of EUR 1,823 thousand (2019: EUR 1,800 thousand) were set aside, as were obligations for customer bonuses of EUR 8,785 thousand (2019: EUR 7,451 thousand). Obligations in the normal course of business also include obligations from expected credit notes, for litigation costs and risks, purchase guarantees, and other taxes.

The expected utilization of other provisions is as follows:

OTHER PROVISIONS – MATURITIES

in € thousand	Up to 1 year	1 year to 5 years	Over 5 years	Total
Provisions for personnel and welfare obligations	136,380	26,267	10,939	173,586
Warranty provisions	29,180	24,470	–	53,650
Provisions for potential losses	973	197	–	1,170
Provisions for commissions	4,393	–	–	4,393
Provisions for other obligations in the normal course of business	86,195	11,364	–	97,559
	257,121	62,298	10,939	330,358

36 INTEREST-BEARING LOANS AND LIABILITIES TO BANKS

INTEREST-BEARING LOANS AND LIABILITIES TO BANKS

in € thousand	2020					2019				
	Current	Non-current		Total	Current	Non-current		Total		
		1 year to 5 years	More than 5 years	Total		1 year to 5 years	More than 5 years	Total		
Liabilities to banks	36,252	144,978	12,836	157,814	194,066	51,009	41,522	17,061	58,583	109,592
Note loans (issued in 2016)	59,998	–	–	–	59,998	–	59,986	–	59,986	59,986
	96,250	144,978	12,836	157,814	254,064	51,009	101,508	17,061	118,569	169,578

The note loans in place as at the balance sheet date are not subject to any contractually agreed termination options.

The terms and conditions and the interest on interest-bearing loans and liabilities to banks are as follows:

TERMS AND CONDITIONS AND INTEREST RATES FOR INTEREST-BEARING LOANS AND LIABILITIES TO BANKS

	2020			2019		
	Interest conditions	Interest rate in %	Total in € thousand	Interest conditions	Interest rate in %	Total in € thousand
Non-current liabilities to banks						
EUR	fixed	0.75 – 5.1	77,965	fixed	0.75 – 5.1	37,729
EUR	variable	0.701 – 1.46	74,067	variable	1.46	14,514
ZAR	fixed	5.00	4,801	fixed	8.80	4,750
MYR	fixed	4.69	971	fixed	4.69	1,438
Other	fixed	14.0 – 17.0	10	fixed	13.0 – 17.0	152
			157,814			58,583
Non-current note loans						
EUR	fixed	–	–	fixed	0.80	59,986
			0			59,986
Total non-current loans and liabilities to banks			157,814			118,569
Current liabilities to banks						
EUR	variable	0.85 – 7.0	551	variable	0.85 – 7.0	2,800
EUR	fixed	0.75 – 5.1	9,764	fixed	0.75 – 5.1	11,299
USD	fixed	1.55 – 3.25	12,226	fixed	3.25 – 3.98	8,282
INR	variable	8.28 – 10.6	754	variable	9.4 – 11.16	8,470
IDR	fixed	9.65	3,662	fixed	9.65	4,121
IDR	variable	0.30	1,015	variable	–	–
JPY	fixed	0.84	2,372	fixed	0.84	2,461
VND	variable	0.03 – 0.04	1,410	variable	–	–
SAR	fixed	3.3 – 3.4	1,955	fixed	3.3 – 3.4	2,136
MYR	fixed	4.69	364	fixed	4.69	392
INR	fixed	–	–	fixed	9.45	10
PEN	fixed	–	–	fixed	5.5 – 12.5	3,524
CNY	fixed	–	–	fixed	4.35	2,560
CNY	variable	–	–	variable	5.30	1,280
Other	fixed	5.0 – 17.0	2,178	fixed	0.0 – 17.0	2,916
Other	variable	–	–	variable	0.3 – 12.75	757
			36,252			51,009
Current note loans						
EUR	fixed	0.80	59,998	fixed	–	–
			59,998			0
Total current loans and liabilities to banks			96,250			51,009

Variable interest rates are partly hedged. Please see our information on derivative financial instruments and interest rate risks (≡ note 39).

Liabilities to banks arising from the construction of the office and laboratory building for the medical business that was completed in fiscal year 2008 (residual carrying amount of the asset: EUR 25.4 million) have been secured with a mortgage of EUR 55 million. The finance for the new production and logistics building for the Infrastructure Projects segment in Lübeck, which was completed in fiscal year 2011, has been secured with a mortgage of

EUR 10.8 million (residual carrying amount of the asset: EUR 7.9 million). There are no other mortgages on land and buildings or assignments as security for recognized liabilities.

As in the prior year, there were no payment delays or default or any other violations of the loan agreements in fiscal year 2020.

37 OTHER FINANCIAL LIABILITIES

OTHER FINANCIAL LIABILITIES										
in € thousand	2020						2019			
	Current	Non-current		Total	Current	Non-current		Total		
		1 year to 5 years	More than 5 years	Total		1 year to 5 years	More than 5 years	Total		
Trade payables to third parties	234,623	162	–	162	234,785	205,106	662	–	662	205,767
Other financial liabilities										
Payment obligation from the termination of participation certificates	158,019	294,985	–	294,985	453,003	–	–	–	0	0
Lease liabilities	35,656	56,372	24,658	81,030	116,686	34,136	55,746	25,542	81,288	115,424
Negative fair values of derivative financial instruments	15,214	2,079	–	2,079	17,293	13,474	2,435	–	2,435	15,909
Repayment obligations Draeger Arabia Co. Ltd.	–	12,188	–	12,188	12,188	–	12,316	–	12,316	12,316
Liabilities to employees	12,226	–	–	0	12,226	7,128	–	–	0	7,128
Debtors with credit balances	7,324	–	–	0	7,324	5,792	–	–	0	5,792
Liabilities to Drägerwerk Verwaltungs AG	1,585	–	–	0	1,585	1,587	–	–	0	1,587
Liabilities from accrued loan interest	472	–	–	0	472	580	–	–	0	580
Distribution for participation capital	345	–	–	0	345	345	–	–	0	345
Other financial liabilities	5,218	587	–	587	5,804	7,618	2,034	–	2,034	9,652
	236,058	366,211	24,658	390,869	626,927	70,660	72,532	25,542	98,074	168,734
	470,682			391,031	861,713	275,766			98,736	374,502

The current payment obligation from the termination of the participation certificates of EUR 158,019 thousand are attributable to series A and series K participation certificates and were settled in full on January 4, 2021.

The repayment obligation to the non-controlling shareholder of Draeger Arabia Co. Ltd. results from the amended agreements that came into force effective from February 2014 and allow the shareholders to offer their shares to the other shareholder from January 1, 2024, or to bring about the company's liquidation in the event that the other shareholder does not consent to purchase the shares. The payment obligation to minority shareholders constitutes a financial liability that is recognized as debt, rather than recognized in equity. The non-controlling shareholder's puttable shares were initially accounted for as a liability at fair value of the expected payment obligation for Dräger as at the date of termination. They are subsequently accounted for at amortized cost.

For an explanation of lease liabilities, please refer to our comments on recognition of finance leases by the lessee (€ note 40).

For the derivative financial instruments recognized as other financial liabilities, please refer to the table of derivative financial instruments in the Dräger Group presented in € note 39.

38 OTHER LIABILITIES

OTHER LIABILITIES

in € thousand	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Contract liabilities	210,328	37,196	247,524	104,873	25,972	130,845
Deferred other income	162	6,129	6,290	312	6,203	6,516
Other tax liabilities	51,794	–	51,794	42,982	–	42,982
Other liabilities to employees and for social security	37,144	–	37,144	31,145	–	31,145
Remaining other liabilities	2,267	236	2,502	2,521	235	2,756
	301,694	43,560	345,254	181,833	32,410	214,243

Contract liabilities are composed of accrued net sales, including blanket purchase orders for ventilators, of EUR 176,760 thousand (2019: EUR 81,347 thousand) and of prepayments received of EUR 70,763 thousand (2019: EUR 49,498).

Other deferred income includes accruals of other income.

39 FINANCIAL INSTRUMENTS

A. Structure of financial instruments and their measurement

The structure of the financial instruments of the Group, their classification, and the resulting measurement are shown below:

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

in € thousand	Classification	2020	2019
Financial assets			
Equity and debt instruments	Fair value through profit or loss	143,061	6,905
Derivatives (without hedging relation)	Fair value through profit or loss	6,868	2,528
Derivatives (cash flow hedge)	Recognized directly in equity in other comprehensive income	8,581	1,145
Trade receivables and receivables from contract assets	Amortized cost	767,812	712,195
Other financial assets	Amortized cost	43,945	33,592
Cash and cash equivalents	Amortized cost	497,330	196,314
		1,467,596	952,680
Financial liabilities			
Trade payables	Amortized cost	234,623	205,106
Loans and liabilities to banks	Amortized cost	254,064	169,578
Other financial liabilities	Amortized cost	609,796	178,813
Derivatives (with hedging relation)	Recognized directly in equity in other comprehensive income	14,410	12,447
Derivatives (without hedging relation)	Fair value through profit or loss	2,882	3,462
		1,115,776	569,405

The measurement classes are explained in our comments on the measurement of financial assets and liabilities in [note 10](#).

Financial instruments recognized at fair value were allocated to the three levels of the fair value hierarchy shown in the tables below:

The Dräger Group's financial assets were not reclassified in fiscal year 2020.

In the following table, the carrying amounts of financial assets and liabilities not regularly recognized at fair value are compared with their fair values.

in € thousand	2020					2019				
	Carrying amount		Fair value			Carrying amount		Fair value		
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
Financial assets – at amortized cost										
Trade receivables and contract assets	767,812	–	–	–	0	712,195	–	–	–	0
Other financial assets	43,945	–	44,061	–	44,061	33,592	–	33,678	–	33,678
Cash and cash equivalents	497,330	–	–	–	0	196,314	–	–	–	0
	1,309,087	0	44,061	0	44,061	942,101	0	33,678	0	33,678
Financial assets – recognized directly in equity in other comprehensive income										
Derivates (with hedging relation)	8,581	–	8,581	0	8,581	1,145	–	1,145	0	1,145
	8,581	0	8,581	0	8,581	1,145	0	1,145	0	1,145
Financial assets – at fair value through profit and loss										
Derivate (without hedging relation)	6,868	–	6,868	–	6,868	2,528	–	2,528	–	2,528
Equity instruments	3,117	–	–	3,117	3,117	6,315	–	–	6,315	6,315
Debt instruments	139,944	139,944	–	–	139,944	590	590	–	–	590
	149,929	139,944	6,868	3,117	149,929	9,433	590	2,528	6,315	9,433
	1,467,596	139,944	59,509	3,117	202,570	952,680	590	37,351	6,315	44,256

FINANCIAL INSTRUMENTS – LIABILITIES

in € thousand	2020				2019			
	Carrying amount		Fair value		Carrying amount		Fair value	
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities – at amortized cost								
Trade payables	234,623	–	–	0	205,106	–	–	0
Loans and liabilities to banks	254,064	–	249,479	–	169,578	–	166,880	–
Other financial liabilities	609,796	–	610,115	–	178,813	–	180,418	–
	1,098,483	0	859,593	859,593	553,497	0	347,299	0
Financial liabilities – recognized directly in equity in other comprehensive income								
Derivate (with hedging relation)	14,410	–	14,410	–	12,447	–	12,447	–
	14,410	0	14,410	14,410	12,447	0	12,447	0
Financial liabilities – at fair value through profit and loss								
Derivate (without hedging relation)	2,882	–	2,882	–	3,462	–	3,462	–
	2,882	0	2,882	0	3,462	0	3,462	0
	1,115,776	0	876,886	0	569,405	0	363,208	0

Level 1:

Prices in the active markets are assumed in unchanged form for identical financial assets or financial liabilities. The fair values of non-current securities are based on current stock market prices.

Level 2:

Uses largely observable input factors that can be directly (i.e., price) or indirectly (i.e., derived from prices) observed for financial assets or financial liabilities; these do not include any listed prices taken into consideration in level 1.

Dräger applies the discounted cash flow method when measuring derivatives. Expected cash flows are determined on the basis of secured prices and / or interest rates and the observable closing rates and / or interest rates, which are then discounted using an interest rate that takes into account Dräger's Company-related risks.

The fair values of level 2 financial assets and liabilities measured at amortized cost were determined using the discounted cash flow method by replacing the interest rates used in the initial calculation of non-current financial assets and liabilities with interest rates derived from current Company-related interest rate curves on the balance sheet date. These interest rates are between 2.20 % for cash flows in 2021 and 2.27 % for cash flows in 2025 relating to loans and liabilities to banks, as well as between –0.17 % and 16.1 % for cash flows in the period from 2021 to 2032 relating to other financial liabilities. An increase in the above interest rates would result in a decrease in fair values. No adjustments were made to the interest rates of 8.28 % and 6.19 % for the leasehold agreements recognized in fiscal years 2013 and 2016 (terms into fiscal year 2103).

Level 3:

Uses factors not based on observable market data for the measurement of financial assets and liabilities (unobservable input factors). These are classified as level 3 when there is an unobservable input factor present that significantly influences the measurement. In the Dräger Group, only equity instruments are allocated to level 3. Dräger applies the discounted cash flow method when measuring equity instruments.

No reclassifications between the levels were carried out in the past two fiscal years.

Net profit or loss from financial instruments

Net profit or loss from financial instruments recorded in fiscal year 2020 is composed as follows:

NET PROFIT OR LOSS FROM FINANCIAL INSTRUMENTS

in € thousand	2020	2019
Financial assets measured at amortized cost	-13,347	-12,775
Assets measured at fair value through profit or loss	-193	44
Equity instruments measured at fair value through profit or loss	0	1
Derivatives measured at fair value through profit or loss	9,462	-14,027
Financial liabilities measured at amortized cost	1,210	-1,202
	-2,868	-27,959

Net profit or loss in the reporting year mostly comprised changes in value from impairments, reversals of impairments, and profit or loss from currency futures, as in the prior year.

Net interest result from financial instruments

The net interest result from financial instruments recorded in the fiscal year is composed as follows:

NET INTEREST RESULT FROM FINANCIAL INSTRUMENTS

in € thousand	2020	2019
Financial assets measured at amortized cost	3,317	3,571
Debt instruments measured at fair value through profit or loss	12	9
Financial liabilities measured at amortized cost	-29,081	-7,813
	-25,751	-4,233

The increase in the net interest result of financial liabilities measured at amortized cost was primarily due to the one-off remeasurement of debt components as at the termination of participation certificates of EUR 11,086 thousand and from the compounding of payment liabilities from the termination of series D participation certificates of EUR 5,322 thousand.

B. Financial risk management

As an international company, the Dräger Group is especially exposed to exchange rate and interest rate risks, in addition to liquidity risks and credit risk.

The aim of financial risk management is to shed light on financial risks posed to the Dräger Group and mitigate them through suitable measures. A systematic recognition, control, and monitoring of market risks is designed to counter developments that could jeopardize the existence of Dräger early on and ensure Dräger's continued existence in the long term.

Derivative financial instruments are used to hedge the currency and interest exposure of current and forecast transactions. These derivatives are used exclusively as hedging instruments and are generally not concluded for speculative purposes.

The following derivative financial instruments were held as at the balance sheet date:

DERIVATIVE FINANCIAL INSTRUMENTS

in € thousand	Nominal volume		Assets			Fair value	
	Non-current	Current	Total	Non-current	Current	Equity and liabilities Total	
2020							
Currency forwards							
Without a hedging relation recognized in the balance sheet	461,384	783	6,085	161	2,721	2,882	
In conjunction with cash flow hedges	588,226	782	7,798	767	12,492	13,259	
	1,049,610	1,565	13,883	928	15,214	16,141	
Interest rate swap							
In conjunction with cash flow hedges	11,788	–	–	1,151	–	1,151	
	1,061,399	1,565	13,883	2,079	15,214	17,293	
2019							
Currency forwards							
Without a hedging relation recognized in the balance sheet	326,301	306	2,222	160	3,301	3,462	
In conjunction with cash flow hedges	518,802	181	964	659	10,172	10,831	
	845,103	487	3,186	819	13,474	14,293	
Interest rate swap							
In conjunction with cash flow hedges	12,191	–	–	1,616	–	1,616	
	857,294	487	3,186	2,435	13,474	15,909	

A committee, which is comprised of the CFO as well as participants from the treasury, accounting, and controlling departments, determines and monitors the basic features of Dräger's financial policies. The financial policies as well as financial risk management for liquidity, currency, and interest rate risks are implemented centrally by the treasury department. Please see our comments in the management report for more general information on risk management.

Liquidity risk

Drägerwerk AG & Co. KGaA mitigates its liquidity risk by diversifying the maturity structure of its financing instruments so as to ensure the Dräger Group's solvency and financial flexibility at all times. Drägerwerk AG & Co. KGaA also has various non-current and current liabilities to banks as well as a liquidity reserve comprising freely available credit facilities with numerous banks with which it has concluded bilateral agreements. Due to the maturity structure of these financing instruments, Drägerwerk AG & Co. KGaA has only a limited prolongation risk.

The following analysis of the maturities of financial liabilities (contractually agreed, non-discounted payments) shows the influence on the Group's liquidity situation:

MATURITIES OF FINANCIAL LIABILITIES 2020

in € thousand	2021	2022	2023 to 2025	after 2026	Total
Derivative financial liabilities					
Foreign currency derivatives – cash outflow	426,056	46,395	2,341	–	474,792
Foreign currency derivatives – cash inflow	-408,098	-44,182	-2,251	–	-454,531
Interest rate swap – cash outflow	479	461	113	–	1,053
	18,437	2,674	203	0	21,314
Non-derivative financial liabilities					
Interest-bearing loans and liabilities to banks	96,804	16,231	134,279	13,810	261,124
Trade payables	234,623	–	–	–	234,623
Other financial liabilities	62,826	339,035	47,772	28,306	477,938
	394,253	355,266	182,051	42,115	973,686
	412,690	357,940	182,254	42,115	995,000

MATURITIES OF FINANCIAL LIABILITIES 2019

in € thousand	2020	2021	2022 to 2024	after 2025	Total
Derivative financial liabilities					
Foreign currency derivatives – cash outflow	513,594	68,862	4,966	–	587,422
Foreign currency derivatives – cash inflow	-495,755	-67,331	-4,601	–	-567,687
Interest rate swap – cash outflow	496	479	574	–	1,549
	18,335	2,010	939	0	21,284
Non-derivative financial liabilities					
Interest-bearing loans and liabilities to banks	345	3,299	762	32,741	37,147
Trade payables	52,224	16,204	87,965	18,358	174,750
Other financial liabilities	205,106	662	–	–	205,767
Sonstige finanzielle Verbindlichkeiten	57,187	41,101	50,148	50,575	199,011
	314,861	61,266	138,875	101,674	616,676
	333,196	63,276	139,814	101,674	637,960

Currency risk

The Group's currency risks relate to the financial instruments denominated in foreign currencies and used in connection with operating activities or investing and financing activities.

Our currency risk management system aims to reduce the impact of exchange rate fluctuations on Group EBIT, taking into account the economic viability of the hedging methods applied. Currency risks with no effect on liquidity resulting from the consolidation of the balance sheets and income statements of foreign subsidiaries (currency translation risk) are generally not hedged. Currency risks are netted by offsetting income and costs and assets and liabilities denominated in each currency.

The currency risk from operating activities is determined on the basis of planned cash flows in foreign currencies. Using a cash flow at risk optimization calculation, a currency portfolio is determined that minimizes hedging costs and the diversified currency risk at the same time. The currencies to be hedged are selected so that the currency risk does not exceed a maximum of 1% of planned annual net sales.

The planned risk positions are hedged at a ratio of 75% of the planned transaction in the currencies concerned. The recognition of the hedged item in profit or loss results in the hedging ratio being adjusted to 100%. Risk positions from investing and financing activities are generally hedged at a ratio of 100% when the assets or liabilities are recognized. Currency futures are used to hedge currency risks.

Dräger has exercised its option to continue to recognize hedge accounting pursuant to IAS 39. The notes have been prepared according to IFRS 7 so that the requirements of IFRS 9 are also met. The effectiveness of the hedging relationships is measured by the cumulative dollar offset method. In this method, only the change in the derivative attributable to the forward rate is designated as the hedging instrument (forward-to-forward). This results in the change in value of the effective hedging instrument being recognized initially in other comprehensive income until the part of the hedged item is recognized in profit or loss. Once the hedged item has been recognized in profit or loss, the changes in the value of the hedging instrument are also recognized in profit or loss and the value changes recognized in equity are reclassified to the income statement (reclassification adjustment).

The effectiveness of the hedge is determined at the start of the hedging relationship and by means of periodic prospective valuations in order to ensure that there is an economic relationship between the hedged item and the hedging instrument. At the Dräger Group, the prospective valuation is conducted by reviewing the contractual terms and conditions of the hedged item and the hedging transaction. Generally speaking, hedging instruments at Dräger are always concluded at identical terms and conditions to the hedged item, so that it can be assumed that the hedge will be effective in the future.

Furthermore, the hypothetical derivative method is used within the scope of a retrospective effectiveness test to determine whether the hedge was effective in the prior period and to determine any potential inefficiencies.

Dräger does not typically renew its hedges by changing the hedging instruments and the hedged items.

There are no planned transactions reflected as part of cash flow hedge accounting, which we are no longer expecting to occur.

In hedging foreign currency risks posed by recognized assets or recognized liabilities, hedge accounting is not used to recognize hedges. The concluded currency futures are categorized as trading derivatives and measured at fair value through profit or loss.

The nominal volumes of foreign currency hedging instruments are distributed as follows:

NOMINAL VOLUMES OF FOREIGN CURRENCY HEDGING INSTRUMENTS

in € million	Residual terms			Nominal volume Total December 31	Average hedging rate / price December 31
	Up to 1 year	1 to 5 years	Over 5 years		
2020					
Currency futures CNY	95.4	25.8	–	121.1	8.2
Currency futures USD	74.5	–	–	74.5	1.1
Currency futures GBP	59.4	7.4	–	66.9	0.9
Currency futures SAR	27.0	8.6	–	35.6	4.5
Currency futures JPY	28.0	6.9	–	34.9	122.3
Currency futures AUD	28.5	6.4	–	34.8	1.7
Currency futures ZAR	19.5	6.3	–	25.8	20.2
Currency futures RUB	20.0	2.7	–	22.7	88.3
Currency futures SEK	16.6	4.5	–	21.1	10.5
Currency futures PLN	16.5	4.4	–	20.9	4.5
Currency futures MXN	14.4	5.2	–	19.5	26.3
Total other currency areas	91.9	18.5	–	110.4	n / a
2019					
Currency futures USD	97.2	24.0	–	121.2	1.1
Currency futures CNY	91.4	22.8	–	114.1	8.1
Currency futures AUD	34.0	7.8	–	41.8	1.7
Currency futures JPY	28.6	7.9	–	36.5	123.6
Currency futures RUB	22.1	4.0	–	26.1	78.2
Currency futures BRL	19.0	4.1	–	23.1	4.7
Currency futures SEK	14.5	3.2	–	17.7	10.6
Currency futures CHF	13.5	2.1	–	15.6	1.1
Currency futures THB	11.8	3.1	–	14.9	35.7
Currency futures CLP	10.4	2.4	–	12.8	815.4
Total other currency areas	86.1	9.0	–	95.0	n / a

The sum of all other currency areas in fiscal year 2020 includes the currency futures for a total of eleven currencies (2019: eleven), which only account for 19 % (2019: 20 %) of the total volume in nominal terms.

The effects of these currency hedging transactions on the consolidated balance sheet are as follows:

DISCLOSURES ON ASSURANCE INSTRUMENTS AS PART OF FOREIGN CURRENCY CASH FLOW HEDGES

in € million	Carrying amount	Balance sheet item	Change in fair value to determine ineffectiveness	Nominal volume
2020				
Currency forwards				
Derivative assets	8.6	Other financial assets	8.6	293.0
Derivative liabilities	13.3	Other financial liabilities	13.3	295.2
2019				
Currency forwards				
Derivative assets	1.1	Other financial assets	1.1	96.4
Derivative liabilities	10.8	Other financial liabilities	10.8	422.4

The effects of the hedged items on the consolidated balance sheet are as follows:

DISCLOSURES ON UNDERLYING TRANSACTIONS AS PART OF FOREIGN CURRENCY CASH FLOW HEDGES

in € million	Change in value of the hedged item to determine ineffectiveness	Status of hedging reserve and currency reserve of active cash flow hedges	Status of hedging reserve and currency reserve of successful cash flow hedges
2020			
Designated components	5.2	-0.3	-
2019			
Designated components	10.2	-5.8	-

The effects of foreign currency cash flow hedges on the income statement and other comprehensive income are as follows:

DISCLOSURES ON GAINS AND LOSSES FROM FOREIGN CURRENCY CASH FLOW HEDGES

in € million	Gain or loss from CFH recognized in equity	Ineffectiveness recognized in the income statement	Items in the statement of comprehensive income containing the recognized ineffectiveness	Reclassifications from the CFH reserve in the income statement		Items in the statement of comprehensive income containing the reclassification	Gain or loss from hedging the net positions
				Due to the premature termination of the CFH	Due to the recognition of the hedged item in the income statement		
2020	3.9	0.1	Cost of sales	3.4	1.7	Net sales	1.7
2019	-16.3	0.0	Cost of sales	1.2	-10.3	Net sales	-10.3

The foreign currency cash flow hedges reserves pursuant to IFRS 9 developed as follows:

DEVELOPMENT OF FOREIGN CURRENCY CASH FLOW HEDGE RESERVES

in € million	January 1	Gain or loss from effective hedge accounting	Reclassifications due to amended expectations regarding the occurrence of the hedged item	Reclassifications due to recognition of hedged item	Reclassifications of presumably irrecoverable losses recorded in other comprehensive income		Reclassifications due to basis adjustment	December 31
					-	-		
2020	-5.8	3.9	3.4	-1.7	-	-	-	-0.3
2019	-1.1	-16.3	1.2	10.3	-	-	-	-5.8

In order to better illustrate existing currency risks, the effects of hypothetical changes in relevant currencies on net profit and equity are discussed below on the basis of a currency sensitivity analysis. For this purpose, it was assumed that most monetary financial instruments are already denominated in the functional currency or have been converted into the functional currency using derivative financial instruments. Currency risks therefore lie in the remaining unhedged financial instruments in foreign currencies in respect of which currency fluctuations affect profit or loss. If the euro was up/down 10 % against the main foreign currencies in the Dräger Group, the U.S. dollar and the Chinese yuan, as at the balance sheet date, with all other variables remaining the same, earnings after taxes (pursuant to IFRS 7) and other comprehensive income in equity would be impacted as follows:

EXCHANGE RATE SENSITIVITY

in € million	2020 Influence over		2019 Influence over	
	Earnings after taxes	Other comprehensive income	Earnings after taxes	Other comprehensive income
U.S. dollar				
Euro up 10 %	1.9	–	0.4	–7.6
Euro down 10 %	–2.3	–	–0.5	9.3
Chinese yuan				
Euro up 10 %	–0.3	5.7	0.1	5.7
Euro down 10 %	0.4	–7.0	–0.1	–7.0

Interest rate risk

As well as variable rate non-current receivables and liabilities from operations, variable rate non-current loan liabilities also give rise to an interest rate risk due to changes in market rates. Drägerwerk AG & Co. KGaA counters interest rate risks with a combination of fixed and variable rate financial liabilities and by using normal market hedging instruments. Changes in the market interest rates for primary financial instruments with fixed interest only affect the Group's profit or loss if such instruments are recognized at fair value. Thus none of the fixed-interest financial instruments recognized at amortized cost poses an interest rate risk that would affect cash flows.

Dräger concluded interest rate swap caps to hedge cash flows from a non-current, variable interest-bearing loan. The interest rate swap has a remaining term of two years. For the swap, which is designated as a cash flow hedge, the Group receives variable interest and in return pays fixed interest. It is used for hedging variable interest rates from a real estate lease agreement. The interest-rate swap is recognized at fair value.

The nominal volume of the interest-rate hedging instrument is:

NOMINAL VOLUME OF INTEREST HEDGING INSTRUMENT

in € million	Residual terms			Total nominal volume	Average Interest rate
	Up to 1 year	1 to 5 years	Over 5 years	December 31	December 31
2020					
Interest rate swap	–	11.8	–	11.8	4.1 %
2019					
Interest rate swap	–	12.2	–	12.2	4.1 %

The effectiveness of this interest-rate hedge is determined at the start of the hedging relationship and by means of periodic valuations in order to ensure that there is an economic relationship between the hedged item and the hedging instrument. At the Dräger Group, the prospective valuation is conducted by reviewing the contractual terms and conditions of the hedged item and the hedging transaction. The interest-rate swap was concluded at identical terms and conditions to the hedged item, so that it can be assumed that the hedge will be effective in the future. Furthermore, a retrospective test was performed to determine the effectiveness of the interest rate swap. In the

past, ineffectiveness resulted solely from the consideration of counterparty risk and was contained in fair value. Given that there has been no change in the hedged item and no change is likely, no over-hedging has either taken place or is expected.

The effects of these hedging transactions on the consolidated balance sheet are as follows:

DISCLOSURES ON ASSURANCE INSTRUMENTS AS PART OF FOREIGN CURRENCY CASH FLOW HEDGES				
in € million	Carrying amount	Balance sheet items	Change in fair value to determine ineffectiveness	Nominal volume
2020				
Interest rate swap				
Derivative liabilities	1.2	Other financial liabilities	-0.0	11.8
2019				
Interest rate swap				
Derivative liabilities	1.6	Other financial liabilities	0.1	12.2

The effects of the hedged items on the consolidated balance sheet are as follows:

DISCLOSURES ON UNDERLYING TRANSACTIONS AS PART OF FOREIGN CURRENCY CASH FLOW HEDGES			
in € million	Change in value of the hedged item to determine ineffectiveness	Status of hedging reserve and interest reserve of active cash flow hedges	Status of hedging reserve and interest reserve of successful cash flow hedges
2020			
Designated components	-0.0	-1.2	-
2019			
Designated components	0.1	-1.6	-

The effects of interest rate cash flow hedges on the income statement and other comprehensive income are as follows:

DISCLOSURES ON GAINS AND LOSSES FROM FOREIGN CURRENCY CASH FLOW HEDGES							
in € million	Gain or loss from CFH recognized in equity	Ineffectiveness recognized in the income statement	Items in the statement of comprehensive income containing the recognized ineffectiveness	Reclassifications from the CFH reserve to the income statement		Items in the statement of comprehensive income containing the reclassification	Gain or loss from hedging the net positions
				Due to the premature termination of the CFH	Due to the recognition of the hedged item in the income statement		
2020	-0.0	-	-	-	0.5	Financial result	-
2019	0.1	-	-	-	0.5	Financial result	-

The interest-rate cash flow hedges reserves pursuant to IFRS 9 developed as follows:

DEVELOPMENT OF INTEREST-RATE CASH FLOW HEDGE RESERVES							
in € million	January 1	Gain or loss from effective hedge accounting	Reclassifications due to amended expectations regarding the occurrence of the hedged item	Reclassifications due to recognition of hedged item	Reclassifications of presumably irrecoverable losses recorded in other comprehensive income	Reclassifications due to basis adjustment	December 31
2020	-1.6	-0.0	-	0.5	-	-	-1.2
2019	-2.2	0.1	-	0.5	-	-	-1.6

In order to better illustrate existing interest rate risks, the effects of hypothetical changes in market interest rates on net profit and equity are discussed below on the basis of an interest rate sensitivity analysis. For this purpose, it was assumed that interest rate changes affect primary financial instruments measured at fair value and derivative financial instruments that are not part of a hedging relationship, whose changes in value are recognized in profit or loss. Derivative financial instruments that are part of a cash flow hedge are also affected by interest rate changes, with the changes in value recognized directly in equity.

A hypothetical increase of 50 basis points in market interest rates as at the balance sheet date, with all other variables remaining the same, would increase earnings after taxes by EUR 1,437 thousand (2019: EUR 577 thousand) and equity by EUR 93 thousand (2019: EUR 138 thousand). A hypothetical decrease of 25 basis points in market interest rates as at the balance sheet date, with all other variables remaining the same, would increase earnings after taxes by EUR 133 thousand (2019: EUR 48 thousand) and decrease equity by EUR 86 thousand (2019: EUR 59 thousand).

Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. In terms of derivatives, the Dräger Group does not expect any counterparties to fail to meet their obligations as they consist exclusively of financial institutions with investment grade ratings. In terms of trade receivables, the medical customer structure at Dräger mainly involves public or private hospitals, while safety customers are public organizations (fire service, police, etc.) as well as companies from the chemical, oil, and gas industries. Consequently, the Group considers that its maximum exposure is reflected by the amount of trade receivables and other current assets, less impairments on these assets and received collateral recognized as at the balance sheet. Trade receivables of EUR 8,635 thousand (2019: EUR 1,441 thousand) were mainly secured by letters of credit and bank guarantees. There are no other financial assets or liabilities that are covered by financial collateral (including cash collateral). Dräger does not hold collateral in the form of financial or non-financial assets.

Impairment losses on receivables are already made at the time the receivable arises. Trade and other receivables without material financing components are based on expected payment defaults throughout the whole contractual term. For receivables with material financing components, impairments are generally based on the expected payment defaults in the following twelve months. Expected payment defaults over the whole contractual term are only calculated for these receivables if the credit risk of the receivable increases significantly over time. The expected defaults are generally estimated individually for each receivable, taking into account different factors, in particular the credit rating of the debtor, partly using empirical values of homogeneous groups of receivables.

There are no significant risk concentrations relating to credit risks in connection with trade receivables. Trade receivables are mainly attributable to a very large number of customers.

Trade receivables and contract assets continue to represent more than 90 % of Dräger's financial assets (excluding cash and cash equivalents and money market funds). Dräger applies the simplified approach for these financial assets, whereby risk provisions are measured in the amount of the expected losses from default for the entire term, both at initial recognition and on all subsequent reporting dates. Expected payment defaults in the future are recognized and these risk provisions are adjusted at each reporting date so as to recognize possible credit risks on the balance sheet of trade receivables without material financing components and contract assets.

Since contract assets have the same risk profile as trade receivables, the default rate calculated from trade receivables was also applied to the contract assets. Accordingly, a risk provision in the amount of EUR 73 thousand (2019: EUR 93 thousand) was recognized for contract assets in the amount of EUR 40,889 thousand (2019: EUR 36,525 thousand).

According to the simplified approach, a risk provision in the amount of EUR 40,962 thousand (2019: EUR 36,618 thousand) was recognized for gross carrying amounts totaling EUR 808,774 thousand (2019: EUR 748,813 thousand). Individual impairments are recognized if there are objective indications that receivables are impaired and are shown in the table.

Risk provisions for trade receivables and contract assets were calculated as follows:

CALCULATING RISK PROVISIONS FOR TRADE RECEIVABLES AND CONTRACT ASSETS									
in € thousand	Not due	Due in <30 days	Due in 30 to 59 days	Due in 60 to 89 days	Due in 90 to 119 days	Due in ≥120 days	Risk provisions in total	Individual impairment	Total
December 31, 2020									
Gross carrying amounts of trade receivables and contract assets	566,665	72,082	36,185	14,118	12,179	107,546			808,774
Risk provisions	809	125	79	43	27	838	1,922	39,040	40,962
December 31, 2019									
Gross carrying amounts of trade receivables and contract assets	517,892	80,033	28,540	17,356	11,326	93,666			748,813
Risk provisions	1,064	216	132	121	80	389	2,002	34,616	36,618

The development of risk provisions according to IFRS 9 is as follows:

RECONCILIATION OF RISK PROVISIONS FOR TRADE RECEIVABLES AND CONTRACT ASSETS			
in € thousand	Individual impairments	Risk provisions	Total
January 1, 2019	32,928	3,126	36,055
Allocation	7,976	477	8,453
Utilization	-3,258	-50	-3,308
Reversal	-3,111	-1,571	-4,682
Currency translation effects	82	19	101
December 31, 2019 / January 1, 2020	34,616	2,002	36,618
Allocation	12,990	851	13,841
Utilization	-2,410	-	-2,410
Reversal	-3,732	-795	-4,527
Currency translation effects	-2,424	-135	-2,559
December 31, 2020	39,040	1,922	40,962

During the reporting period, Dräger wrote off trade receivables of EUR 0 thousand (2019: EUR 0 thousand), for which enforcement proceedings had not yet concluded.

All other Dräger debt instruments classified at amortized cost were measured in the amount of the expected losses from default over 12 months. On this basis, a risk provision in the amount of EUR 49 thousand (2019: EUR 49 thousand) was recognized for gross carrying amounts totaling EUR 43,994 thousand (2019: EUR 33,641 thousand).

No reclassifications were made at higher levels of credit due to the unchanged low credit risk, which is why levels 2 and 3 have not been reported as separate items. The assets in question mainly involve notes receivables, receivables from commissioning agents, and security deposits, for which no defaults were to be recognized in the past.

The development of the risk provisions in level 1 according to IFRS 9 is as follows:

RECONCILIATION OF LEVEL 1 RISK PROVISIONS (EXPECTED LOSSES OVER 12 MONTHS)

in € thousand	Individual impairments	Risk provisions	Total
January 1, 2019	97	85	182
Allocation	9,408	–	9,408
Reversal	–	–36	–36
December 31, 2019 / January 1, 2020	0	–36	–36
Allocation	9,506	49	9,555
Reversal	350	–	350
Currency translation effects	–	–	0
December 31, 2020	–455	–10	–466
	9,400	39	9,439

During the reporting period, no material changes were made to estimation procedures or significant assumptions.

Dräger does not hold any financial assets that were already impaired in their credit rating at the point at which they were acquired or extended.

Netting of financial assets and liabilities

The following financial assets and liabilities are subject to netting due to contractually agreed offsetting procedures:

NETTING OF FINANCIAL ASSETS 2020

in € thousand	Gross amounts of financial assets	Amount of netted financial liabilities	Recognized net amount 2020	Unnetted amount of a netting agreement	Net amount 2020
Positive derivative financial instruments	15,448	–	15,448	–5,789	9,659
Cash and cash equivalents	497,330	–	497,330	–18	497,313
	512,778	0	512,778	–5,806	506,972

NETTING OF FINANCIAL LIABILITIES 2020

in € thousand	Gross amounts of financial liabilities	Amount of netted financial assets	Recognized net amount 2020	Unnetted amount of a netting agreement	Net amount 2020
Negative derivative financial instruments	17,293	–	17,293	–3,144	14,149
Liabilities to banks	314,062	–	314,062	–243	313,819
	331,354	0	331,354	–3,387	327,968

NETTING OF FINANCIAL ASSETS 2019

in € thousand	Gross amounts of financial assets	Amount of netted financial liabilities	Recognized net amount 2019	Unnetted amount of a netting agreement	Net amount 2019
Positive derivative financial instruments	3,673	–	3,673	–	3,673
Cash and cash equivalents	196,314	–	196,314	–2,057	194,258
	199,988	0	199,988	–2,057	197,931

NETTING OF FINANCIAL LIABILITIES 2019

in € thousand	Gross amounts of financial liabilities	Amount of netted financial assets	Recognized net amount 2019	Unnetted amount of a netting agreement	Net amount 2019
Negative derivative financial instruments	15,909	–	15,909	–3,592	12,317
Liabilities to banks	109,592	–	109,592	–205	109,387
	125,500	0	125,500	–3,797	121,704

The netting options result, on the one hand, from the general offsetting claims of the respective banks in the event of liquidity problems. On the other hand, groups of banks have offsetting claims within the scope of agreements regarding credit lines that were concluded with said banks. No netting has been applied so far as the necessary criteria have not been fulfilled.

No offsetting claims exist from operating activities within the scope of supply and service relationships.

40 LEASING

Contracts recognized under IFRS 16 as leases are explained below.

C. Dräger Group as lessee

Property leased by the Dräger Group primarily includes real estate as well as office equipment and machinery (particularly the vehicle fleet). The most significant obligations assumed under the lease terms comprise rental payments, the upkeep of the facilities and equipment, insurance, and taxes on capital. Only lease payments are included in the calculation of the right-of-use assets. Lease terms generally range from one to five years with options to renew at varying conditions.

Lessee accounting

The carrying amounts and depreciation and amortization of right-of-use assets capitalized within the scope of lessee accounting are split across the following asset classes:

RIGHT-OF-USE ASSETS 2020

in € thousand	Land, equivalent titles and buildings	Other plant, factory and office equipment	Leased equipment	Total
Carrying amount as at January 1, 2020	79,078	29,483	1,173	109,734
Carrying amount as at December 31, 2020	78,975	31,409	61	110,445
Additions in fiscal year 2020	24,302	22,505	50	46,857
Depreciation and amortization in fiscal year 2020	-21,394	-19,695	-400	-41,489

RIGHT-OF-USE ASSETS 2019

in € thousand	Land, equivalent titles and buildings	Other plant, factory and office equipment	Leased equipment	Total
Carrying amount as at January 1, 2019 after adjustments due to IFRS 16	77,943	28,157	2,677	108,776
Carrying amount as at December 31, 2019	79,078	29,483	1,173	109,734
Additions in fiscal year 2019	22,820	19,695	-	42,515
Depreciation and amortization in fiscal year 2019	-22,521	-18,572	-1,276	-42,369

Lease liabilities and their due dates are presented in € note 37. Potential additional payments from options in the amount of EUR 26,573 thousand (2019: EUR 27,872 thousand), where there is no sufficient degree of certainty at the point of measurement that the option will be exercised, were not included in the measurement of lease liabilities.

These leases had the following effects on the income statement:

EXPENSES FROM LEASES (LESSEE)

in € thousand	2020	2019
Amortization and depreciation of right-of-use assets	41,489	42,369
Interest expenses for lease obligations	4,858	5,047
Expenses for short-term leases	2,987	3,269
Expenses for low-value leases	1,748	2,315
Expenses for variable lease payments	3	6
	51,084	53,006

Income from sub-leases of EUR 215 thousand (2019: EUR 216 thousand) was generated in fiscal year 2020.

The payments from these leases recognized in the cash flow statement were as follows:

LEASE PAYMENTS

in € thousand	2020	2019
Fixed lease payments	40,539	35,575
Variable lease payments	3	6
	40,541	35,581

D. Dräger Group as lessor

Lessor – finance leases

The Dräger Group's main finance leases relate to medical equipment, as well as solutions products and personal protection products. A receivable was recognized equal to the present value of the minimum lease payments.

Receivables from future lease payments outstanding are shown below:

RECEIVABLES FROM FUTURE LEASE PAYMENTS OUTSTANDING

in € thousand	2020	2019
Due in less than 1 year	1,355	457
Due in 1 to 2 years	763	440
Due in 2 to 3 years	726	425
Due in 3 to 4 years	669	394
Due in 4 to 5 years	403	346
Due in more than 5 years	442	326
Non-discounted lease payments	4,358	2,388
Unearned finance income	495	215
Net investments in leases	3,863	2,174

The following table shows the amounts recognized in the income statement:

AMOUNTS FROM FINANCE LEASES RECOGNIZED IN THE INCOME STATEMENT

in € thousand	2020	2019
Selling profit for finance leases	694	270
Finance income on the net investment in finance leases	148	64
	842	334

No impairments on receivables from irrecoverable minimum lease payments were required.

Lessor – operating leases

The Dräger Group's main operating leases relate to medical equipment, solutions, and gas detection products, as well as building space.

EUR 23,861 thousand (2019: EUR 22,011 thousand) in leased building space is recognized in the Group's property, plant and equipment at historical cost as well as EUR 18,356 thousand (2019: EUR 18,124 thousand) in accumulated depreciation charges. Depreciation in fiscal year 2020 came to EUR 232 thousand (2019: EUR 1,273 thousand).

Dräger reports equipment leased out (products) separately under property, plant and equipment (see \equiv note 24). Dräger generated income from leasing of EUR 54,846 thousand (2019: EUR 56,501 thousand) in fiscal year 2020.

Future minimum lease payments outstanding under non-cancelable operating leases are as follows:

MINIMUM LEASE PAYMENTS		
in € thousand	2020	2019
Payments in the first year	22,686	20,584
Payments from the first to second year	5,017	4,095
Payments from the second to third year	3,586	3,248
Payments from the third to fourth year	2,053	2,078
Payments from the fourth to fifth year	1,335	1,217
Payments after five years	2,179	3,260
	36,856	34,480

As in the prior year, no contingent rents were recognized in profit or loss in fiscal year 2020.

41 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

As in the prior year, the Dräger Group did not have any contingent liabilities.

Other financial obligations

As at December 31, 2020, other financial obligations amounted to a total of EUR 39,123 thousand (2019: EUR 28,427 thousand) and are structured as follows:

a) Rental and lease agreements

Other financial obligations from rental and lease agreements amount to EUR 1,029 thousand (2019: EUR 1,339 thousand).

b) Purchase obligations

In line with the usual requirements, the Dräger Group has also entered into purchase obligations with other service providers in order to guarantee the availability of IT services. Due to the centralization of IT activities at Drägerwerk AG & Co. KGaA, the Company assumed all existing long-term obligations to IT service providers of the medical and safety divisions. As a result of outstanding orders, the Group had obligations to purchase intangible assets of EUR 907 thousand (2019: EUR 259 thousand) and items of property, plant and equipment of EUR 37,187 thousand (2019: EUR 26,830 thousand) as at December 31, 2020.

c) Litigation

Companies of the Dräger Group were involved in litigation and claims for damages in connection with business activities as at December 31, 2020. The Executive Board of the general partner believes that the outcome of such litigation and claims will not have any further material adverse effect on the Company's net assets, financial position, or results of operations over and above the provisions which have already been recognized.

It is not to be expected that these contingent liabilities will become actual liabilities for which no provision has been recognized yet.

42 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Medical division		Safety division		Dräger Group	
		2020	2019	2020	2019	2020	2019
Order intake with third parties	€ million	2,498.7	1,728.6	1,287.5	1,067.6	3,786.2	2,796.1
Europe	€ million	1,407.0	871.2	864.1	657.7	2,271.1	1,528.9
thereof Germany	€ million	636.8	361.1	305.1	260.3	941.9	621.4
Americas	€ million	464.5	370.3	197.8	182.8	662.2	553.1
Africa, Asia, and Australia	€ million	627.3	487.0	225.7	227.2	852.9	714.2
Net sales with third parties	€ million	2,302.2	1,741.8	1,104.1	1,039.1	3,406.3	2,780.8
Europe	€ million	1,262.6	868.9	723.2	634.5	1,985.8	1,503.3
thereof Germany	€ million	521.8	360.7	286.0	242.8	807.8	603.5
Americas	€ million	443.9	370.9	167.2	176.9	611.2	547.7
Africa, Asia, and Australia	€ million	595.6	502.0	213.6	227.7	809.3	729.8
EBITDA ¹	€ million	391.5	82.1	129.5	111.8	521.0	193.8
Depreciation / amortization	€ million	-62.1	-68.9	-62.3	-58.3	-124.4	-127.3
EBIT ²	€ million	329.4	13.1	67.2	53.5	396.6	66.6
Capital employed ^{3,4}	€ million	859.3	816.3	551.4	585.1	1,410.6	1,401.3
EBIT ² / Net sales	%	14.3	0.8	6.1	5.1	11.6	2.4
EBIT ^{2,5} / Capital employed ^{3,4} (ROCE)	%	38.3	1.6	12.2	9.1	28.1	4.8
DVA ^{5,6}	€ million	269.6	-45.6	27.4	12.9	296.9	-32.7

¹ EBITDA = Earnings before net interest result, income taxes, depreciation and amortization.

² EBIT = Earnings before net interest result and income taxes.

³ Capital employed = Total assets less deferred tax assets, securities, cash and cash equivalents, non-interest-bearing liabilities, and other non-operating items

⁴ Value as at reporting date

⁵ Value of the last 12 months

⁶ Dräger Value Added = EBIT less cost of capital of average invested capital

Segment reporting in the annual report is geared towards the organizational and management system (pursuant to IFRS 8).

Since January 2020, we have no longer managed our business by region, but instead primarily through the medical and safety divisions. Moreover, we have adjusted our segment reporting accordingly.

Until the end of fiscal year 2019, the Company was managed through the Europe, Americas, and Africa, Asia, and Australia regions. In the course of the reorientation toward the medical and safety divisions, which began at the end of 2018, Dräger revised and adjusted its Group management. The changes became effective at the beginning of 2020 and are aimed at better reflecting and supporting collaboration between Sales & Service and the product-side responsibilities of the two segments. This will enable us to increase customer intimacy at headquarters and implement solutions for our customers more rapidly.

Dräger develops, produces, and markets system solutions, equipment, and services for the optimization of processes at the acute point of care. These include emergency care, perioperative care (in connection with operations), critical care, and also perinatal care (in connection with childbirth).

Dräger also develops, produces, and markets products, system solutions, and services for personal protection, gas detection technology, and integrated hazard management. Its customers come from industry, mining, and public sectors such as fire departments, police, and disaster protection.

The segment reports were prepared in accordance with IFRS as applied in the Group financial statements.

At Group level, the key figures from the segment report are as follows:

EBIT		
in € million	2020	2019
Net profit	249.9	33.8
+ Interest result	36.4	17.0
+ Income taxes	110.3	15.7
EBIT	396.6	66.6

CAPITAL EMPLOYED

in € million	2020	2019
Total assets	3,306.0	2,570.9
– Deferred tax assets	–228.3	–177.8
– Cash and cash equivalents	–497.3	–196.3
– Non-interest bearing liabilities	–1,169.8	–795.5
Capital employed	1,410.6	1,401.3

DVA

in € million	2020	2019
EBIT (of the last 12 months)	396.6	66.6
– Cost of capital (basis: average of capital employed in the past 12 months)	–99.7	–99.3
DVA	296.9	–32.7

Non-current assets are broken down by segments as follows:

NON-CURRENT ASSETS BY SEGMENTS¹

in € million	2020	2019
Medical division	515,827.7	500,039.8
Safety division	386,225.2	364,108.8
	902,052.9	864,148.6

¹ Non-current assets = Intangible assets; property, plant and equipment, right-of-use assets; and other non-current assets (excluding the plan assets relating to pension plans reported under this balance sheet item)

The business performance of the individual segments is detailed in the management report. Services rendered between the divisions follow the arm's length principle.

43 NOTES TO THE CASH FLOW STATEMENT

Due to the elimination of exchange rate effects and transactions that have not or have not yet led to a change in cash and cash equivalents, the underlying changes recognized in the cash flow statement cannot be directly reconciled with the items of the published balance sheet.

In fiscal year 2020, Dräger Group's cash inflow from operating activities amounted to EUR 460.0 million (2019: EUR 164.4 million). The significant improvement in profitability¹ had a particular effect on this trend. In addition, at EUR 134.6 million, other liabilities rose more sharply (in particular due to the change in contract liabilities) than trade receivables, which increased by EUR 95.8 million. By contrast, the increase in inventories of EUR 162.0 million (2019: EUR 24.5 million) lowered cash inflow.

Of the rise in cash outflow from investing activities to EUR 263.1 million (2019: EUR 62.1 million), EUR 139.3 million was attributable to the purchase of money market funds in which Dräger has invested available cash and cash equivalents with a short-term investment horizon. Remaining investments were primarily made in movable assets. In particular, a total of EUR 42.0 million was invested in new production lines for light respiratory protection masks at the locations in Lübeck, France, the UK, and the United States. Investments attributable to German subsidiaries totaled EUR 201.8 million (2019: EUR 42.8 million).

Besides the capital increase of EUR 75.2 million, cash inflow from financing activities of EUR 114.3 million (2019: cash outflow of EUR 87.9 million) primarily includes net borrowing of bank loans and current account liabilities of EUR 88.7 million (2019: net repayments of EUR 47.2 million).

Changes in liabilities from financing activities are broken down into cash and non-cash changes as follows:

RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES 2020

in € thousand	January 1	Non-cash changes		Non-cash changes		December 31
		Addition	Disposal	Reclassification	Exchange rate change	
Liabilities from participation certificates (recognized as debt)	25,988	–	209	-26,197	–	0
Non-current interest-bearing loans	118,569	99,231	–	–	-59,986	157,814
Current loans	15,361	-2,522	–	–	59,986	72,837
Current liabilities to banks	35,648	-9,600	–	–	-2,636	23,412
Lease liabilities	115,424	-40,541	47,706	-1,572	–	116,686
Total liabilities from financing activities	310,990	46,568	47,914	-27,769	0	370,750

RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES 2019

in € thousand	January 1	Non-cash changes		Non-cash changes		December 31
		Addition	Reclassification	Exchange rate change		
Liabilities from participation certificates (recognized as debt)	24,842	-345	1,490	–	–	25,988
Non-current interest-bearing loans	125,076	1,985	–	-8,651	160	118,569
Current loans	16,366	-9,531	–	8,651	-125	15,361
Current liabilities to banks	73,732	-39,658	–	–	1,575	35,648
Lease liabilities	7,654	-35,587	40,692	102,275	390	115,424
Total liabilities from Financing activities	247,669	-83,137	42,183	102,275	2,000	310,990

¹ Earnings before depreciation, amortization, net interest result, and income taxes (EBITDA) – adjusted for cash-neutral changes to provisions and other non-cash income / expenses.

Cash and cash equivalents as at December 31, 2020 exclusively comprised cash and cash equivalents, of which EUR 5.1 million (December 31, 2019: EUR 7.9 million) is subject to restrictions regarding use. In addition, we also held EUR 139.3 million in short-term, highly liquid money market funds as at December 31, which are to be recognized as part of cash and cash equivalents following termination. On January 4, 2021, a total of EUR 118.0 million in cash and cash equivalents was used to repay terminated series A and series K participation certificates.

Unused credit lines amounted to EUR 401.3 million as at the balance sheet date (December 31, 2019: EUR 394.7 million). The credit lines are subject to standard market restrictions.

44 EXECUTIVE AND SUPERVISORY BOARD REMUNERATION

Executive Board remuneration

Total remuneration for active Executive Board members amounted to EUR 8,869,863 in fiscal year 2020 (2019: EUR 6,187,673). This amount is made up of non-performance related payments of EUR 2,386,865 (2019: EUR 2,414,215), performance related payments of EUR 6,478,089 (2019: EUR 3,770,563), of which EUR 4,431,684 were short-term (2019: EUR 3,145,739), EUR 2,046,404 were long-term (2019: EUR 624,824), and share-based remuneration with long-term incentives to the amount of EUR 4,910 (2019: EUR 2,895)

The employee share program, offered for the first time in Germany in 2013, was once again offered by Dräger in fiscal year 2020. All five Executive Board members of Drägerwerk Verwaltungs AG took part in the employee share program. The Executive Board members purchased 20 sets, each consisting of three shares, at a price of EUR 67.10 per share using their own funds, which were booked at a price of EUR 67.10 per share. For every three preferred shares, participants received one preferred share worth EUR 67.10 on the date of entry free of charge from Dräger. The holding period for these preferred shares – including those that participants acquired themselves – runs until December 31, 2022.

If Executive Board remuneration is paid by Drägerwerk Verwaltungs AG, it is entitled to claim reimbursement from Drägerwerk AG & Co. KGaA monthly pursuant to Sec. 11 (1) and (3) of the articles of association of Drägerwerk AG & Co. KGaA. Pursuant to Sec. 11 (4) of the Company's articles of association, the general partner receives a fee, independent of profit and loss, of 6 % of the equity disclosed in its financial statements, payable one week after the general partner prepares its financial statements, for the management of the Company and the assumption of personal liability. For fiscal year 2020, this remuneration amounts to EUR 115,943 (2019: EUR 114,219) plus any VAT that may be incurred.

Obligations to active Executive Board members under pension plans are stated in the financial statements 2020 at EUR 11,219,324 (2019: EUR 9,809,291).

In fiscal year 2020, the Company made pension commitments of EUR 1,410,033 to active members of the Executive Board (2019: EUR 1,951,466). The amount of EUR 3,301,986 was paid to former members of the Executive Board and their surviving dependents as at the end of the reporting year (2019: EUR 3,272,086). Pension commitments to former members of the Executive Board and their surviving dependents amounted to EUR 42,279,905 (2019: EUR 43,115,745).

If an Executive Board member dies during his or her active service on the Board, the surviving spouse is entitled to Dräger widow's pension and any remaining children have claim to Dräger orphan's pension. The annual Dräger widow's and widower's pension amounts to 55 % of the Dräger pension received by, or which would have been received by, the deceased executive if said executive would have been unable to work when they died (notional invalidity pension). The amount of Dräger orphan's pension is 10 % of the notional reduction in earning capacity pension or the current Dräger pension of the deceased Executive Board member.

Supervisory Board remuneration

The annual shareholders' meeting of Drägerwerk AG & Co. KGaA has specified the remuneration of members of the Supervisory Board in the articles of association with effect from fiscal year 2011 Supervisory Board remuneration for fiscal year 2020 came to EUR 640,000 (2019: EUR 350,000).

In fiscal year 2020, the total remuneration of the six members of the Supervisory Board of the general partner, Drägerwerk Verwaltungs AG, amounted to EUR 135,000 (2019: EUR 135,000), as well as additional flat fees for out-of-pocket expenses totaling EUR 60,000 (2019: EUR 60,000). No remuneration was paid to Supervisory Board members of Group companies.

Further information on the itemized remuneration of the Executive Board and the Supervisory Board can be found in the combined management report.

45 SHARES OWNED BY THE EXECUTIVE AND SUPERVISORY BOARDS

As at December 31, 2020, the members of the Executive Board of Drägerwerk Verwaltungs AG and their related parties directly held 15,874 preferred shares in Drägerwerk AG & Co. KGaA, equivalent to 0.084 % of the Company's total shares, and 107,105 common shares, corresponding to 0.571 % of the Company's total shares.

As at December 31, 2020, the members of the Supervisory Board and their related parties directly or indirectly held a total of 272 preferred shares, equivalent to 0.001 % of the Company's total shares, and 77 common shares, equivalent to 0.0004 % of the Company's total shares.

46 RELATED-PARTY TRANSACTIONS

Services were rendered for Stefan Dräger and companies and persons related to Stefan Dräger, the Dräger-Stiftung, and the Dräger-Familienstiftung (Dräger Foundation and Dräger Family Foundation) totaling EUR 45 thousand (2019: EUR 54 thousand) in fiscal year 2020. Receivables in this respect amounted to EUR 1 thousand as at December 31, 2020 (2019: EUR 1 thousand)

Services in the amount of EUR 32 thousand (2019: EUR 324 thousand) were rendered for the working groups in fiscal year 2020 (see [note 25](#)). Receivables in this respect amounted to EUR 11 thousand (2019: EUR 292 thousand).

Group companies rendered rental services and other services totaling EUR 118 thousand (2019: EUR 125 thousand) for associate MAPRA Assekuranzkontor GmbH in fiscal year 2020. This did not result in any receivables as at December 31, 2020 (2019: EUR 6 thousand).

In fiscal year 2020, Dräger Safety AG & Co. KGaA granted associate Focus Field Solutions Inc., St. Johns, Canada, a convertible loan amounting to CAD 1.5 million, which is to be disbursed in three tranches. The first tranche of CAD 500 thousand (EUR 322 thousand) was disbursed in fiscal year 2020. The interest rate is 5.5 %. The interest is due at the point at which the loan is converted as at December 31, 2023.

As at the balance sheet date, no receivables or liabilities existed from or to associate Focus Field Solution Inc., St. John's, Canada. No services were rendered in fiscal year 2020 either.

The remuneration of the employee representatives on the Supervisory Board for work performed in addition to the Supervisory Board activities was also concluded at arm's length terms and conditions. Overall, remuneration is of immaterial importance for the Dräger Group.

Dräger Verwaltungs AG is the general partner of Drägerwerk AG & Co. KGaA and holds 0 % of the capital. Only a few transactions are conducted with the general partner, as it only exercises administrative functions. The general partner is entitled to compensation for all expenses incurred in association with the management of Drägerwerk AG & Co. KGaA.

These include the contractually agreed remuneration for its executive bodies. These expenses comprise the remuneration of the Executive Board, the remuneration of its Supervisory Board, liability remuneration as well as other expenses.

Liabilities to Drägerwerk Verwaltungs AG amounted to EUR 13,867 million as at December 31, 2020 (2019: EUR 6,382 million). Expenses for Drägerwerk Verwaltungs AG services amounted to EUR 13,026 thousand in the fiscal year (2019: EUR 7,465 thousand). Services in the amount of EUR 16 thousand were rendered for Drägerwerk Verwaltungs AG in fiscal year 2020 (2019: EUR 11 thousand). Receivables in this respect amounted to EUR 9 thousand as at December 31, 2020 (2019: none).

All members of the Executive Board of Drägerwerk Verwaltungs AG participated in the 2020 employee share program. The Executive Board members purchased twenty sets each of three shares at a cost of EUR 67.10 per share using their own funds. For every three preferred shares, participants received one preferred share worth EUR 67.10 free of charge from Dräger. The holding period for these preferred shares – including those that participants acquired themselves – runs until December 31, 2022.

The Executive Board members were given a non-interest bearing advance on long-term variable remuneration of EUR 538 thousand in fiscal year 2020.

All transactions with related parties were conducted at arm's length terms and conditions.

Key management positions are held by members of the Executive Board of Drägerwerk Verwaltungs AG, the Supervisory Board of Drägerwerk AG & Co. KGaA, and the Supervisory Board of Verwaltungs AG. Executive Board remuneration as defined by IAS 24 is as follows:

EXECUTIVE BOARD REMUNERATION TABLE		
in €	2020	2019
Short-term benefits	6,823,458	5,562,794
Post-employment benefits	280,785	235,191
Other long-term benefits	2,046,404	–
Total remuneration	9,150,648	5,797,985

Members of the Supervisory Board of Drägerwerk AG & Co. KGaA received short-term benefits of EUR 640,000 (2019: EUR 350,000). The members of the Supervisory Board of Drägerwerk Verwaltungs AG received short-term benefits of EUR 195,000 (2019: EUR 195,000).

47 FURTHER INFORMATION

Auditor's fee

The total fee charged by the auditor – PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft – in fiscal year 2020 for the audit of the Group financial statements amounted to EUR 1,012 thousand (2019: EUR 1,015 thousand) for the audit of the financial statements, EUR 2 thousand (2019: EUR 27 thousand) for other audit services, EUR 161 thousand (2019: EUR 190 thousand) for other services, and EUR 177 thousand (2019: EUR 76 thousand) for tax consultancy.

The services for the audit of the financial statements mainly consist of fees for the audit of the consolidated financial statements as well as the legally mandated audits of Drägerwerk AG & Co. KGaA and its subsidiaries included in the consolidated financial statements. The fee for other audit services primarily includes the statutory audit services, including EMIR. The fee for tax consultancy predominantly comprises the fee for tax consultancy relating to transfer prices as well as tax consultancy for current and planned transactions and intra-Group reorganization. The fee for other services primarily consists of project-specific advisory services.

The audit report was signed by Dr. Andreas Focke and Marko Schipper from PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. In fiscal year 2020, Dr. Andreas Focke signed the audit report for the second time, while Marko Schipper signed his fifth audit report for the Dräger Group.

Corporate governance declaration

Drägerwerk AG & Co. KGaA's declaration of conformity under the terms of Sec. 161 AktG (Aktiengesetz – German Stock Corporation Act) was issued and made permanently available to the shareholders online at www.draeger.com in December 2020.

48 CONSOLIDATED COMPANIES

CONSOLIDATED COMPANIES

	Name and registered office	Capital stock in local currency unit thousand	Shareholding in %
Germany			
	Dräger Safety AG & Co. KGaA, Lübeck	25,739 EUR	100 ¹
	Dräger Medical Deutschland GmbH, Lübeck	2,000 EUR	100 ¹
	Dräger Electronics GmbH, Lübeck	2,000 EUR	100
	Dräger Digital GmbH, Lübeck	1,023 EUR	100
	Dräger Safety Verwaltungs AG, Lübeck	1,000 EUR	100 ¹
	Dräger TGM GmbH, Lübeck	767 EUR	100 ¹
	Dräger MSI GmbH, Hagen	1,000 EUR	100 ¹
	Dräger Medical ANSY GmbH, Lübeck	500 EUR	100 ¹
	Dräger Interservices GmbH, Lübeck	256 EUR	100 ¹
	Dräger Gebäude und Service GmbH, Lübeck	250 EUR	100 ¹
	Dräger Medical International GmbH, Lübeck	112 EUR	100 ¹
	MAPRA Assekuranzkontor GmbH, Lübeck	55 EUR	49 ²
	Fachklinik für Anästhesie und Intensivmedizin Vahrenwald GmbH, Lübeck	26 EUR	100 ¹
	Dräger Energie GmbH, Lübeck	25 EUR	100
	FIMMUS Grundstücks-Vermietungs GmbH, Lübeck	25 EUR	100 ^{1,3}
	FIMMUS Grundstücks-Vermietungs Gesellschaft mbH & Co. Objekt Lübeck KG, Lübeck	10 EUR	100 ^{3,4}
	MOLVINA Vermietungsgesellschaft mbH & Co. Objekt Finkenstraße KG, Düsseldorf	5 EUR	100 ³
	DRENITA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Fertigung Dräger Medizintechnik KG, Düsseldorf	10 EUR	100 ³
	Dräger Holding International GmbH, Lübeck	25 EUR	100 ¹
	bentekk GmbH, Hamburg	29 EUR	100
Europe			
Belgium	Dräger Medical Belgium NV, Wemmel	1,503 EUR	100
	Dräger Safety Belgium NV, Wemmel	789 EUR	100
Bulgaria	Draeger Medical Bulgaria EOOD, Sofia	705 BGN	100
	Draeger Safety Bulgaria EOOD, Sofia	500 BGN	100
Denmark	Dräger Danmark A/S, Herlev	5,000 DKK	100
Finland	Dräger Suomi Oy, Helsinki	802 EUR	100
France	Dräger France SAS, Antony	8,000 EUR	100
	AEC SAS, Antony	70 EUR	100
	Dräger Production France SAS, Obernai	4,000 EUR	100
Greece	Draeger Hellas A.E. for Products of Medical and Safety Technology, Athens	1,500 EUR	100
United Kingdom	Draeger Safety UK Ltd., Blyth	7,589 GBP	100
	Draeger Medical UK Ltd., Hemel Hempstead	4,296 GBP	100
Ireland	Dräger Ireland Ltd., Dublin	25 EUR	100
Italy	Draeger Italia S.p.A., Corsico-Milano	7,400 EUR	100
Croatia	Dräger Medical Croatia d.o.o., Zagreb	4,182 HRK	100
	Dräger Safety d.o.o., Zagreb	2,300 HRK	100
Netherlands	Dräger Nederland B.V., Zoetermeer	10,819 EUR	100

¹ Exemption pursuant to Sec. 264 (3) HGB.² This company is treated as an associated as per IAS 28.³ Special purpose vehicles as per IFRS 10⁴ Exemption pursuant to Sec. 264b HGB.

CONSOLIDATED COMPANIES

	Name and registered office	Capital stock in local currency unit thousand	Shareholding in %
Europe (continued)			
Norway	Dräger Norge AS, Oslo	1,129 NOK	100
	GasSecure AS, Oslo	139 NOK	100
Austria	Dräger Austria GmbH, Vienna	2,000 EUR	100
Poland	Dräger Polska sp. zo.o., Warsaw	4,655 PLN	100
Portugal	Dräger Portugal, LDA, Lisbon	1,000 EUR	100
Romania	Dräger Medical Romania SRL, Bucharest	205 RON	100
	Dräger Safety Romania SRL, Bucharest	3,740 RON	100
Russia	Draeger OOO, Moscow	3,600 RUB	100
Sweden	Dräger Sverige AB, Kista	2,000 SEK	100
	ACE Protection AB, Svenljunga	100 SEK	100
Switzerland	Dräger Schweiz AG, Liebefeld-Bern	3,000 CHF	100
Serbia	Draeger Tehnika d.o.o., Beograd	21,385 RSD	100
Slovakia	Dräger Slovensko s.r.o., Piestany	597 EUR	100
Slovenia	Dräger Slovenija d.o.o., Ljubljana-Crnuce	344 EUR	100
Spain	Dräger Medical Hispania SA, Madrid	3,606 EUR	100
	Dräger Safety Hispania SA, Madrid	2,404 EUR	100
Czech Republic	Dräger Medical s.r.o., Prague	18,314 CZK	100
	Dräger Safety s.r.o., Prague	29,186 CZK	100
	Dräger Manufacturing Czech s.r.o., Klasterec nad Ohri	65,435 CZK	100
Turkey	Draeger Medikal Ticaret ve Servis Anonim Sirketi, Istanbul	25,040 TRY	100
	Draeger Safety Korunma Teknolojileri Anonim Sirketi, Ankara	70 TRY	100
Hungary	Dräger Safety Hungaria Kft., Budapest	66,300 HUF	100
	Dräger Medical Hungary Kft., Budapest	94,800 HUF	100
Africa			
Morocco	Draeger Maroc SARLAU, Casablanca	8,720 MAD	100
South Africa	Dräger South Africa (Pty.) Ltd., Johannesburg	200 ZAR	69 ⁵
	Dräger Safety Zenith (Pty.) Ltd., East London	5,000 ZAR	100
Americas			
Argentina	Dräger Argentina SA, Buenos Aires	176,621 ARS	100
Brazil	Dräger do Brasil Ltda., São Paulo	45,921 BRL	100
	Dräger Industria e Comércio Ltda., São Paulo	40,243 BRL	100
	Dräger Safety do Brasil Equipamentos de Segurança Ltda., São Paulo	18,660 BRL	100
Chile	Dräger Chile Ltda., Santiago	1,284,165 CLP	100
	Dräger-Simsa S.A., Santiago	499,000 CLP	51
Canada	Draeger Safety Canada Ltd., Mississauga / Ontario	2,280 CAD	100
	Draeger Medical Canada Inc., Richmond Hill / Ontario	2,000 CAD	100
	Focus Field Solutions Inc., St. John's, NL	2,930 CAD	29,53 ²
Colombia	Draeger Colombia SA, Bogota D.C.	10,215,233 COP	100
Mexico	Draeger Safety S.A. de C.V., Querétaro	50 MXN	100
	Dräger Medical Mexico S.A. de C.V., Mexiko D.F.D.	50 MXN	100
Panama	Draeger Panama S. de R.L., Panama	180 USD	100
	Draeger Panama Comercial, S. de R.L., Panama	700 USD	100
Peru	Draeger Peru S.A.C., Piso Miraflores-Lima	9,809 PEN	100
U.S.	Draeger, Inc., Telford	356 USD	100
	Draeger Medical Systems, Inc., Telford	100 USD	100 ⁵
	MultiSensor Scientific Inc., Somerville	1 USD	36,03 ²

² This company is treated as an associated as per IAS 28.⁵ Capital stock stated in local currency (not in thousands of the local currency unit).

CONSOLIDATED COMPANIES

	Name and registered office	Capital stock in local currency unit thousand	Shareholding in %
Asia / Australia			
P.R. China	Shanghai Dräger Medical Instrument Co., Ltd., Shanghai	22,185 CNY	100
	Draeger Safety Equipment (China) Co., Ltd., Beijing	50,000 CNY	100
	Dräger Medical Equipment (Shanghai) Co., Ltd., Shanghai	8,287 CNY	100
	Draeger Hong Kong Limited, Wanchai	500 HKD	100
	Draeger Medical Systems (Shanghai) Co., Ltd., Shanghai	70,000 CNY	100
India	Draeger India Private Limited, Mumbai	260,438 INR	100
	Draeger Safety India Pvt. Ltd., Mumbai	60,000 INR	100
Indonesia	PT Draegerindo Jaya, Jakarta	3,384,000 IDR	100
	PT Draeger Medical Indonesia, Jakarta	18,321,000 IDR	100
Japan	Draeger Japan Ltd., Tokyo	499,500 JPY	100
Malaysia	Draeger Malaysia Sdn. Bhd., Kuala Lumpur	15,000 MYR	100
Myanmar	Draeger Myanmar Limited, Rangun	50 USD	100
Philippines	Draeger Philippines Corporation, Pasig City	40,965 PHP	100
Saudi Arabia	Draeger Arabia Co. Ltd., Riyadh	40,000 SAR	51
Singapore	Draeger Singapore Pte Ltd., Singapore	8,360 SGD	100
South Korea	Draeger Korea Co., Ltd., Seoul	2,100,020 KRW	100
Taiwan	Draeger Safety Taiwan Co., Ltd., Hsinchu City	50,000 TWD	100
	Draeger Medical Taiwan Ltd., Taipei	10,000 TWD	100
Thailand	Draeger Medical (Thailand) Ltd., Bangkok	203,000 THB	100
	Draeger Safety (Thailand) Ltd., Bangkok	15,796 THB	100
Vietnam	Draeger Vietnam Co., Ltd., Ho Chi Minh City	22,884,372 VND	100
Australia	Draeger Safety Pacific Pty. Ltd., Notting Hill	6 AUD	100 ⁵
	Draeger Australia Pty. Ltd., Notting Hill	3,800 AUD	100
New Zealand	Draeger New Zealand Limited, Auckland	722 NZD	100

⁵ Capital stock stated in local currency (not in thousands of the local currency unit).

49 SUBSEQUENT EVENTS

Distribution

The general partner and the Supervisory Board of Drägerwerk AG & Co. KGaA, Lübeck, plan to propose to distribute out of the net earnings of Drägerwerk AG & Co. KGaA of EUR 433,427 thousand for fiscal year 2020 a cash dividend of EUR 0.13 per common share and EUR 0.19 per preferred share, totaling EUR 2,955 thousand. The remaining amount of EUR 430,472 thousand will be carried forward to new account. The preferred share dividend also governs the distribution on participation certificates, which will amount to EUR 1.90 each – ten times the preferred share dividend.

Lübeck, February 19, 2021

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Rainer Klug
Gert-Hartwig Lescow
Dr. Reiner Piske
Anton Schrofner

Management compliance statement

We confirm to the best of our knowledge that, in accordance with the applicable financial reporting framework, the Group financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, the Group management report presents business performance including business results and the situation of the Group so as to give a true and fair view, and that the material opportunities and risks relating to the Group's development have been described.

Lübeck, February 19, 2021

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Rainer Klug
Gert-Hartwig Lescow
Dr. Reiner Piske
Anton Schrofner

The following copy of the auditor's report also includes a ›Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB‹ (›Separate report on ESEF conformity‹). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

Independent Auditor's Report

To Drägerwerk AG & Co. KGaA, Lübeck

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 Drägerwerk AG & Co. KGaA, Lübeck and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Drägerwerk AG & Co. KGaA, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the ›Other Information‹ section of our auditor's 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 IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315e Abs. (paragraph) 1 HGB (›Handelsgesetzbuch‹: German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, 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 those parts of the group management report listed in the ›Other Information‹ section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 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 § 317 HGB and the EU Audit Regulation (No. 537 / 2014, referred to subsequently as ›EU Audit Regulation‹) in compliance with German Generally Accepted Standards for 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 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) of the EU Audit Regulation, we declare that we have not provided

non-audit services prohibited under Article 5 (1) of the 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 January 1 to December 31, 2020. 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 our view, the matters of most significance in our audit were as follows:

- ① Change in segment reporting
- ② Recoverability of goodwill
- ③ Pension provisions

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

- ① Matter and issue
- ② Audit approach and findings
- ③ Reference to further information

Hereinafter we present the key audit matters:

① CHANGE IN SEGMENT REPORTING

- ① The executive directors of Drägerwerk AG & Co KGaA made modifications to the Dräger Group's internal management and reporting as of January 1, 2020, and no longer manage the Group by regions but rather based on the Medical Division and the Safety Division. Since the internal reporting structure is used as a basis for determining the reportable segments under IFRS 8, the revised reporting structure consequently resulted in a change in the Dräger Group's segment reporting. From our point of view, this matter was particularly important because segment reporting is of key significance in the context of capital market communications and the change to the segment structure also affects other accounting-related areas, particularly the reallocation of goodwill and the resulting implications for impairment testing.
- ② As part of our audit, among other things we assessed the internal reporting and the sub-categorization of the individual reporting units contained therein, as well as the changes in presentation, and reconciled this with the presentation used in the segment reporting. We also scrutinized the decision-making level at which the Executive Board allocates resources and satisfied ourselves that no other regular reporting is submitted to the Executive Board at a more disaggregated level. In doing so, we evaluated the reallocation of goodwill and assessed whether the conceptual approach conforms to the rules set out in the standards and whether the allocated amounts were correctly calculated in accordance therewith. We also audited the IT-based consolidation tool and were able to satisfy ourselves of the proper implementation and correct presentation in the reporting. Overall, we concluded that the change the executive directors made to the segment reporting was consistent with the reorganization of the internal reporting structure.
- ③ The Company's disclosures concerning the change to the internal reporting structure in connection with the organizational and strategic restructuring of the Drägerwerk Group are contained in note 5 of the notes to the consolidated financial statements.

2 RECOVERABILITY OF GOODWILL

- ① Goodwill amounting in total to EUR 308.0 billion (representing 9.3 % of total assets) is reported under the ›Intangible assets‹ balance sheet item in the Company's consolidated financial statements. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. Impairment testing is carried out at the level of the groups of cash-generating units to which the relevant goodwill has been allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally calculated on the basis of value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. The present values are calculated using discounted cash flow models. For this purpose, the medium-term business plan adopted by the Group forms the starting point for future projections based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the relevant group of cash-generating units. The impairment test determined that no write-downs were necessary. The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.
- ② As part of our audit, we reviewed the methodology employed for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the medium-term business plan adopted by the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. We also assessed whether the basis for including the costs of Group functions was accurate. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied, and verified the calculation procedure. We reproduced the sensitivity analyses performed by the Company, in order to reflect the uncertainty inherent in the projections. Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the respective allocated goodwill, were adequately covered by the discounted future net cash inflows.

Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and are within the ranges considered by us to be reasonable

- ③ The Company's disclosures regarding impairment testing are contained in note 23 of the notes to the consolidated financial statements.

3 PENSION PROVISIONS

- ① Pension provisions totaling EUR 430.1 million (13.0 % of total assets) are reported under the ›Pension provisions‹ balance sheet item in the Company's consolidated financial statements. The pension provisions comprise obligations from defined benefit pension plans amounting to EUR 672.1 million and plan assets of EUR 242.1 million. The obligations from defined benefit pension plans were measured using the projected unit credit method. This requires assumptions to be made in particular about long-term rates of growth in salaries and pensions, average life expectancy, and staff turnover. The discount rate must be determined by reference to market yields on high-quality corporate bonds with matching currencies and consistent maturities. This usually requires the data to be extrapolated, since there is an insufficient number of long-term corporate bonds. The plan assets are measured at fair value, which in turn involves making estimates that are subject to uncertainty.

In our view, these matters were of particular significance in the context of our audit because the recognition and measurement of this item – which is significant in terms of its amount – are based to a large extent on estimates and assumptions made by the Company's executive directors.

- ② Our audit included evaluating the actuarial expert reports obtained and the professional qualifications of the external experts with respect to the material portion of the pension provisions. We also examined the specific features of the actuarial calculations and reviewed the numerical data, the actuarial parameters and the valuation methods on which the valuations were based for compliance with standards and appropriateness, in addition to other procedures. In addition, we analyzed the changes in the obligation and the cost components in accordance with actuarial expert reports in the light of changes occurring in the valuation parameters and the numerical data, and verified their plausibility. For the purposes of our audit of the fair value of the plan assets, we obtained bank and fund confirmations.

Based on our audit procedures, we satisfied ourselves that the estimates and assumptions made by the executive directors were justified and adequately documented.

- ③ The Company's disclosures regarding pension provisions are contained in note 34 of the notes to the consolidated financial statements.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section (Declaration / Group declaration of corporate governance (secs. 289f and 315d of the German Commercial Code (HGB))) of the group management report
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited 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 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 DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 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 directors are 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 directors are 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 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 directors are 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 directors are 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.

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 § 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 control.
- 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 audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' 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 IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 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 directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the ›ESEF documents‹) contained in the attached electronic file `Draeger_KA_KLB_ESEF-2020-12-31.zip` and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format (›ESEF format‹). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2020 contained in the ›Report on the Audit of the Consolidated Financial Statements and on the Group Management Report‹ above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) [if considered to be beneficial for the understanding of the separate report on ESEF compliance in an international context: and the International Standard on Assurance Engagements 3000 (Revised)]. Accordingly, our responsibilities are further described below in the 'Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents' section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019 / 815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on September 30, 2020. We were engaged by the supervisory board on November 3, 2020. We have been the group auditor of the Drägerwerk AG & Co. KGaA, Lübeck, without interruption since the financial year 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 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Marko Schipper.

Hamburg, February 22, 2021

PricewaterhouseCoopers GmbH

Wirtschaftsprüfungsgesellschaft

Dr. Andreas Focke

Wirtschaftsprüfer

(German Public Auditor)

Marko Schipper

Wirtschaftsprüfer

(German Public Auditor)

The Company's Boards

Supervisory Board of Drägerwerk AG & Co. KGaA

Chairman

STEFAN LAUER

Former Executive Board member of Deutsche Lufthansa AG, Frankfurt

Supervisory board memberships:

- People at Work Systems AG, Munich
- Drägerwerk Verwaltungs AG, Lübeck
- Dräger Safety AG & Co. KGaA, Lübeck

Memberships on comparable boards of German or foreign companies:

- Valeta GmbH, Bad Säckingen, Chairman of the Advisory (since January 1, 2020)

Vice-Chairman

SIEGFRID KASANG

Group Works Council Chairman of Dräger, Lübeck
Dräger Lübeck Works Council Chairman, Lübeck
(until January 27, 2021)

BETTINA VAN ALMSICK

Chairperson of Works Council Dräger Sales and Service Germany, Essen
Member of Works Council Dräger Sales and Service Germany, Lübeck
Member of Group Works Council of Dräger, Lübeck

Supervisory board membership:

- Dräger Medical Deutschland GmbH, Lübeck (Vice-Chairperson)

NIKE BENTEN

Member of Dräger Lübeck Works Council, Lübeck
Member of Group Works Council of Dräger, Lübeck

Supervisory board membership:

- Dräger Safety AG & Co. KGaA, Lübeck (Vice-Chairperson)

MARIA DIETZ

Member of the Administrative Board and shareholder of GFT Technologies SE, Stuttgart

Supervisory board memberships:

- GFT Technologies SE, Stuttgart (member of the Administrative Board)
- Drägerwerk Verwaltungs AG, Lübeck
- Dräger Safety AG & Co. KGaA, Lübeck
- Ernst Klett Aktiengesellschaft, Stuttgart (since April, 2020)

DANIEL FRIEDRICH

Regional Director of the metalworkers' union IG Metall, coastal region, Hamburg

Supervisory board membership:

- Dräger Safety AG & Co. KGaA, Lübeck (until August 15, 2020)
- Airbus Operations GmbH, Hamburg (since September 1, 2020)

PROF. DR. THORSTEN GRENZ

Managing Partner of KIMBRIA Gesellschaft für Beteiligung und Beratung mbH, Berlin

Professor of Economics and Social Sciences at Christian-Albrechts University, Kiel

Chief Financial Officer at Schaltbau Holding AG, Munich (interim as of September 1, 2020 according to Secs. 105 (2) German Stock Corporation Act)

Supervisory board memberships:

- Gpredictive GmbH, Hamburg (until December 17, 2020)
- Schaltbau Holding AG, Munich (dormant since September 1, 2020)
- Drägerwerk Verwaltungs AG, Lübeck
- Dräger Safety AG & Co. KGaA, Lübeck
- Dräger Safety Verwaltungs AG, Lübeck
- Credion AG, Hamburg

ASTRID HAMKER

Member of the Advisory Board and shareholder at Piepenbrock Unternehmensgruppe GmbH & Co. KG, Berlin
KOMPASS-Beratung, freelance consultancy for family-run businesses, Georgsmarienhütte

Supervisory board memberships:

- Schmitz Cargobull AG, Horstmar
- Drägerwerk Verwaltungs AG, Lübeck
- Dräger Safety AG & Co. KGaA, Lübeck

Memberships on comparable boards of German or foreign companies:

- Piepenbrock Unternehmensgruppe GmbH & Co. KG, Berlin (member of the Advisory Board)
- Felix Schoeller Gruppe GmbH & Co. KG, Osnabrück
- Wieland Holding GmbH, Bamberg

STEPHAN KRUSE

Officer, Drägerwerk AG & Co. KGaA, Lübeck

UWE LÜDERS

Former Chairman of the Executive Board of
L. Possehl & Co. mbH, Lübeck

Supervisory board memberships:

- Lübecker Hafen-Gesellschaft mbH (LHG), Lübeck,
Chairman (until July 1, 2020)
- Drägerwerk Verwaltungs AG, Lübeck
- Dräger Safety AG & Co. KGaA, Lübeck
- Dräger Safety Verwaltungs AG, Lübeck
- L. Possehl & Co. mbH, Lübeck, Chairman
(since January 1, 2021)

THOMAS RICKERS

Officer for Drägerwerk AG & Co. KGaA
Secretary for metalworkers' union IG Metall, coastal region,
Hamburg

DR. REINHARD ZINKANN

Managing Partner of Miele & Cie. KG, Gütersloh

Supervisory board memberships:

- Falke KGaA, Schmalleberg, Chairman
- Drägerwerk Verwaltungs AG, Lübeck
- Dräger Safety AG & Co. KGaA, Lübeck

Memberships on comparable boards of German or foreign
companies:

- Hipp & Co., Pfaffenhofen, President of the Administrative
Board
- Nobilia-Werke J. Stickling GmbH & Co. KG, Verl,
Chairman of the Advisory Board

MEMBERS OF THE AUDIT COMMITTEE:

Prof. Dr. Thorsten Grenz (Chairman)
Siegfried Kasang
Stefan Lauer
Uwe Lüders
Daniel Friedrich

MEMBERS OF THE NOMINATION COMMITTEE:

Stefan Lauer (Chairman)
Uwe Lüders
Dr. Reinhard Zinkann

MEMBERS OF THE JOINT COMMITTEE:

Representatives of Drägerwerk Verwaltungs AG:
Maria Dietz
Astrid Hamker
Uwe Lüders
Dr. Reinhard Zinkann

REPRESENTATIVES OF DRÄGERWERK AG & CO. KGAA:

Stefan Lauer (Chairman)
Prof. Dr. Thorsten Grenz
Siegfried Kasang
Thomas Rickers

Members of the Executive Board of Drägerwerk Verwaltungs AG, acting for Drägerwerk AG & Co. KGaA

STEFAN DRÄGER

Chairman of the Executive Board

Chairman of the Executive Board of Drägerwerk
Verwaltungs AG, Lübeck
(general partner of Drägerwerk AG & Co. KGaA)
Chairman of the Executive Board of Dräger Safety
Verwaltungs AG, Lübeck
(general partner of Dräger Safety AG & Co. KGaA)

Supervisory board membership:
– Sparkasse zu Lübeck AG, Lübeck

GERT-HARTWIG LESCOW

CFO and Executive Board member for IT,
Vice-Chairman of the Executive Board

Member of the Executive Board of Drägerwerk
Verwaltungs AG, Lübeck
(general partner of Drägerwerk AG & Co. KGaA)
Member of the Executive Board of Dräger Safety
Verwaltungs AG, Lübeck
(general partner of Dräger Safety AG & Co. KGaA)

RAINER KLUG

Executive Board member for Safety Division

Member of the Executive Board of Drägerwerk
Verwaltungs AG, Lübeck
(general partner of Drägerwerk AG & Co. KGaA)
Member of the Executive Board of Dräger Safety
Verwaltungs AG, Lübeck
(general partner of Dräger Safety AG & Co. KGaA)

DR. REINER PISKE

Executive Board member for Sales and Human Resources

Member of the Executive Board of Drägerwerk
Verwaltungs AG, Lübeck
(general partner of Drägerwerk AG & Co. KGaA)
Member of the Executive Board of Dräger Safety
Verwaltungs AG, Lübeck
(general partner of Dräger Safety AG & Co. KGaA)

Supervisory board membership:
– Dräger Medical Deutschland GmbH, Lübeck,
(Chairman) (until March 31, 2020)

ANTON SCHROFNER

Executive Board member for Medical Division

Member of the Executive Board of Drägerwerk
Verwaltungs AG, Lübeck
(general partner of Drägerwerk AG & Co. KGaA)
Member of the Executive Board of Dräger Safety
Verwaltungs AG, Lübeck
(general partner of Dräger Safety AG & Co. KGaA)

THE SEGMENTS OVER THE PAST FIVE YEARS

		Twelve months				
		2020	2019	2018	2017	2016
MEDICAL DIVISION SEGMENT						
Order intake with third parties	€ million	2,498.7	1,728.6	1,723.4	1,683.7	1,662.6
Net sales with third parties	€ million	2,302.2	1,741.8	1,643.0	1,668.0	1,647.4
EBIT^{1,2}	€ million	329.4	13.1	6.9	92.9	85.3
EBIT ^{1,2,3} / Net sales	%	14.3	0.8	0.4	5.6	5.2
SAFETY DIVISION SEGMENT						
Order intake with third parties	€ million	1,287.5	1,067.6	963.1	931.0	876.1
Net sales with third parties¹	€ million	1,104.1	1,039.1	952.0	904.3	876.5
EBIT^{1,2}	€ million	67.2	53.5	55.8	62.8	51.6
EBIT ^{1,2,3} / Net sales	%	6.1	5.1	5.9	6.9	5.9

¹ EBIT = earnings before net interest result and income taxes

² For effects of the first-time application of IFRS 16 on the figures as at December 31, 2019, see table on page 37, Annual Report 2019.

³ The first-time application of IFRS 16 in fiscal year 2019 impacts this key figure. Therefore, comparability is limited.

THE DRÄGER GROUP OVER THE PAST FIVE YEARS

		Twelve months				
		2020	2019	2018	2017	2016
Order intake	€ million	3,786.2	2,796.1	2,686.5	2,614.7	2,538.7
Net sales	€ million	3,406.3	2,780.8	2,595.0	2,572.3	2,523.8
Gross profit	€ million	1,608.9	1,188.4	1,108.0	1,152.2	1,135.4
Gross profit / Net sales	%	47.2	42.7	42.7	44.8	45.0
EBITDA^{1,2}	€ million	521.0	193.8	148.0	240.0	222.7
EBIT^{2,3}	€ million	396.6	66.6	62.6	155.7	136.9
EBIT ^{3,4} / Net sales	%	11.6	2.4	2.4	6.1	5.4
Interest result	€ million	-36.4	-17.0	-11.0	-12.8	-15.5
Income taxes	€ million	-110.3	-15.7	-16.8	-44.4	-39.6
Net profit	€ million	249.9	33.8	34.9	98.5	81.7
Earnings per share on full distribution⁵						
per preferred share	€	10.25	1.44	1.48	4.18	3.46
per common share	€	10.19	1.38	1.42	4.12	3.40
DVA^{4,6,7}	€ million	296.9	-32.7	-26.5	70.7	49.8
Equity ^{4,8}	€ million	1,033.8	1,076.4	1,080.7	1,068.3	1,003.5
Equity ratio ^{4,8}	%	31.3	41.9	44.8	45.4	43.4
Capital employed ^{2,8}	€ million	1,410.6	1,401.3	1,341.3	1,243.6	1,247.0
EBIT ^{3,4,6} / Capital employed ^{2,8,9} (ROCE)	%	28.1	4.8	4.7	12.5	11.0
Net financial debt ^{2,8}	€ million	187.1	88.7	43.3	-29.2	34.7
Headcount as at December 31		15,657	14,845	14,399	13,739	13,263

¹ EBITDA = earnings before net interest result, income taxes, depreciation and amortization

² For effects of the first-time application of IFRS 16 on the figures as at December 31, 2019, see table on page 37, Annual Report 2019.

³ EBIT = earnings before net interest result and income taxes

⁴ The first-time application of IFRS 16 in fiscal year 2019 impacts this key figure. Therefore, comparability is limited.

⁵ Based on an imputed actual full distribution of earnings attributable to shareholders

⁶ Value of the last twelve months

⁷ Dräger Value Added = EBIT less cost of capital of average invested capital

⁸ Value as at reporting date

⁹ Capital employed = total assets less deferred tax assets, securities, cash and cash equivalents, non-interest-bearing liabilities and other non-operating items

FINANCIAL CALENDAR 2021

Publication of 2020 fiscal year figures, Analysts' meeting	March 4, 2021
Report as at March 31, 2021, Conference call	April 29, 2021
Annual shareholders' meeting, Lübeck, Germany	May 7, 2021
Report as at June 30, 2021, Conference call	July 29, 2021
Report as at September 30, 2021, Conference call	October 28, 2021

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