
ANNUAL REPORT

2021

Content

Letter to the Shareholders	5
Executive Board	8
Report of the Supervisory Board	11
Report of the Joint Committee	16
The Dräger shares	17
COMBINED MANAGEMENT REPORT	22
Principles of the Group	23
Group structure	23
Management, planning, and reporting	23
Strategy and goals	26
Research and development	29
Employees	32
Sustainability	34
Business performance	35
General economic conditions	35
Business performance of the Dräger Group	39
Cash flow statement	45
Financial management	45
Business performance of the medical division	49
Business performance safety division	51
Potential	53
Risks and opportunities for the future development of the Dräger Group and of Drägerwerk AG & Co. KGaA	53
Internal control and risk management system in respect of the (group) accounting process	54
Recognizing trends and taking advantage of opportunities	63
Overall assessment of risks and opportunities	65
Outlook	67
Disclosures pursuant to Secs. 289a and 315a of the German Commercial Code (HGB) and explanations of the general partner	71
Business performance of Drägerwerk AG & Co. KGaA	74
ANNUAL FINANCIAL STATEMENTS	83
Annual Financial Statements 2021 of the Dräger Group	84
Consolidated Income Statement of the Dräger Group	84
Consolidated Statement of Comprehensive Income of the Dräger Group	85
Consolidated Balance Sheet of the Dräger Group	86
Consolidated Cash Flow Statement of the Dräger Group	88
Consolidated Statement of Changes in Equity of the Dräger Group	89
Notes of the Dräger Group for 2021	90
Management compliance statement	174
Independent Auditor's Report	175
The Company's Boards	182
FURTHER INFORMATION	186
The segments over the past five years	186
The Dräger Group over the past five years	187
Financial Calendar 2022	188
Imprint	189
Legal Note	189

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, Development and production sites, and 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 15.900 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, Switzerland, the United Kingdom and the United States.

SELECTED KEY FIGURES DRÄGER GROUP

		Twelve months		
		2021	2020	Change in %
Order intake	€ million	3,087.8	3,786.2	-18.4
Net sales	€ million	3,328.4	3,406.3	-2.3
Gross profit	€ million	1,540.9	1,608.9	-4.2
Gross profit / Net sales	%	46.3	47.2	
EBIT¹	€ million	271.7	396.6	-31.5
EBIT ¹ / Net sales	%	8.2	11.6	
Net profit	€ million	154.3	249.9	-38.3
Earnings per share on full distribution²				
per preferred share	€	7.19	10.25	-29.9
per common share	€	7.13	10.19	-30.0
DVA^{3, 4}	€ million	171.8	296.9	-42.2
Cash flow from operating activities	€ million	384.9	460.0	-16.3
Net financial debt ⁵ / EBITDA ^{3, 6}	Factor	-0.06	0.36	
Equity ratio ⁵	%	39.7	31.3	
Headcount as at December 31		15,900	15,657	+1.6

¹ EBIT = Earnings before net interest result and income taxes

² Based on an imputed actual full distribution of earnings 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,

Two years after its initial outbreak, the COVID-19 pandemic continues to shape our everyday lives, both on and off the job. Despite having achieved a certain level of routine when it comes to some pandemic-related challenges—such as booster shots, testing, working from home, and virtual meetings—we are still miles away from the old normal. And the world in which we currently live is not quite the new normal either, with virus mutations, new waves of infection, and the associated changes to rules and guidelines remaining par for the course.

That situation has also had an impact on Dräger: our business developed better than originally expected in 2021. Demand for products used to treat COVID-19 patients remained high for longer than originally envisaged at the start of the year. Over the course of the year, major orders came from a variety of emerging economies in particular. Driven by the pandemic, demand did not return to normal levels until the second half of the year.

Following the record-breaking year that was 2020, we originally expected a roughly double-digit decline in net sales (net of currency effects) in fiscal year 2021. In June, however, we were able to raise our forecast to a less severe decline of between 2 % and 6 %. Thanks in particular to the uptick in net sales development, we also raised our earnings forecast to account for an EBIT margin of between 8 % and 11 %. We managed to live up to our higher forecasts. In fact, net sales development (net of currency effects) ultimately exceeded even the adjusted range to stand at -1.8 % in fiscal year 2021. At 8.2 %, our EBIT margin came in at the lower end of the range. The way EBIT developed over the course of the year was anything but typical for Dräger, with profitability starting the year strong before falling as the quarters went on and the pandemic-related earnings effect lessened. One-off expenses also had an impact toward the end of the year.

I would like to take this opportunity to expressly thank all our employees for the tremendous dedication with which they are rising to the ongoing challenges. Each of you is working ›with heartfelt dedication‹. All of you are going the extra mile and are working for life every day. In Germany, approximately the same number of employees as the year before took part in our annual employee share program in late 2021, acquiring significantly more shares in the process. They have a bond with the Company as employees—and, increasingly, as shareholders too. That is something I am very pleased to see!

So what is next for us in the short to medium term? As the normalization of our business set in later than anticipated, we expect to see lower net sales in 2022 as a consequence of the weakening one-off effects in connection with the COVID-19 pandemic. All in all, we are forecasting a decline of net sales by 5 % to 9 % (net of currency effects). We anticipate an EBIT margin of between 1.0 % and 4.0 %. There are many reasons for the expected decline in earnings compared to the two good prior years. Lower sales of ventilators, for example, will lead to a lower average margin. What is more, the significantly higher prices of intermediate products, raw materials, and electronics components—along with sustained high freight and logistics costs—will have a negative impact on profitability.



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.

»Our products were in high demand again last year. That put us in a position to help a number of customers in emerging markets by delivering devices for the treatment of COVID-19 at short notice, to name just one example. At the same time, we want to improve further – for our customers and our shareholders alike. We want to continuously advance our ›Technology for Life‹ and provide our customers with even better solutions. To do so, we are stepping up our investments in research and development while making plans to further expand our sales operations.«

Our ongoing efforts to make targeted investments in the expansion of structures and specific capabilities in the sales organizations in selected focus markets so as to support stronger medium-term growth will also contribute to lower earnings in 2022. At the same time, we will continue our innovation campaign in the medical division and will keep making substantial investments in research and development projects to this end. Our goal in doing so is to strengthen our skill and expertise in the system solutions business as a main focal point. The pandemic has reaffirmed our belief that this strategy is the right one.

We firmly believe that these investments will play an important role in Dräger's sustained business success. As a family-run company, we look at the long-term perspective. This means, that we are willing to accept lower profitability in the short term in exchange for long-term success. We expect to return to net sales growth in 2023, which will allow us to report higher profitability in the long run—something that will also benefit you, our shareholders, by bringing the advantages of our simplified capital structure fully to bear.

As the past two years have very clearly proved, human beings have both economic and social needs. We can do without shaking hands when we meet, hardly anybody seems to miss it. But what we cannot do without is engaging with other people. Social interaction is important not only for coexistence and solidarity in society, but also for the way we work together at our company. It plays an important role in achieving our business goals and ensuring our long-term success. This is why our company is among those that cannot be run from people's offices at home forever—apart from the sheer fact that our production lines have to continue working smoothly even during a lockdown, and that being physically present there is absolutely essential.

Cooperation is a key building block of progress, as human history shows. It is also important to our ability as a company to continuously advance and improve our ›Technology for Life‹—and to our ability to focus on the future while seizing opportunities once the pandemic is over. I am confident that such a time is soon to come. We have the means. And we will get the job done!

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.

»We have made great strides in bolstering our balance sheet and simplifying our finance structure. Our profitability, which surpassed expectations, and the reduction of our working capital led to a strong cash inflow. Our equity ratio is stronger and has now almost returned to the level before the termination of the participation certificates. The streamlining of our capital structure is nearly complete.«

**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.

»Net sales in our safety division increased significantly in fiscal year 2021 due to the processing of major orders for light respiratory protection equipment from the prior year, among other factors. Following the challenges in the industrial sector in the prior year caused by the pandemic, we were able to record a double-digit rise in order intake in many product areas as a result of the economic recovery.«

**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.

**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.

» ›Technology for Life‹ was in high demand again last year. We helped customers especially in emerging markets by delivering devices for the treatment of COVID-19 patients at short notice. We also successfully expanded our service business. Our employees once again showed tremendous commitment. The results of the employee survey underscore how highly our people identify with the Company, something that is also reflected in the encouraging number of employees participating in the annual share program.«

»In the medical division, the second year of the coronavirus pandemic again saw order intake and net sales significantly exceed pre-pandemic levels. As patient numbers remained high, hospitals in all regions sought to expand their intensive care capacities. Many of our customers invested heavily in areas of critical care in which planned expenditure had been put on hold in 2020 due to the pandemic, such as anesthesiology, workplace design, or thermoregulation for premature babies.«

Report of the Supervisory Board

Dräger once again looks back on an extraordinary fiscal year. The Supervisory Board continued its trusting working relationship with the Executive Board. It closely examined and discussed the Company's economic situation and prospects, as well as the continued impact of the COVID-19 pandemic on the Company. It was promptly and directly involved in all decisions.

Dear Shareholders,

2021 was another remarkable year for the Company. Dräger's business performance exceeded the original expectations once again in the past fiscal year. The need for products used to treat COVID-19 patients was sustained for longer than originally envisaged last January. Driven by the pandemic, demand did not return to normal levels until the second half of 2021.

Following the record-breaking year that was 2020, a roughly double-digit decline in net sales (net of currency effects) had been anticipated for fiscal year 2021. In June, however, the forecast was raised to a less severe decline of between 2 % and 6 %. Thanks in particular to the uptick in net sales development, the Company also raised its earnings forecast to account for an EBIT margin of between 8 % and 11 %. In fact, net sales development (net of currency effects) exceeded even the adjusted range to stand at -1.8 % in fiscal year 2021. At 8.2 %, the EBIT margin came in at the lower end of the range due to one-off expenses, particularly in the fourth quarter.

From the perspective of the Supervisory Board, the Executive Board fulfilled its responsibilities once again this year. In addition, the measures initiated in the prior year with an eye to simplifying the capital structure are improving the Company's outlook and strengthening its positioning on the capital market.

For fiscal year 2022, the Executive Board anticipates a decline of net sales by 5 % to 9 % (net of currency effects). The Executive Board forecasts an EBIT margin of between 1.0 % and 4.0 %. The Supervisory Board considers the expectations of the Executive Board regarding net sales and earnings development to be realistic when considered against the backdrop of dwindling one-off effects as a result of the COVID-19 pandemic and the investments to safeguard the Company's future.

In fiscal year 2021, 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 due time 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.

MEETINGS

At four regular meetings, 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 24, 2021, one agenda item was scheduled without the participation of the Executive Board of the general partner. 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.'

INDIVIDUAL PARTICIPATION RATE

Supervisory Board member	Participation / number of meetings			
	Supervisory Board plenary assembly	Joint Committee	Audit Committee	Nomination Committee
Stefan Lauer (Chairman)	4/4	4/4	6/6	0/0
Siegfried Kasang (Vice-Chairman)	4/4	4/4	6/6	
Nike Benten	2/4			
Maria Dietz	4/4	4/4		
Daniel Friedrich	4/4		6/6	
Prof. Dr. Thorsten Grenz	4/4	4/4	6/6	
Astrid Hamker	4/4	4/4		
Stephan Kruse	4/4			
Uwe Lüders	4/4	4/4	6/6	0/0
Thomas Rickers	4/4	4/4		
Bettina van Almsick	3/4			
Dr. Reinhard Zinkann	4/4	4/4		0/0

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. Carrying out an employee share program once again was also discussed. How to handle the new approval requirements for medical devices as stipulated by the U.S. Food and Drug Administration was a topic in several meetings.

One focal point of the deliberations in fiscal year 2021 was the continued impact of the COVID-19 pandemic on the Company, which the Supervisory Board examined in close detail at every meeting. Among other things, the meeting on February 24, 2021, dealt with the plans to again hold the annual shareholders' meeting as a virtual annual shareholders' meeting in line with Germany's extended legislation to cushion the impacts of the COVID-19 pandemic in civil law, insolvency law, and criminal procedural law. For the meeting on September 29, 2021, the Supervisory Board chose to focus on the strategic developments in both divisions and hear reports on the current status and challenges for the future. At the meeting on September 29, 2021, the Supervisory Board also saw a presentation by the Legal department on the content and revision of German legislation aimed at strengthening financial market integrity.

»The COVID-19 pandemic, with its additional net sales potential, continued to influence developments in fiscal year 2021. At the same time, the year was one of transition, with demand returning to normal over the course of the year on the heels of a strong start, as expected. As positive as the strong demand for the Company's life-saving products has been, it will be all the more challenging to suitably and appropriately maintain the leading position of the Company's broad product portfolio in the post-pandemic era.«



STEFAN LAUER

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

In its meeting on December 16, 2021, the Supervisory Board determined the approach to the audit of the non-financial statement (sustainability report), which the Company prepares and publishes pursuant to Sec. 289b et seq. German Commercial Code (HGB). At the same meeting, the plan for fiscal years 2022 and 2023 was also presented to the Supervisory Board. Following in-depth discussion, it was approved by both the Supervisory Board and the Joint Committee, which is responsible for resolutions concerning transactions requiring approval. In addition, the Supervisory Board concentrated on the German Corporate Governance Code at this meeting. Since submitting its most recent declaration of conformity on December 18, 2020, the Company has complied with the recommendations of the German Corporate Governance Code as amended on December 16, 2019, apart from two 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 auditor took part in the meetings. The Audit Committee began its session on September 28, 2021, by meeting with the auditor without any other attendees from the Company.

At its meetings, the Audit Committee reviewed the single entity and Group financial statements, the quarterly results, the half-yearly financial 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 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 2022, 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 2021. 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 and the combined management report, as well as the audit reports. Representatives of the statutory auditor attended the Audit Committee's meeting on February 22, 2022, during which Dräger's single entity and Group financial statements were deliberated on, as well as the Supervisory Board's meeting on February 23, 2022, 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 to the Executive Board in the year under review.

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 2021.

Lübeck, February 23, 2022

A handwritten signature in black ink, appearing to read 'Stefan Lauer', written in a cursive style.

Stefan Lauer
Chairman of the Supervisory Board

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 shareholders 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 in the reporting year, dealing in detail with the business and strategic development of the Dräger Group. 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 23, 2022

A handwritten signature in black ink, appearing to read 'Stefan Lauer', written in a cursive style.

Stefan Lauer
Chairman of the Joint Committee

The Dräger shares

The pandemic-related sustained high demand for Dräger products in the first half of 2021 and the resulting decision to raise the forecast for fiscal year 2021 initially led to positive development for the Dräger shares. However, prices fell as demand increasingly normalized over the further course of the year, resulting in weaker net sales and earnings figures. Prices declined significantly following publication of the forecast for fiscal year 2022, with Dräger common shares losing 10 % compared to the start of the year. Dräger preferred shares, meanwhile, lost 12 % over the same period.

Development of the Dräger shares

Dräger shares initially continued to increase in value in the first half of 2021 on the back of sustained high demand for Dräger products driven by the COVID-19 pandemic. The associated decision to raise the annual forecast around the middle of the year gave the share price an additional boost. Dräger common shares peaked at around EUR 79 in June, with Dräger preferred shares trading north of EUR 82.

The rise in prices started to falter upon publication of the half-year figures and the results for the third quarter, ushering in a phase of profit taking. The change came against the backdrop of an increasing normalization in demand in the second half of the year with regard to the COVID-19 pandemic, along with weaker net sales and earnings figures. At the end of November, we subsequently released an initial concrete forecast for fiscal year 2022 on the basis of the available planning. The forecast fell short of the expectations of analysts and the capital market, triggering a sharp drop in share prices. Dräger common shares declined to an annual low of around EUR 49.70, with Dräger preferred shares dropping to as low as EUR 52.60.

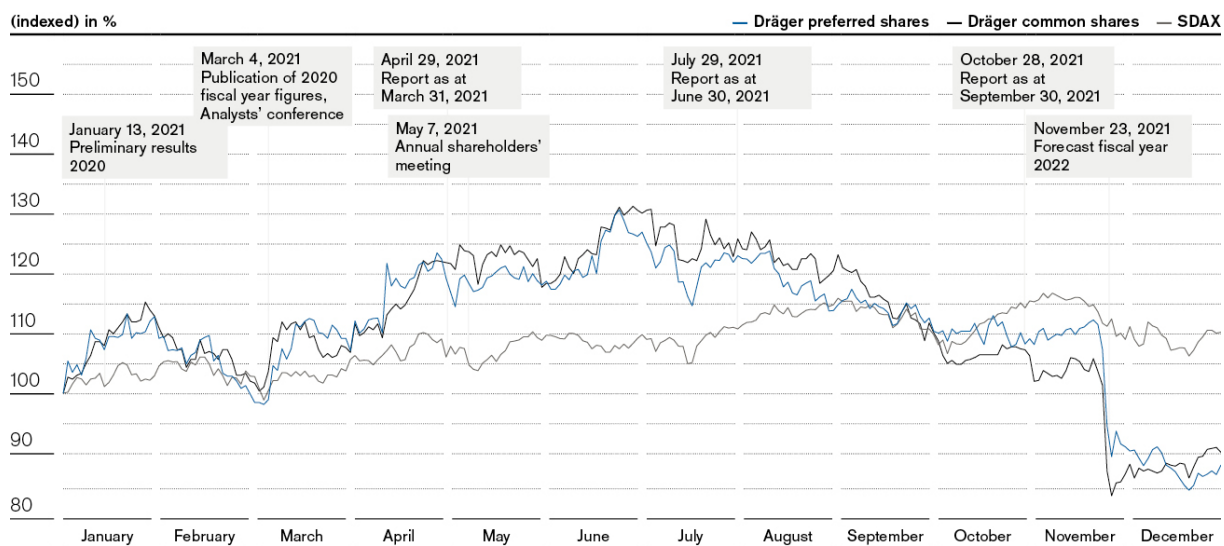
As at the balance sheet date, December 31, 2021, Dräger common shares stood at EUR 54.10—a decline of 9.5 % since the start of the year. The price of Dräger preferred shares stood at EUR 55.25 as at the same date, corresponding to a decrease of 12.4 % since the start of the year. By comparison, the SDAX share index climbed by 11.2 % to roughly 16,415 points over the course of the year. The TecDAX also recorded positive development, rising 22.0 % to around 3,920 points. As a result of adjustments to the index, the Dräger preferred share was removed from the TecDAX in the third quarter of 2021. The shares are still included in the SDAX. The market capitalization of the roughly 18.8 million Dräger shares stood at roughly EUR 1,025 million as at December 31, 2021, compared to approximately EUR 1,150 million at the end of 2020.

➤ Please refer to the ›Dräger share price developments 2021‹ chart on page 18.

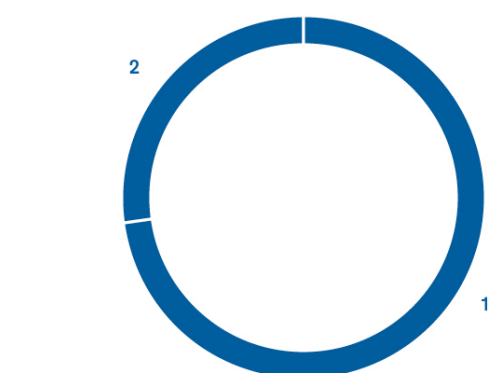
DEVELOPMENT OF THE DRÄGER SHARES AND KEY INDICES AS AT DECEMBER 31, 2021

in %, p.a.	1 year	3 years	5 years	10 years
Dräger common shares	-10	10	-4	1
Dräger preferred shares	-12	6	-7	-1
SDAX	11	20	12	14

SHARE PRICE DEVELOPMENTS 2021



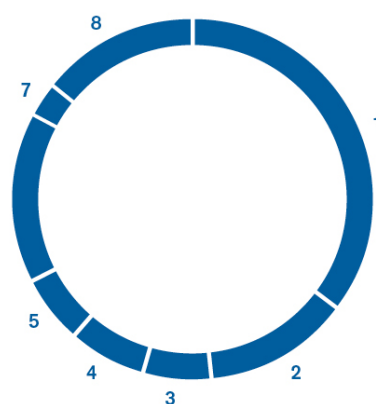
OWNERSHIP OF COMMON SHARES



in %

1. Dräger family	71.50	2. Free float	28.50
------------------	-------	---------------	-------

SHAREHOLDER STRUCTURE¹



in %

1. USA	35	5. Norway	6
2. Germany	13	6. Rest of Europe	15
3. Great Britain	6	7. Rest of the world	3
4. France	7	8. Private investors and unspecified investors	14

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

Participation certificate buyback

In fiscal year 2020, Dräger terminated all outstanding series A, K, and D participation certificates. The series A and K participation certificates were paid back in accordance with the underlying terms and conditions in early 2021. In March 2021, Dräger successfully completed the buyback of outstanding series D participation certificates, accelerating its efforts to improve the Company's capital structure. As part of a public buyback offer, participation certificates worth a total of EUR 100 million were acquired and subsequently redeemed. The early repurchase increases the appeal of the shares, as the share of profit attributable to shareholders is now higher. The 382,289 remaining series D participation certificates will be redeemed at maturity on January 2, 2023, in return for payment of EUR 546.20 per certificate. In the meantime, the bearers will continue to be entitled to dividends.

Dividend policy and proposal

Net financial debt increased sharply as a result of the termination of the participation certificates despite the positive development of the equity ratio in fiscal years 2020 and 2021 due to the significant rise in profitability. Dräger will maintain the dividend at the 2019 level until the equity ratio returns to above 40 %. Consequently, 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 2.3 % (2020: 1.8 %).

➤ Please refer to note 19.

DRÄGER SHARES – BASIC FIGURES

	Common shares	Preferred shares
International Securities Identification Number (ISIN)	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	-	SDAX
Initial listing	2010	1979

DRÄGER SHARES INDICATORS

	2021	2020
Common shares		
No. of shares as at the reporting date	10,160,000	10,160,000
High (in €)	78.90	69.10
Low (in €)	49.70	37.25
Share price on the reporting date (in €)	54.10	59.80
Annual share price development	-9.5%	+51.0%
Average daily trading volume ¹	8,071	12,918
Dividend per share (in €) ²	0.13	0.13
Dividend yield	0.2%	0.2%
Undiluted / diluted earnings per common share on full distribution (in €) ³	7.13	10.19
Preferred shares		
No. of shares as at the reporting date	8,600,000	8,600,000
High (in €)	82.20	98.50
Low (in €)	52.60	50.00
Share price on the reporting date (in €)	55.25	63.10
Annual share price development	-12.4%	+13.3%
Average daily trading volume ¹	46,773	69,948
Dividend per share (in €) ²	0.19	0.19
Dividend yield	0.3%	0.3%
Undiluted / diluted earnings per preferred share on full distribution (in €) ³	7.19	10.25
Total distribution (in € thousand)	3,681	4,536
Distribution rate	2.3%	1.8%
Market capitalization (in € thousand)	1,024,806	1,150,228

¹ All German stock exchanges (source: designated sponsor)

² For the reporting period approval by the annual shareholder's meeting pending

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)

Shareholder structure

The capital stock is divided into common and preferred shares. According to the definition of Deutsche Börse AG, 71.50 % of common shares are held by the Dräger family: 68.36 % of the common shares are held by Dr. Heinrich Dräger GmbH. In addition, members of the Dräger family hold a further 3.14 % of the common shares. A total of 28.50 % 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 2021, which excluded the Dräger family's shares, showed that institutional investors from Europe accounted for 48 % of capital stock in free float at that point in time, while institutional investors from the U.S. accounted for 35 %. Investors from Germany represented the largest portion of European shareholders, at 13 percentage points, followed by France (seven percentage points), as well as Norway and the United Kingdom (just over six percentage points each). The proportion attributable to private investors and other unidentified investors was around 14 %.

In 2021, Dräger once again gave its employees the opportunity to invest in the Company through deferred compensation. To this end, the employee share program took place in the fourth quarter of 2021. Employee demand for Dräger preferred shares increased significantly. More than 80 % of the employees eligible to

participate have taken part in at least one program in recent years, making them shareholders in the Company. Adding up the shares purchased through employee share programs over the course of the years reveals that nearly 5 % of all preferred shares are held by employees.

➤ Please refer to the ›Ownership of common shares‹ and ›Shareholder structure‹ charts on page 18.

➤ Please refer to note 19

Sustainability reporting and rating

Some 32 % of shares in free float are held by sustainable investors (2020: 24 %). Dräger is audited regularly (often every two years) by respected sustainability ratings agencies. In the EcoVadis CSR Assessment¹ 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. As in the prior year, Dräger was ranked top in a 2021 survey conducted by Wirtschaftswoche concerning companies who make the greatest contribution to the public good. The Dräger sustainability report is available at:

📄 www.draeger.com/sustainability

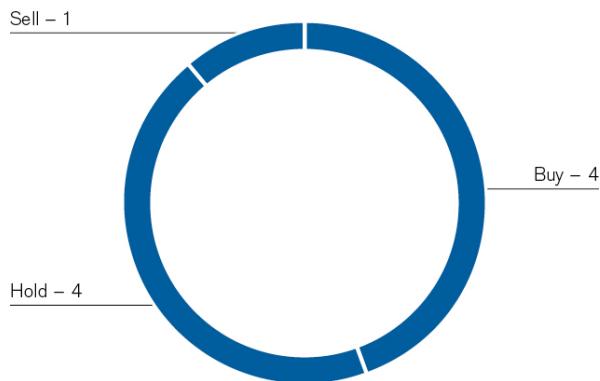
Analyst coverage

At the end of 2021, analysts from nine institutions (2020: 10) assessed Dräger's business performance: Bankhaus Metzler, EQUI.TS, Hauck & Aufhäuser, DZ Bank, Independent Research, Kepler Cheuvreux, LBBW, M.M. Warburg & Co., and Nord/LB. A current overview of analyst recommendations can be found here:

📄 www.draeger.com/en-us_us/Investor-Relations/Share#analystenempfehlungen

➤ Please refer to the ›Analyst recommendations‹ chart.

ANALYST RECOMMENDATIONS¹



¹ At the end of 2021

¹ The findings of the latest assessment, which is conducted every two years, were not yet available at the time of publication.

02

—

**COMBINED
MANAGEMENT REPORT**

—

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 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 44.

Dräger is represented in over 190 countries and maintains its own sales and service companies in some 50 countries. Dräger operates a total of 19 development and production sites in Germany (Lübeck, Hagen), Chile (Santiago de Chile), China (Beijing, Shanghai), France (Obernai), the United Kingdom (Blyth, Gateshead, Plymouth), India (Vasai), Norway (Oslo), Sweden (Motala, Svenljunga), Switzerland (Biel/Bienne), South Africa (East London), the Czech Republic (Klásterec), and the U.S. (Andover, Montgomeryville, Telford).

Management, planning, and reporting

ORGANIZATIONAL AND MANAGEMENT SYSTEM

Since January 2020, we have managed our business through the medical and safety divisions.

➤ Please refer to the chart ›Executive Board responsibilities‹ on page 24.

MEDICAL DIVISION

In the medical division, we develop and produce system solutions, equipment, and services for the acute point of care. Within the division, 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 Data Business (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 DIVISION

The safety division develops and produces devices, system solutions, and services for personal protection, gas detection, and integrated hazard management. 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 on a cross-divisional basis and are active 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.

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

SALES AND SERVICE

Sales and Service is the interface between the two divisions, which are engaged in product development and production, and our customers. 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.

The responsibilities within a structure that is oriented toward cooperation are therefore clearly allocated. 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.

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 management figure at Dräger. It is reported for the two segments (medical and safety divisions). We use DVA to measure the development of the Company's added value and that of its various units. Not only does Dräger base its strategic decision-making on the development of DVA, the management's variable remuneration is also aligned with 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.

In mathematical terms, 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 borrowed capital 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:

☐ https://www.draeger.com/en-us_us/Investor-Relations/Publications

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.

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 are 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 solutions, 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, as well as in our own digital channels.

STRATEGIC GOALS IN OUR MARKETS

STRATEGIC GOALS IN THE MEDICAL DIVISION

Through our products, system solutions, and services for acute care, we support hospitals around the world in treating critically ill patients who would stand a poor chance of surviving without medical technology.

Our mission is ›Improving Critical Care‹

Rarely before has so much public attention been focused on the challenges in providing patients with acute care. 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 them achieve the best possible treatment 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 COVID-19 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 critical 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. In addition, we 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 subsequently address them. By systematically and consistently implementing these focal points, we are helping to constantly further improve critical care.

STRATEGIC GOALS IN THE SAFETY DIVISION

In the safety division, 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.

Our goal is to continuously improve the safety and productivity of industrial processes and employees through this portfolio of hardware, software, consulting, and services.

In our target markets

- fire and rescue services,
- raw material extraction,
- the chemical industry, and
- oil and gas,

we work with our customers to develop integrated safety approaches and solutions that are tailored to the individual situation based on our application understanding, outstanding service orientation, and global on-site presence.

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

Internationalization of rental and safety services

Our rental and safety 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 continue systematically transferring our successful business model to the Asian and American markets.

Increased focus on the market for light respiratory protection

We will continuously strengthen our offerings in the field of light respiratory protection going forward, both for occupational health and safety and for the efforts to combat the pandemic. We will take advantage of our international production network for certified FFP masks in order to offer a targeted and flexible response to the national and local needs of our public-sector and industrial customers.

Digitalization and data-supported services

The increasing digitalization and networking of operating procedures and technical devices is advancing the convergence of physical and digital worlds. Our products' connectivity and interoperability allow us to provide our customers with tailored solutions consisting of hardware, a combination of hardware and software, or a purely data-based software solution. Through it all, we pay particularly close attention to cybersecurity.

Optimizing touch points on the path to the customer

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, especially in the industrial business. In our two core strategic markets, oil and gas and the chemical industry, we are further expanding our international key account management structures in order to be close to our globally operating customers.

Focus on the promising fields of sustainability and renewable energies

The constantly growing significance of sustainability and renewable energy suggests that some of our current core markets will become less important in the future. As we have seen, our customers in industries such as oil and gas are already making changes today and are repositioning themselves. We want to support these customers as they evolve while preparing ourselves for new market participants, value chains, and business models in this environment. To this end, we are adapting our portfolio of products and services wherever possible. Wherever necessary and promising, we are also looking for and investigating new portfolio elements.

Research and development

We attach a great deal of importance to our research and development (R&D) activities. In fiscal year 2021, research and development expenses rose by EUR 39.0 million year-on-year to EUR 328.6 million (2020: EUR 289.6 million), which equates to 9.9 % of net sales (2020: 8.5 %).

As at December 31, 2021, 1,668 employees worked in our development departments worldwide (December 31, 2020: 1,514). Over the course of the fiscal year, patent and trademark offices around the world issued 200 new patents to Dräger (2020: 225). We applied for a further 84 patents at international patent and trademark offices (2020: 120). During the past year, our technology development experts analyzed 104 new technologies in 21 fields and evaluated their relevance to Dräger. In numerous of projects, these new technologies laid the foundations for future product innovations.

RESEARCH AND DEVELOPMENT

R&D costs in € million	2021	2020	2019	2018	2017
Dräger Group	328.6	289.6	263.7	252.2	234.7
in % of Net sales	9.9	8.5	9.5	9.7	9.1
Headcount	1,668	1,514	1,482	1,417	1,377

MEDICAL DIVISION

Again we developed numerous new as well as improved products in the reporting year 2021. These included 9 new devices and device enhancements (2020: 15) and also 3 accessory products (2020: 4). Dräger's main focus in 2021 was on the development and market approval of new components and products for medical systems and therapy devices.

The circumstances leading to hospitals being pushed to their limits are rarely predictable in the long term. The COVID-19 pandemic has opened everyone's eyes to the importance of real-time transparency concerning available treatment capacities at local, regional, and international levels. The ›Hospital Capacity Board‹ (HCB) developed by Dräger gives hospitals a transparent overview of the utilization of their capacities, offering operators real-time insights into the availability of intensive care beds and medical devices at their facilities. The data is also automatically transmitted to the Germany-wide DIVI intensive care register. All that is needed is a one-off authorization from the Robert Koch Institute. Thanks to the standardized systems architecture, which is based on the international Fast Healthcare Interoperability Resources (FHIR) interoperability standard, clinics are able to seamlessly integrate ›HCB‹ into their existing IT systems landscape. Data that is constantly recorded and collected within the hospital's existing systems landscape, such as lab results, information concerning transfers, or ventilation therapies, can be automatically aggregated and retrieved in ›HCB‹. In addition, the ›Dräger Discover‹ tracking system provides location-specific information on beds and devices that have previously been tagged accordingly. As a result, ›HCB‹ makes it possible to significantly increase transparency regarding capacity utilization in real time while simultaneously enabling the simplification and partial automation of hospital processes. The product is currently available in Germany, Austria, and India.

Providing the highest quality patient care is at the heart of everything hospitals do. At the same time, hospitals also face the challenge of having to document every aspect of patient care in a timely and complete manner despite the current budget pressures, especially in cost-intensive areas such as intensive care, anesthesiology, and neonatology. With financial considerations becoming more important, treatment processes require improved planning, standardization, and documentation. The ›Integrated Care Manager‹ (ICM) is a clinical documentation system that is currently available for use by customers in Germany, Austria, and Switzerland. ›ICM‹ supports hospitals in documentation, the optimization of workflows, cost control, and adherence to standards. Within the scope of the continuous adaption of ›ICM‹, Dräger released the ›ICM 12‹ update in the first half year of 2021. The user interface in the archive display section, the daily curve, and the trend charts in particular were all redesigned. In addition, the interface with ID-Medics and Medico in the medication section

was expanded and the system connection simplified, allowing for the easier retrieval of documents from the hospital information system, for example, and other technologies. New device connections were also added.

Dräger launched a new generation of ceiling supply units during the second half of the year. The new ›Ambia‹ and the updated ›Ponta‹ support our customers in making workflows in the operating room, neonatology, and intensive care more efficient. The new ceiling supply units provide more ports to connect medical equipment and accessories on all four sides of the frame rail. They also offer more capacity for electrical and gas outlets, which can be positioned as desired. ›Ambia‹ and ›Ponta‹ make it possible to customize the configuration of intensive care and operating room workstations for more efficient treatment. Further improvements have been made to ergonomic aspects. Moreover, cleaning and disinfecting the equipment is fast and easy. All of these features contribute to more efficient patient care.

Area shutoff systems, such as the Dräger ›Area Control Unit‹, are an essential part of every hospital's central gas supply system. They help staff monitor and shut off medical gases and vacuums in individual areas of a hospital while also enabling the use of localized alarms in the event that pressure readings are too high or too low. ›Area Control Unit – digital‹ has been designed to further improve the safety and user-friendliness of such control units. The expansion additionally offers a digital display with touch functions that are built into the front door, as well as a built-in door opening alarm. This modern display unit allows clinical and technical staff at hospitals to quickly and precisely measure relevant operating parameters, such as pressure and consumption, as well as pressure alarms.

SAFETY DIVISION

In 2021, we launched 12 (2020: 12) 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.

The new ›PSS AirBoss‹ self-contained breathing apparatus for fire services was launched in the first half of the year. Future-oriented technology and ergonomics were the focus throughout its development. Firefighters are able to move more freely and carry out operations with less physical strain thanks to the greatly reduced weight and the carrying profile. The connected and integrated respiratory protection monitoring system ensures continuous and straightforward coordination of operations on-site as well as at the operational command center, increasing the safety of the individual user and the entire team. Reflective surfaces known as ›buddy lights‹, along with integrated sensors, improve location recognition for first responders.

The new ›Dräger Nano‹ compressed air cylinder offers a range of advantages to customers, especially those in fire services. The extreme weight reduction of the compressed air cylinders ensures less strain and fatigue during operations while also increasing the agility of the user. What is more, operating times can be significantly increased through two-cylinder configuration. The fully composite cylinder can also be used indefinitely, thereby reducing investment costs for fire services.

Dräger also launched the ›MetCam‹ optical gas detection camera in the first half of the fiscal year. The camera enables the detection and location of methane leaks, as well as the size of the leak. Possible hazardous situations due to gas leaks can therefore be detected and assessed more quickly and accurately. In the oil and gas industries, there are often large or complex facilities where access is difficult or where gas pipelines have multiple connections. Such facilities are difficult to monitor with conventional gas detection systems. It is also hard to locate any leaks that may occur. The ›MetCam‹ complements stationary gas warning systems by automatically monitoring facilities around the clock and detecting gas leaks at an early stage.

Dräger expanded its range of solutions in the field of wireless, stationary gas detection technology with the ›Polytron 6100 EC WL, WirelessHART‹. The gas warning transmitter uses tried-and-tested electrochemical Dräger sensors, allowing it to cover a spectrum of approximately 140 toxic gases and oxygen. The autonomous WirelessHART and ISA100 wireless standards, both widely used and accepted in the industry, ensure secure transmission of the measured values. As a result, Dräger is now able to offer its customers wireless gas detection technology based on both wireless standards and support them in the safe, flexible, and cost-effective monitoring of hazardous areas.

The new ›REGARD 7000 OPC UA Server‹ expands our product range in the area of stationary gas detection technology and serves to transmit system data via an OPC UA interface to higher-level data recording systems. The ›REGARD 7000 OPC UA Server‹ is designed to provide data for the visualization and documentation of systems behavior, thereby simplifying processes for our customers.

In the first half of 2021, Dräger also launched ›Gas Detection Connect‹ (GDC), a cloud-based software solution. ›GDC‹ connects Dräger gas detection devices and test stations to a central system, with all of the collected data being bundled centrally in a cloud. ›GDC‹ also enables state-of-the-art device management, which comprises the documentation of all tests through certificates, the tracking of test and calibration intervals, and an overview of used and active devices, as well as the ability to link them to the responsible employee. In addition, ›GDC‹ makes it possible to directly connect gas measuring devices, for example through the ›GDC App‹, where measured values can be transmitted to the system in real time and displayed on a map. Alarms are immediately reported and visualized, with the device location and carrier being displayed immediately. Shift supervisors are thereby able to do much more to protect their colleagues and initiate measures, where necessary.

In the second half of the year, we launched ›PARAT 1200‹, an extra-small filtering escape device. Its small size makes the device particularly practical and easy to carry. It provides ten minutes of escape time while protecting the wearer from a wide range of toxic gases and vapors particularly supporting our customers in the oil and gas and chemical industries. A further option is the ›PARAT 1260‹. The special vacuum-sealed aluminum barrier bag provides additional protection for the device, thereby increasing its service life.

We have expanded the existing portfolio of ›Pac 6500‹, ›Pac 8000‹, and ›Pac 8500‹ single-gas detection devices to include an optional Bluetooth interface. The introduction of connectivity to our single-gas detection devices and the launch of live monitoring in our ›Gas Detection Connect‹ cloud solution mark a further important step toward digitalization and connected gas detection technology. Using a smartphone app, the data from the gas detection instrument can be transmitted wirelessly to ›Gas Detection Connect‹.

Our ›Dräger REGARD 3000‹ is a new control system for stationary gas detection systems that allows users to keep an eye on the status of the gas detection system at all times. ›Dräger REGARD 3000‹ allows central access to all diagnostic information in the event of an alarm or fault. The system's status light provides a clear signal as to whether everything is functioning properly, or whether there are malfunctions or an alarm. The light signals also indicate whether an alarm is still active or whether a response has already taken place.

The new ›Dräger Alcotest 7000‹ for professional use makes it possible to perform a particularly large number of alcohol tests in a very short time. The device features a 2-in-1 measurement function. In addition to conventional tests through a mouthpiece, users can also perform alcohol tests through an attachable funnel. Measurements with the ›Dräger Alcotest 7000‹ deliver reliable results, even in extreme temperatures. Thanks to its outstanding measurement stability, the device only has to be calibrated once a year. It also offers fast and easy data transfer.

Our new ›Dräger HPS SafeGuard‹ helmet for fire and rescue services protects first responders while fighting fires and providing technical assistance. Its special form offers maximum protection without impairing the wearer's hearing or sight. It also features an optional built-in helmet communication system that makes team coordination easier. In addition, it is ultralight and offers optimum wearing comfort.

The new ›Dräger X-plore 8000‹ helmets provide improved wearing comfort along with outstanding protection. They can be worn as helmets with a fold-up visor or as a combination of headgear and hood. The ›Dräger X-plore 8000‹ helmets are designed for use in tough environments in day-to-day industrial operations. They protect the head, face, and eyes from mechanical hazards, with some models also offering protection from specific chemicals substances. The helmets can be used either with a ›Dräger X-plore 8500‹ or ›Dräger X-plore 8700‹ powered air-purifying respirator in situations where the ambient air is breathable, or with the ›Dräger X-plore 9300‹ air-line device in situations where the ambient air is not breathable.

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 souls 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 2021:

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

We were again able to achieve encouraging progress in these areas in the past year. In 2021, as in the past, Dräger designed new measures for even better compatibility of a career with various life phases and launched a mentoring program with the aim of attracting more women to management positions. In addition, we continued enhancing our occupational health and reintegration management system.

The results of this year's global employee survey show that WeLEAD, our Group-wide leadership and cooperation model, is bearing fruit. The findings of the survey improved despite the COVID-19 pandemic, with employees' sense of identification with Dräger particularly high.

To further strengthen the concept of collaboration, we have started rolling out a new organizational model in our IT department. The new model centers around the independent organization of the responsible teams across departmental borders, combined with an even stronger focus on users and customers. Specially trained in-house colleagues who work as agile coaches and change managers are on hand to support this cultural development.

The expansion of remote working arrangements and a pilot company agreement on desk sharing are making a substantial contribution to the constant modernization and improvement of our employees' working conditions.

Our new company car directive, which also came into effect in 2021, focuses on sustainability by promoting electromobility in company cars.

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 our employees' interest in the development of business so that all of them identify even more strongly with the Company.

In fiscal year 2021, our employees once again had the opportunity to acquire up to 60 preferred shares and receive 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 2021, 2,093 employees (2020: 2,169) purchased an average of 32 shares (2020: 25). A total of 66,981 preferred shares (2020: 54,315) were ordered; Dräger contributed 22,327 bonus shares (2020: 18,105).

All in all, employee participation in Drägerwerk AG & Co. KGaA increased by 89,308 preferred shares in the past fiscal year (2020: 105,420, including 33,000 shares free of charge). Since the start of the employee share program, some 5 % of the total preferred shares have been acquired by employees.

EMPLOYEES IN NUMBERS

As at December 31, 2021, 15,900 people worked for the Dräger Group worldwide, 243 (1.6 %) more than in the prior year (December 31, 2020: 15,657). In Germany, the number of people working for the Dräger Group rose by 82 year-on-year (1.1 %), while the number of people working abroad rose by 161 (1.9 %). As at December 31, 2021, Dräger employed 53.3 % (December 31, 2020: 53.1 %) of its employees outside Germany.

More than half of the new hires (154 employees) were in Research and Development. We increased employee numbers in sales-related functions by 102. Compared to the prior year, we employed 35 more people in service and other customer-oriented areas as at December 31. We increased employee numbers in Sales by 34, with more than two-thirds of those new employees hired abroad. As at the balance sheet date, the number of employees in Marketing rose by 33. In General Administration, 73 new employees were hired, more than one-third of whom were in Finance. In Quality Assurance, the number of employees increased by 25. In Production, Logistics, and Purchasing, the number of employees decreased by 111. The headcount reduction pertained primarily to the decrease in production following the COVID-related increase in demand. The headcount reduction was focused on Germany and mainly affected temporary employees in connection with the increase in production during the COVID-19 pandemic.

Of the 15,900 employees worldwide, 58.6 % (December 31, 2020: 58.9 %) worked in Sales, Marketing, and Service; 19.7 % (December 31, 2020: 20.6 %²) worked in Production, Quality Assurance, Logistics, and Purchasing; 10.5 % (December 31, 2020: 9.7 %) worked in Research and Development; and 11.1 % (December 31, 2020: 10.8 %²) worked in General Administration.

Personnel expenses within the Group rose by 2.1 % year-on-year (2.4 % net of currency effects) to EUR 1,267.2 million. Personnel costs rose despite lower average costs per employee. The rise was primarily due to the higher headcount and pension expenses, as the cost per employee, excluding the Executive Board's remuneration, decreased by an average of 2.2 % (net of currency effects: 1.9 %) due to higher bonus payments in the prior year. The personnel cost ratio in fiscal year 2021 was 38.1 % (2020: 36.4 %).

➤ Please refer to ›Workforce trend‹ and ›Key workforce trend figures‹ tables.

WORKFORCE TREND

		Headcount as at the balance sheet date		Headcount (average)	
		December 31, 2021	December 31, 2020	2021	2020
Germany		7,432	7,350	7,398	7,179
Abroad		8,468	8,307	8,455	8,050
Dräger Group total		15,900	15,657	15,852	15,229
Women		4,620	4,453	4,571	4,320
Men		11,280	11,204	11,281	10,908
Dräger Group total		15,900	15,657	15,852	15,229
Personnel development costs	€ million	15.9	14.9		
thereof training expenses	€ million	6.9	6.0		

² Prior-year figure adjusted for structural changes

KEY WORKFORCE TREND FIGURES

	Headcount as at the balance sheet date	
	December 31, 2021	December 31, 2020
Number of employees	15,900	15,657
Percentage of female employees	29.1	28.4
Part-time employees	990	915
Average years with Dräger in Germany	14	13
Average age of employees	43	43
Turnover of employees	7.1	4.3
Sick days of work days in Germany	5.4	5.3
Accidents in Germany (accidents at work and while commuting to work), Time off sick > 3 days	52	51

Sustainability

Sustainability is very important to Dräger. We provide information about occupational safety, training, the supply chain, environmental matters, and other factors relating to sustainability in a separate sustainability report (non-financial statement) that is published on our website.

According to Regulation (EU) 2020/852 on the EU taxonomy, quantitative information on the proportion of turnover, capital expenditure (CapEx), and operating expenditure (OpEx) attributable to sustainable activities must be disclosed in the non-financial statement starting with the financial statements for 2021. Upon closer examination, we have found that the Dräger Group does not engage in material economic activities subject to the EU environmental targets according to the screening criteria defined in the EU taxonomy. As a result, no disclosures concerning taxonomy compliance for sustainable activities are made. A detailed description of the review is presented in the sustainability report.

☐ Please refer to www.draeger.com/en-us_us/About-Draeger/Sustainability.

Business performance

General economic conditions

GLOBAL ECONOMY SEES HISTORIC SLUMP

Following a historic slump in the global economy as a result of the COVID-19 pandemic in 2020, an initial recovery began in 2021. However, the countermovement varied greatly from region to region and lost momentum over the course of the year.

The International Monetary Fund (IMF) expects global economic output to increase by almost 6 % in 2021. For the eurozone, that increase stands at 5.2 %, with Germany seeing a rise of merely 2.7 %. The increase is likely to be slower in industrialized countries than in emerging markets. However, the IMF has found that the momentum of the economic recovery decreased in the second half of 2021, leading it to slightly downgrade its overall forecast for the year, with a significantly more marked reversal for some countries. For emerging markets in particular, the outlook is less positive due to the deteriorating pandemic situation. In industrialized countries, economic output will increase less sharply than still anticipated at mid-year due to problems in supply chains.

There are two reasons why Germany's economic recovery will be weaker than the overall eurozone's in 2021. First, Germany survived the pandemic relatively unscathed in 2020 compared to other European countries, some of which were forced to record a double-digit decline in economic output. Second, the current global supply bottlenecks are having a particularly strong effect on Germany due to the country's economic structure and are negatively impacting economic recovery in the near term.

FISCAL AND MONETARY POLICY RESPONSE TO THE IMPACT OF THE PANDEMIC

Governments and central banks around the world continue making efforts to mitigate the negative effects of the pandemic on the economy. Monetary policy is using any remaining leeway to support the economies. The U.S. Federal Reserve (Fed), for instance, has cut its interest rates significantly and also resumed bond buying. In late 2021, the Fed announced its plans to speed up its withdrawal from the aid programs designed to cope with the coronavirus crisis against the backdrop of high inflation and solid economic growth. It intends to significantly reduce bond buying and raised the prospect of up to three interest rate hikes in the year ahead. Given the negative interest rates already in place, the European Central Bank has not curtailed its bond-buying activities. In light of the current situation, however, it plans to end the bond purchasing initiated in connection with the coronavirus aid efforts in early 2022.

INFLATION RATES UP SIGNIFICANTLY IN SOME CASES, EURO WEAKER

Prices rose in the second half of 2021. In some cases, those price hikes were significant, especially against the backdrop of base effects due to low energy prices and the temporary value-added tax cut in the prior year. In addition, the significant rise in energy prices in 2021, higher commodity prices in general, and problems in supply chains contributed to the increase in prices. As a result, the inflation rate in the eurozone rose more sharply in 2021 than in years prior. In December, the increase stood at 5.0 % year-on-year. In Germany, that figure even stood at 5.3 % in December, resulting in an inflation rate of 3.1 % for Germany over the course of 2021 as a whole.

The euro lost value against the U.S. dollar over the course of 2021. Its performance varied against emerging market currencies and a variety of other currencies. Overall, the negative exchange rate effects from currency changes decreased year-on-year.

➤ Please refer to the »Major currency changes and their impact on Dräger's earnings« table on page 36.

MAJOR CURRENCY CHANGES AND THEIR IMPACT ON DRÄGER'S EARNINGS

Average rates compared to the euro	12 months 2021	12 months 2020	Change in %	Impact on Dräger's earnings (EBIT) ¹
US dollar	1.18	1.15	3.0	↑
Indian rupee	87.26	84.94	2.7	↑
Japanese yen	130.31	121.83	7.0	↓
Peruvian nuevo sol	4.60	4.03	14.2	↓
Turkish lira	10.82	8.15	32.7	↓

¹ Please refer to the comments on the earnings of the Dräger Group and the segments on pages 44 et seq. For further details on the effects of changes in exchange rates on earnings.

MARKET AND INDUSTRY PERFORMANCE

Medical technology

The impact of the COVID-19 pandemic shaped the course of events in 2021 in the medical division as well, leading to a rise in demand. Although demand started to return to normal as the year went on, the areas of the medical business relevant for us still developed well.

The COVID-19 pandemic has made apparent the need for investment in European countries' healthcare systems. The pressure to modernize is particularly high across Southern and Eastern Europe. Some countries in the region have already responded and are making greater investments in more up-to-date medical technology and the digitalization of the healthcare system. With acceptance of e-health solutions having grown as a result of the COVID-19 pandemic, many European countries are making greater investments in the expansion of such systems.

From our perspective, the American medical technology market developed positively in the fields relevant for us. Demand for medical technology was also high in the U.S. during the COVID-19 pandemic. E-health solutions saw strong demand in the U.S. as well, with the telemedicine market growing rapidly during the COVID-19 pandemic. In Brazil, the economic recovery made relatively rapid progress. Political developments and the rising inflation rate, however, continue to fuel a high level of uncertainty there.

The Africa, Asia, and Australia region saw positive development on the whole. India increased spending in the healthcare sector, with a focus on combating the COVID-19 pandemic and investing in e-health solutions. However, the Indian government plans to increase local production so as to reduce dependency on imports. A similar protectionist trend can be observed in China and Japan as well. In Japan, where the need to import medical technology has so far been very high, the COVID-19 pandemic has exposed the vulnerability of the country's healthcare system. As a result, the country is now focusing greater efforts on local production, with emphasis on digitalization and automation. On the Arabian Peninsula, a variety of investment projects were announced; here too, efforts are underway to promote the digitalization of the healthcare sector. Sales of medical technology remained low overall in Africa, including South Africa.

Safety technology

In the European market for safety technology, we saw a recovery in 2021. The chemical industry in Germany expects a rise in production and net sales for 2021 as a whole. Demand increased in Northern Europe as well. The Swedish chemical industry recorded very high order intake and reported a rise in production and net sales despite supply bottlenecks. The chemical industry saw moderate growth in Southern Europe. In the United Kingdom, the chemical industry posted gains, but suffers from new EU customs barriers. In Russia, the chemical industry also remained a high-growth sector in 2021, resulting in an increase in production and higher investments. To our knowledge, the oil and gas industry stabilized in Europe.

The American market saw slightly positive development. While the U.S. chemical industry posted only moderate growth in 2021, production in the Brazilian chemical industry returned to its pre-crisis level, thanks in part to

higher demand. In the American oil and gas industry, production increased on the back of rising demand and higher prices. The mining industry also developed positively in the region in our estimation, with the high commodity prices providing fresh momentum for investments in mining projects.

In the Africa, Asia, and Australia region, the market for safety technology developed positively, according to the figures available to us. The chemical industry in China recovered, and net sales rose. However, the recurring partial lockdowns of important container ports pose a major challenge for the industry. In India, the chemical industry benefited from the economic recovery. Sales in the Japanese chemical industry returned to normal and increased slightly. The chemical industry on the Arabian Peninsula also recovered, triggering an expansion of capacities. The mining industry, which is of importance in the countries of Southern Africa, developed favorably in 2021, leading to an increase in demand. According to our information, the fire service market kept pace with the overall economy.

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.

GLOBALIZATION VS. PROTECTIONISM

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 emerging markets. 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 COVID-19 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 trade and industry have been ubiquitous. The interplay between humans and machines, and the exploitation of new technical opportunities, offers enormous potential to boost efficiency and pave the way for completely 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 intensively consider the question 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, to name just one example. As a result, the COVID-19 pandemic has completely transformed digitalization from being a topic of the future to being a topic of the present.

OVERALL ASSESSMENT OF THE UNDERLYING CONDITIONS

Despite ongoing vaccination campaigns, the COVID-19 pandemic continues to have an impact on economic activity. The more contagious mutated variants of the coronavirus are one of the main factors behind this impact. 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 sectors have performed robustly overall in this environment. However, there are differences in terms of the economic effects. In the medical division, the pandemic-related demand continued initially in 2021 before giving way to normalization. In the safety division, a slight revival made itself felt as economies started to recover. In the field of light respiratory protection, the availability of FFP masks increased as a result of greater manufacturing capacity. Restrictions on availability, especially of electronic components, and problems in the supply chain have led to bottlenecks affecting the ability to manufacture goods on time in some product areas.

Business performance of the Dräger Group

➤ Please refer to the ›Business Performance of the Dräger Group‹ table on page 40.

OVERALL MANAGEMENT ASSESSMENT OF BUSINESS PERFORMANCE

Following the record-setting year of 2020, in which order intake and net sales rose significantly as a result of the COVID-19 pandemic, fiscal year 2021 was still influenced by the effects of the pandemic. Consequently, our business developed better than originally expected. Demand for products used to treat COVID-19 patients remained high for longer than originally envisaged at the start of the year. Over the course of the year, major orders came from a variety of emerging economies in particular. Business performance did not begin to return to normal until the second half of 2021.

Net of currency effects, order intake fell year-on-year by 17.9 % (-18.4 % in nominal terms). Seen alone, order intake increased by 12.4 % year-on-year in the fourth quarter (+13.9 % in nominal terms). Net sales (net of currency effects) decreased by 1.8 % (-2.3 % in nominal terms) over the course of 2021 as a whole and by 18.1 % (-17.0 % in nominal terms) in the fourth quarter.

The euro lost value against the U.S. dollar over the course of the year. The euro developed both positively and negatively in relation to emerging market currencies. While the currencies of several emerging markets lost value against the euro, the currencies of other emerging markets posted significant gains. All in all, currency effects had a negative impact on EBIT, as in the prior year.

Originally, we had expected a decline in net sales of between 7 % and 11 % (net of currency effects) in fiscal year 2021. Thanks to the positive net sales development in the first few months of 2021, we adjusted our forecast at mid-year to reflect a decline of only between 2 % and 6 %. Moreover, we raised our earnings forecast in line with the better net sales development to reflect an EBIT margin of between 8 % and 11 %, in contrast to the original expectations of 5 % to 8 %. In fact, net sales development (net of currency effects) ultimately exceeded even the adjusted expectations in fiscal year 2021. Our EBIT margin came in at the lower end of the range due, in part, to one-off expenses in the fourth quarter.

Our earnings before interest and taxes (EBIT) stood at EUR 271.7 million in fiscal year 2021 (2020: EUR 396.6 million) thanks to the positive net sales development, high production capacity utilization, and a good product mix. However, one-off expenses had a negative impact on earnings, particularly in the fourth quarter. The EBIT margin fell to 8.2 % (2020: 11.6 %), keeping it within the raised forecast range.

Accompanied by a stable cost of capital, Dräger Value Added (DVA) stood at EUR 171.8 million (2020: EUR 296.9 million), placing it above the originally anticipated value and within the higher range forecast from mid-2021 onward.

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. Especially due to changes in the product mix, the gross margin was down slightly year-on-year, but remained within the forecast range.

Our research and development costs exceeded our forecast values at the end of the year on account of increased project volume. Investment volume was within the forecast range in 2021.

Our net interest result improved year-on-year, as expected, thanks to the revaluation of a payment obligation to a minority shareholder at the end of the year. However, it exceeded the range we had specified at mid-year.

The good net sales development had a positive effect on days working capital, allowing us to achieve a better value, than expected.

On account of strong earnings development, net financial debt saw a more significant improvement in 2021 than anticipated at the start of the year.

➤ Please refer to the ›Comparison of forecast and actual figures‹ table on page 41.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Twelve months		
		2021	2020	Change in %
Order intake	€ million	3,087.8	3,786.2	-18.4
Net sales	€ million	3,328.4	3,406.3	-2.3
Gross profit	€ million	1,540.9	1,608.9	-4.2
Gross profit / Net sales	%	46.3	47.2	
EBITDA ¹	€ million	421.0	521.0	-19.2
EBIT ²	€ million	271.7	396.6	-31.5
EBIT ² / Net sales	%	8.2	11.6	
Net profit	€ million	154.3	249.9	-38.3
Earnings per share on full distribution ³				
per preferred share	€	7.19	10.25	-29.9
per common share	€	7.13	10.19	-30.0
DVA ^{4,5}	€ million	171.8	296.9	-42.2
Research and development costs	€ million	328.6	289.6	+13.5
Equity ratio ⁶	%	39.7	31.3	
Cash flow from operating activities	€ million	384.9	460.0	-16.3
Net financial debt ^{6,7,8}	€ million	-24.0	187.1	> -100
Investments	€ million	194.3	178.0	+9.1
Capital employed ^{6,9}	€ million	1,381.1	1,410.6	-2.1
Net working capital ^{6,10}	€ million	516.6	606.9	-14.9
EBIT ^{2,4} / Capital employed ^{6,9} (ROCE)	%	19.7	28.1	
Net financial debt ^{6,7,8} / EBITDA ^{1,4}	Factor	-0.06	0.36	
Gearing ^{7,8,11}	Factor	-0.02	0.18	
Headcount as at December 31		15,900	15,657	+1.6

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 130.1 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 203.8 million as at December 31, 2021

⁸ 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

⁹ Capital employed = Total assets less deferred tax assets, securities, cash and cash equivalents, non-interest bearing liabilities and other non-operating items

¹⁰ Net working capital = Trade receivables and inventories less trade payables, customer prepayments, short-term operating provisions and other short-term operating items

¹¹ Gearing = Net financial debt / equity

COMPARISON OF FORECAST FIGURES AND ACTUAL FIGURES

	Forecast 2021 According to the annual report	Current forecast last published	Fiscal year 2021 Results achieved
Net sales (net of currency effects)	-7.0 to -11.0 %	-2.0 to -6.0 %	-1.8 %
EBIT margin	5.0 to 8.0 % ¹	8.0 to 11.00% In the lower range of our forecast corridor	8.2 %
DVA	EUR 44 to 142 million	EUR 150 to 250 million	EUR 171.8 million
Other forecast figures			
Gross margin	On par with prior year (2020: 47.2 %) (+ / - 1 percentage point)	Confirmed	46.3 %
Research and development costs	EUR 295 to 310 million	Confirmed	EUR 328.6 million
Interest result	Improvement	EUR -23 to -30 million	EUR -35.0 million
Days working capital (DWC)	On par with 2019 (2019: 109.4 days)	Improvement compared to 2019 (2019: 109.4 days)	99.7 days
Investment volume ²	EUR 120 to 145 million	Confirmed	EUR 130.1 million
Net financial debt	Improvement compared to 2020 (2020: EUR 326.4 million)	Significant improvement	EUR -24.0 million

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

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

The following section covers Dräger's business performance in detail.

ORDER INTAKE

ORDER INTAKE

in € million			Twelve months	
	2021	2020	Change in %	Net of currency effects in %
Medical division	1,916.9	2,498.7	-23.3	-22.6
Safety division	1,170.9	1,287.5	-9.1	-8.8
Total	3,087.8	3,786.2	-18.4	-17.9
thereof Europe	1,700.3	2,271.1	-25.1	-24.8
thereof Germany	650.1	941.9	-31.0	-31.0
thereof Americas	609.8	662.2	-7.9	-5.6
thereof Africa, Asia, and Australia	777.7	852.9	-8.8	-9.2

In fiscal year 2021, order intake decreased by 17.9 % (net of currency effects) on the heels of exceedingly positive performance in the prior year. After accounting for the steepest rise in demand in the prior year, Europe saw the sharpest drop, at 24.8 %. Orders also declined in the Africa, Asia, and Australia region, and in the Americas region. In the fourth quarter, however, order volume was 12.4 % higher year-on-year (net of currency effects)—a rise to which all regions contributed.

In the medical division, order intake was 22.6 % lower than in the prior year (net of currency effects). The decline was most significant in Europe on the heels of the extremely sharp rise in 2020. Following a strong prior year, demand was also lower in the Americas region and in the Africa, Asia, and Australia region. By contrast, order intake increased by 11.0 % in the fourth quarter (net of currency effects). All regions contributed to this development.

In the safety division, order intake fell by 8.8 % (net of currency effects). However, the trend varied significantly from region to region. While orders declined sharply in the Europe region, demand in the Americas region was almost on par with the prior year. We even achieved a marked rise in order intake (net of currency effects) in the Africa, Asia, and Australia region. In the fourth quarter, order intake increased by 14.7 % (net of currency effects), with all regions contributing to the trend.

NET SALES

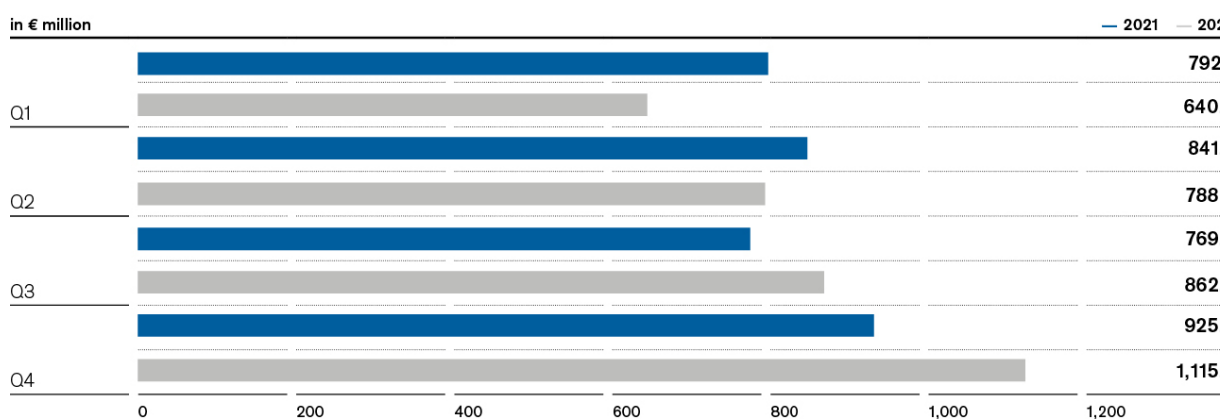
NET SALES

in € million	2021	2020	Change in %	Twelve months
				Net of currency effects in %
Medical division	2,064.2	2,302.2	-10.3	-9.7
Safety division	1,264.2	1,104.1	+14.5	+14.5
Total	3,328.4	3,406.3	-2.3	-1.8
thereof Europe	1,892.3	1,985.8	-4.7	-4.5
thereof Germany	766.6	807.8	-5.1	-5.1
thereof Americas	629.1	611.2	+2.9	+5.5
thereof Africa, Asia, and Australia	807.1	809.3	-0.3	-0.8

Following record sales in 2020, net sales fell by 1.8 % (net of currency effects) in the reporting year. While Europe saw the sharpest drop in deliveries, that same metric was almost on par with the prior year in the Africa, Asia, and Australia region. In the Americas region, we even managed to post a 5.5 % rise in net sales (net of currency effects). Net sales fell in all regions in the fourth quarter by a total of 18.1 % (net of currency effects).

The decline in net sales in the medical division, both in the reporting year and in the fourth quarter, stood in contrast to a rise in net sales in the safety division in both periods.

DEVELOPMENT OF NET SALES BY QUARTER



EARNINGS

In fiscal year 2021, gross profit fell by EUR 68.0 million to EUR 1,540.9 million, due mainly to a drop in net sales and margins in the second half of the year, which stood in contrast to a very strong prior year due to pandemic-related factors. In the first three quarters of the fiscal year, call-offs for ventilation equipment from the prior year's major order involving the Federal Ministry of Health had a positive effect on net sales and earnings. The lower gross margin for the fiscal year as a whole was attributable to lower production capacity utilization and a less favorable country and product mix, among other things. Currency effects also had a slightly negative impact on gross profit and the gross margin, the latter of which fell by 0.9 percentage points year-on-year to stand at 46.3 %.

As a consequence of the pandemic-related extraordinary rise in the prior year, gross profit and the gross margin fell significantly in the medical division in the fiscal year. Despite a lower margin, gross profit increased year-on-year in the safety division thanks to higher net sales.

In the fourth quarter, gross profit was approximately on par with the level seen before the outbreak of the pandemic, having fallen by EUR 143.7 million year-on-year. The decrease in the gross margin by 5.9 percentage points to 40.8 % and the decrease in net sales had a major impact on gross profit. Both factors were attributable to one-off effects from impairments on our production equipment and inventories of FFP masks and the rapid COVID-19 antigen test that we had developed in-house. While both divisions reported lower gross profit, the medical division was specifically affected by a decrease in net sales, whereas the safety division felt the impact of lower margins.

Our functional costs were up by 5.3 % year-on-year (net of currency effects) in fiscal year 2021. Currency effects lowered these costs, resulting in an increase of 4.9 % in nominal terms. The main factors behind the rise in functional costs in the reporting year were higher expenses for third-party services in research and development, as well as an increase in headcount.

Net of currency effects, selling and marketing costs were up by 2.7 % year-on-year in 2021 (+2.1 % in nominal terms). The increase in expenses for third-party services was accompanied by a rise in personnel expenses, despite lower variable remuneration.

Research and development (R&D) expenses increased by 14.1 % net of the change in exchange rates (+13.5 % in nominal terms). Due to the significant rise in expenses and the slight decline in net sales, the ratio of R&D costs to net sales (R&D ratio) increased to 9.9 % (2020: 8.5 %). Net of currency effects, our administrative costs rose by 5.7 % compared to 2020 (+5.2 % in nominal terms), primarily as a result of higher expenses for third-party services and increased personnel costs.

The other financial result improved year-on-year to EUR -2.8 million (2020: EUR -4.9 million) thanks to lower overall currency-related valuation losses resulting from financial receivables and liabilities denominated in foreign currencies.

All in all, earnings for 2021 were influenced by a drop in net sales coupled with a general rise in costs that was moderate for the year as a whole, but substantial in the second half.

As a result, Group earnings before interest and taxes (EBIT) decreased by EUR 124.9 million to EUR 271.7 million (2020: EUR 396.6 million). The EBIT margin fell to 8.2 %.

The interest result improved by EUR 1.4 million to EUR -35.0 million (2020: EUR -36.4 million). The interest expenses for 2021 cover the compounding of liabilities for payments to a minority shareholder in the amount of EUR 13.4 million and for terminated participation certificates in the amount of EUR 8.9 million (2020: EUR 16.4 million).

At 34.8 %, the tax rate was higher compared to the prior year (2020: 30.6 %). The change in the tax rate was primarily attributable to impairments related to deferred tax assets. Earnings after income taxes amounted to EUR 154.3 million (2020: EUR 249.9 million).

FUNCTIONAL EXPENSES

in € million	2021	2020	Change in %
Research and development expenses	328.6	289.6	+13.5
in % of Net sales	9.9	8.5	
Marketing and selling expenses	672.9	659.0	+2.1
in % of Net sales	20.2	19.3	
General administrative expenses	261.1	248.1	+5.2
in % of Net sales	7.8	7.3	
Selling and general administrative expenses	934.0	907.1	+3.0
in % of Net sales	28.1	26.6	
Other operating result	1.1	8.5	-87.0
Total functional expenses	1,263.7	1,205.2	+4.9
in % of Net sales	38.0	35.4	

INVESTMENTS

In fiscal year 2021, we invested EUR 117.8 million in property, plant and equipment (2020: EUR 125.5 million), EUR 29.5 million in intangible assets (2020: EUR 5.7 million), and EUR 47.0 million in right-of-use assets from leases (2020: EUR 46.9 million). The investments in intangible assets were influenced by the purchase of STIMIT AG, Switzerland, and AB UlaX, Sweden (total: EUR 20.8 million). The investments in property, plant and equipment include EUR 19.3 million (2020: EUR 42.0 million) that were primarily intended for the expansion of our respiratory protection mask production sites. The remaining investments in property, plant and equipment primarily comprised replacement and expansion investments and equipment for leasing. Depreciation and amortization totaled EUR 149.3 million in fiscal year 2021 (2020: EUR 124.4 million), EUR 41.6 million of which (2020: EUR 41.5 million) was attributable to depreciation and amortization on capitalized right-of-use assets. Depreciation and amortization amounted to 76.8 % of total investment, meaning that non-current assets increased by EUR 45.0 million.

➤ Please refer to the ›Investments/Depreciation and Amortization‹ table.

INVESTMENTS / DEPRECIATION AND AMORTIZATION

in € million	2021		2020	
	Investments	Depreciation/ amortization	Investments	Depreciation/ amortization
Intangible assets	29.5	-7.7	5.7	-7.4
Property, plant and equipment	117.8	-100.0	125.5	-75.6
Subtotal without Right-of-use assets	147.3	-107.7	131.2	-82.9
Right-of-use assets	47.0	-41.6	46.9	-41.5
Total	194.3	-149.3	178.0	-124.4

Cash flow statement³

➤ Please refer to the “Financial Position of the Dräger Group” table on page 46

In fiscal year 2021, the Dräger Group’s cash inflow from operating activities amounted to EUR 384.9 million (2020: EUR 460.0 million). The year-on-year reduction in profitability⁴ contributed to the decline in cash inflow. The lower cash inflow was also attributable to a EUR 65.5 million decrease in other liabilities (2020: increase of EUR 146.2 million) that related in particular to changes in contract liabilities. By contrast, the EUR 122.3 million reduction in trade receivables (2020: increase of EUR 95.4 million) and the EUR 14.4 million drop in inventories (2020: increase of EUR 162.0 million) raised cash inflow.

The significant decline in cash outflow from investing activities to EUR 109.9 million (2020: EUR 263.1 million), was attributable in particular to the substantial cash outflow in the prior year due to the purchase of money market funds in which Dräger invested available cash and cash equivalents with a short-term investment horizon. Fiscal year 2021 saw, among other things, cash inflow in the net amount of EUR 8.8 million from the partial reduction in money market fund holdings. Remaining investments were primarily made in movable assets. Investments attributable to German subsidiaries totaled EUR 142.9 million (2020: EUR 201.8 million).

The cash outflow from financing activities of EUR 334.6 million (2020: cash inflow of EUR 114.3 million) was mainly attributable to repayments to the holders of the terminated participation certificates in the amount of EUR 258.0 million. Bank loans and current account liabilities in the net amount of EUR 29.4 million (2020: net borrowing of EUR 88.7 million) were also repaid.

➤ Please refer to Note 33.

Cash and cash equivalents as at December 31, 2021, exclusively comprised cash and cash equivalents, of which EUR 6.3 million (December 31, 2020: EUR 5.1 million) is subject to restrictions regarding use. In addition, we held EUR 130.1 million in short-term, highly liquid money market funds as at December 31, 2021 (December 31, 2020: EUR 139.3 million), which are to be recognized as part of cash and cash equivalents following their redemption.

Unused credit lines amounted to EUR 492.4 million as at the balance sheet date (December 31, 2020: EUR 401.3 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 415.0 million runs until November 2026. 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.

³ 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.

⁴ 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	2021	2020	2019	2018	2017
Cash flow from operating activities	384.9	460.0	164.4	4.1	143.3
Cash flow from investing activities	-109.9	-263.1	-62.1	-63.5	-65.5
Free cash flow	275.0	196.9	102.4	-59.4	77.8
Cash flow from financing activities	-334.6	114.3	-87.9	-6.2	-41.9
Change in liquidity (excluding exchange rate effects)	-59.7	311.1	14.5	-65.6	35.9

Internal Group cash pools exist in several different currencies through which liquidity is balanced within the Group. On December 31, 2021, the Dräger Group's short-term loans amounted to around EUR 41.1 million (December 31, 2020: EUR 96.2 million).

Dräger uses note loans in addition to bilateral credit lines for its medium and long-term financing. Dräger had concluded a promissory note loan of EUR 100.0 million that was disbursed in January and March 2021 for the payment of the buyback value to the holders of the terminated series A and series K participation certificates and for the repayment of a promissory note loan due in the amount of EUR 60.0 million. The interest costs of the promissory note loan are linked to an EcoVadis ESG rating that is updated every two years. In July 2021, EUR 60.0 million of a EUR 110.0 million European Investment Bank (EIB) investment loan for ongoing research projects was repaid. An additional loan commitment from the European Investment Bank in the amount of EUR 100.0 million was agreed upon in 2021. To date, no disbursements from this loan commitment have been made. At present, Dräger does not have a rating from agencies such as Standard & Poor's, Moody's, or Fitch.

BILATERAL CREDIT LINES UNDER THE MASTER LOAN AGREEMENT WITH TERMS UNTIL NOVEMBER 30, 2026

Type of credit	€ million	Intended use	Lender
Cash	250.0	Secure working capital requirements	Commerzbank, Deutsche Bank, HSBC, Helaba, SEB, BNP Paribas, Sparkasse zu Lübeck, Deutsche Apotheker- und Ärztebank
Sureties	165.0	Within the context of conducting business activities	Commerzbank, Deutsche Bank, HSBC, Helaba, BNP Paribas
Total	415.0		

LIQUIDITY FORECAST

The Dräger Group's liquidity came to EUR 445.7 million as at the end of 2021 (December 31, 2020: EUR 497.3 million). In addition, Dräger had invested EUR 130.1 million in highly liquid money market funds as at the balance sheet date. On account of its business performance, Dräger anticipates the satisfactory development of cash flow from operating activities to continue in fiscal year 2022. A buyback of series D participation certificates worth roughly EUR 100 million was successfully completed in March 2021. The remaining payment obligation from the repurchase of series D participation certificates of EUR 208.8 million in the first quarter of 2023 will be funded from existing liquidity or through solid financing obtained in due time. 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 with a term of more than one year.

DERIVATIVE FINANCIAL INSTRUMENTS

We generally use derivative 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

NET ASSETS OF THE DRÄGER GROUP

		2021	2020	2019	2018	2017
Non-current assets	€ million	1,186.6	1,159.0	1,061.4	933.7	928.8
Current assets	€ million	1,991.7	2,147.0	1,509.5	1,476.5	1,425.5
thereof cash and cash equivalents	€ million	445.7	497.3	196.3	179.6	247.6
Equity	€ million	1,260.5	1,033.8	1,076.4	1,080.7	1,068.3
Debt	€ million	1,917.8	2,272.2	1,494.6	1,329.6	1,286.0
thereof liabilities to banks	€ million	225.9	254.1	169.6	215.2	209.3
Total assets	€ million	3,178.3	3,306.0	2,570.9	2,410.2	2,354.4
Long-term equity-to-fixed assets ratio ¹	%	235.9	239.8	212.1	220.5	213.9

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, 2021	December 31, 2020	Change in %
Total assets	3,178.3	3,306.0	-3.9
Equity	1,260.5	1,033.8	21.9
Equity ratio	39.7 %	31.3 %	
Capital employed ¹	1,381.1	1,410.6	-2.1
Net financial debt	-24.0	187.1	> -100

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

In fiscal year 2021, our equity was up EUR 226.7 million on the prior-year figure at EUR 1,260.5 million (2020: EUR 1,033.8 million). At 39.7 %, the equity ratio was considerably higher as at December 31, 2021, than as at December 31, 2020 (31.3 %).

Net profit (EUR +154.3 million) had a particularly positive effect on equity. In addition, the changes in provisions for pension obligations and similar obligations increased equity. The decrease in provisions for pensions was primarily due to the adjustment to calculation parameters for German pension provisions, particularly the raising of the underlying interest rate from 0.8 % to 1.2 %. The net amount of these pension adjustments of EUR 48.2 million after deferred tax liabilities increased reserves from retained earnings recognized directly in equity.

Exchange rate differences (EUR +25.8 million, excluding minority interest effects) and deferred tax assets from the termination of the participation certificates in the prior year that became subsequently recoverable in the fiscal year (EUR +10.1 million) also contributed to the rise in equity.

In fiscal year 2021, total assets fell by EUR 127.7 million to EUR 3,178.3 million, mainly due to the repayment of the terminated series A and K participation certificates and a partial buyback of series D. On the assets side, non-current assets increased by EUR 27.6 million, mainly as a result of a rise in property, plant and equipment (EUR +25.0 million), intangible assets (EUR +23.2 million), right-of-use assets (EUR +5.0 million), and other

non-current financial assets (EUR +6.3 million). The increase stood in contrast to a reduction in deferred tax assets (EUR -33.1 million).

Current assets decreased by EUR 155.3 million, primarily due to a reduction in trade receivables (EUR -108.2 million) and cash and cash equivalents (EUR -51.6 million).

On the equity and liabilities side, non-current liabilities fell by EUR 136.4 million. The decrease was mainly driven by the redemption of part of the payment obligation from the termination of the series D participation certificates in the amount of EUR 96.0 million. The payment obligation had been subject to long-term discounting. A reduction in pension provisions (EUR +72.2 million) also lowered non-current liabilities.

Current liabilities also fell significantly, by EUR 218.0 million. The lion's share of this decrease, EUR 158.0 million, was attributable to payment obligations from the termination of series A and series K participation certificates. At the same time, contract liabilities pursuant to IFRS 15 fell due to a decline in deferred income and prepayments received (EUR -78.8 million), as did current liabilities to banks (EUR -55.2 million).

By contrast, a rise in current provisions (EUR +25.3 million), largely for unsettled invoices, as well as an increase in liabilities from income tax and other taxes (EUR +21.7 million), pushed up current liabilities.

DRÄGER VALUE ADDED

Dräger Value Added decreased year-on-year by EUR 125.2 million to EUR 171.8 million in 2021 (2020: EUR 296.9 million). Our EBIT fell by EUR 124.9 million year-on-year. Average capital employed climbed marginally by EUR 3.7 million to EUR 1,427.5 million. As a consequence, our capital costs increased by EUR 0.3 million to EUR 99.9 million (2020: EUR 99.7 million). Days working capital increased by 2.7 days to 99.7 days, mainly due to the fact that average inventories rose by a disproportionately high margin compared to net sales.

Business performance of the medical division

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Twelve months			
		2021	2020	Change in %	Net of currency effects in %
Order intake	€ million	1,916.9	2,498.7	-23.3	-22.6
thereof Germany	€ million	362.6	636.8	-43.1	-43.1
Net sales	€ million	2,064.2	2,302.2	-10.3	-9.7
thereof Germany	€ million	466.6	521.8	-10.6	-10.6
EBITDA ¹	€ million	256.4	391.5	-34.5	
EBIT ²	€ million	191.6	329.4	-41.8	
EBIT ² / Net sales	%	9.3	14.3		
Capital employed ^{3, 4}	€ million	805.8	859.3	-6.2	
EBIT ^{2, 5} / Capital employed ^{3, 4} (ROCE)	%	23.8	38.3		
DVA ^{5, 6}	€ million	132.1	269.6	-51.0	

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

Order intake in the medical division fell by 22.6 % in fiscal year 2021 (net of currency effects). The decline reflects the pandemic-driven record order intake seen in the prior year. Order intake for ventilators, for example, decreased significantly and was down substantially from its high prior-year level in patient monitoring and data management, as well as in the accessories business. By contrast, demand for thermoregulation equipment rose significantly following a decline in the prior year. We recorded sustained growth in the service business and in the hospital infrastructure business. Demand for anesthesia devices was up slightly year-on-year.

In Europe, order intake fell sharply by 30.7 % (net of currency effects). Order intake also declined (net of currency effects) in the Africa, Asia, and Australia and Americas regions. In absolute terms, the drop in demand was greatest in Germany, China, the United Kingdom, and Australia following the marked increase in the prior year. However, order intake increased in Vietnam, India, Peru, Serbia, and Thailand, which still saw isolated major orders related to the pandemic.

In the fourth quarter, order intake was 11.0 % higher (net of currency effects) than in the final quarter of 2020. It was up year-on-year in all regions, with the greatest growth recorded in Europe.

ORDER INTAKE

in € million	2021	2020	Change in %	Twelve months
				Net of currency effects in %
Europe	971.2	1,407.0	-31.0	-30.7
thereof Germany	362.6	636.8	-43.1	-43.1
Americas	419.4	464.5	-9.7	-7.2
Africa, Asia, and Australia	526.4	627.3	-16.1	-15.9
Total	1,916.9	2,498.7	-23.3	-22.6

NET SALES

Net sales in the medical division decreased by 9.7 % (net of currency effects) in fiscal year 2021 as a whole. While the Europe region was the main driving factor behind this development, deliveries also fell in the Africa, Asia, and Australia region. In the Americas region, net sales remained stable year-on-year (net of currency effects). In the fourth quarter, net sales decreased by 28.6 % (net of currency effects), with all regions contributing to the trend.

NET SALES

in € million	2021	2020	Change in %	Twelve months
				Net of currency effects in %
Europe	1,069.8	1,262.6	-15.3	-15.0
thereof Germany	466.6	521.8	-10.6	-10.6
Americas	428.8	443.9	-3.4	-0.8
Africa, Asia, and Australia	565.6	595.6	-5.0	-5.1
Total	2,064.2	2,302.2	-10.3	-9.7

EARNINGS

In line with the sharp, 9.7 % drop in net sales (net of exchange rate effects), the medical division's gross profit also fell by 11.0 % in 2021. However, thanks to the high share accounted for by ventilation—especially in the first nine months—gross profit declined by only 0.3 percentage points.

In the fourth quarter, gross profit was down by 33.3 %. The gross margin fell by 3.8 percentage points. A significant decline in net sales on account of the outstandingly strong net sales in the same quarter of the prior year, an unfavorable product and country mix, and a marked increase in the price of materials led to a reduction in profitability.

Functional costs were up year-on-year by 3.0 % in fiscal year 2021 (net of currency effects; 2.5 % percent in nominal terms), predominantly as a result of substantially higher spending on research and development services. Functional costs fell by 2.7 % (2.2 % in nominal terms) in the fourth quarter. In the same quarter of the prior year, earnings had been negatively impacted by a special payment.

➤ Please refer to the Dräger Annual Report 2020, page 31.

EBIT in the medical division came to EUR 191.6 million in 2021 (2020: EUR 329.4 million), with the EBIT margin falling from 14.3 % to 9.3 %. In the fourth quarter, EBIT stood at EUR 20.5 million (fourth quarter 2020: EUR 136.0 million). The EBIT margin was 3.7 % (fourth quarter 2020: 17.6 %).

In the medical division, Dräger Value Added fell by EUR 137.5 million year-on-year to EUR 132.1 million as at December 31, 2021 (12 months to December 31, 2020: EUR 269.6 million). Rolling EBIT decreased year-on-year by EUR 137.8 million. Capital costs fell slightly by EUR 0.3 million.

Business performance safety division

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Twelve months			
		2021	2020	Change in %	Net of currency effects in %
Order intake	€ million	1,170.9	1,287.5	-9.1	-8.8
thereof Germany	€ million	287.4	305.1	-5.8	-5.8
Net sales	€ million	1,264.2	1,104.1	+14.5	+14.5
thereof Germany	€ million	300.1	286.0	+4.9	+4.9
EBITDA ¹	€ million	164.5	129.5	+27.1	
EBIT ²	€ million	80.0	67.2	+19.1	
EBIT ² / Net sales	%	6.3	6.1		
Capital employed ^{3, 4}	€ million	575.4	551.4	+4.4	
EBIT ^{2, 5} / Capital employed ^{3, 4} (ROCE)	%	13.9	12.2		
DVA ^{5, 6}	€ million	39.7	27.4	+44.9	

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

ORDER INTAKE

		Twelve months			
in € million		2021	2020	Change in %	Net of currency effects in %
Europe		729.1	864.1	-15.6	-15.3
thereof Germany		287.4	305.1	-5.8	-5.8
Americas		190.5	197.8	-3.7	-1.7
Africa, Asia, and Australia		251.3	225.7	+11.4	+9.5
Total		1,170.9	1,287.5	-9.1	-8.8

In the safety division, order intake was 8.8 % lower year-on-year (net of currency effects) in fiscal year 2021. The decline was attributable to the lower demand for light respiratory protection than in the prior year, which was strong on account of the pandemic. Other product areas were in higher demand, particularly our service business and our business with gas detection technology. We saw higher order volume for respiratory and personal protection products following a decrease in the prior year. Demand for alcohol-detection devices and engineered solutions was also up.

In Europe, order intake decreased significantly in fiscal year 2021, with a drop of 15.3 % (net of currency effects). By contrast, demand increased by a substantial 9.5 % (net of currency effects) in the Africa, Asia, and Australia region; in the Americas region, orders were virtually on par with the prior year.

A drop in demand in the United Kingdom, Sweden, Germany, the United States, and South Africa stood in contrast to a rise in order intake in China, Australia, Saudi Arabia, the Netherlands, and Austria.

In the fourth quarter, order intake increased by a significant 14.7 % (net of currency effects). Orders rose most sharply in the Europe region and in the Africa, Asia, and Australia region.

NET SALES

NET SALES				
in € million			Twelve months	
	2021	2020	Change in %	Net of currency effects in %
Europe	822.5	723.2	+13.7	+13.7
thereof Germany	300.1	286.0	+4.9	+4.9
Americas	200.3	167.2	+19.7	+22.3
Africa, Asia, and Australia	241.5	213.6	+13.1	+11.2
Total	1,264.2	1,104.1	+14.5	+14.5

Net sales in the safety division rose by 14.5 % in 2021 (net of currency effects) following declines in the prior year. Deliveries were up considerably in all regions. In the fourth quarter, Dräger achieved net sales growth of 5.1 % (net of currency effects), with all regions making a contribution.

EARNINGS

Gross profit in the safety division increased by 10.1 % in fiscal year 2021 due to a substantial rise in net sales. That rise was driven mainly by good net sales growth, especially from business involving FFP masks and a positive product and country mix. Nevertheless, the gross margin fell by 1.8 percentage points due to higher costs in production and impairments toward the end of the year. Changing market conditions necessitated impairments on our production equipment and inventories of FFP masks and the rapid COVID-19 antigen test that we had developed in-house. The business involving FFP masks that we developed as a result of the pandemic still made a substantial positive contribution to earnings despite the recognized impairments. In the fourth quarter, gross profit decreased by 14.3 %. For the aforementioned reasons, the gross margin fell by 8.9 percentage points.

Functional costs in the safety division were up 9.1 % year-on-year (net of currency effects; +8.9 % in nominal terms) in fiscal year 2021. The main drivers of this development were a significant increase in expenses in the sales regions, as well as for research and development. Functional costs (net of currency effects) rose by 11.9 % (12.5 % in nominal terms) in the fourth quarter.

EBIT in the safety division stood at EUR 80.0 million as at the end of fiscal year 2021 (2020: EUR 67.2 million), while the EBIT margin came to 6.3 % (2020: 6.1 %). In the fourth quarter, EBIT amounted to EUR -5.8 million (fourth quarter 2020: EUR 32.3 million). The fourth-quarter EBIT margin was -1.6 % (fourth quarter 2020: 9.4 %).

In the safety division, Dräger Value Added rose by EUR 12.3 million year-on-year to EUR 39.7 million as at December 31, 2021 (12 months to December 31, 2020: EUR 27.4 million). The safety division's rolling EBIT climbed by EUR 12.8 million year-on-year. Capital costs were up slightly by EUR 0.6 million on account of an increase in 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 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. The planning reviews of the respective business units report on both potential negative (risks) and positive (opportunities, see page 63 et seq.) deviations from the plan or from the financial forecast.

All operating areas of the Company report bottom-up at least twice a year on risks and opportunities using specified criteria; Group Controlling then summarizes the risks and opportunities at Group level. Since 2021, the Company has used risk management software to support the risk reporting process. Using it allows us to determine the key risks for the Group. The integrated Monte Carlo simulation makes it possible to draw up an aggregated overall risk, which acts as the basis for a reliable review of sufficient risk coverage. This risk reporting process is complemented by ad-hoc reporting so that we can respond to significant risks as quickly as possible. Controlling and our Risk Management Board support the responsible risk owners, usually the managers of the functional areas, in assessing and managing risks. The 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 result in 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 continuous exchange of information on risks and opportunities between the respective responsible managers and the Executive Board and Supervisory Board, countermeasures can be taken at short notice when required if new risks occur or if risks become acute. The Internal Audit department and the Supervisory Board are responsible for monitoring the effectiveness of risk management. As our early risk identi-

fication 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 basic principle behind dividing business responsibility into the medical and safety divisions at the beginning of 2020 was to clearly allocate responsibility. For every problem, there is a clearly defined responsible person who develops and implements an optimum solution, allowing quicker decision-making and better leveraging of opportunities. This principle has proved its worth in the coronavirus crisis.

Throughout the crisis, three main factors have 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. Diversity means that, as a rule, no single customer makes up more than 1 % of net sales at Dräger, and that no single product accounts for more than 3 % of the Company's net sales. No more than 5 % of purchasing volume should be attributed to a single supplier. These factors increase resilience. A solid 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 at short notice.

These tools will allow us to continue responding quickly and flexibly to changing market requirements going forward, making it possible for us to effectively seize opportunities.

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 both a control and 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 in line with Dräger Group Accounting Manual related 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 deliberately 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 SEM-BCS 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 and approves all financial transactions that were traded in the Treasury front office.

RISK ASSESSMENT

In the interest of a better overview, risks are pooled into risk categories. Within the risk categories, risk classes provide insight into the potential impact of the risks on our Company. In 2021, we changed the assessment of all existing risks from a qualitative to a quantitative approach following the rollout of risk management software. As a result, we are capable of more systematically determining an expected value for each risk category. In the following, risks in risk classes 1 and 2 are considered material risks.

The due date for reported risks is December 31, 2021; the risk assessment is based on the updated internal risk report. Although the forecast horizon for the Company's results is one year, we also examine long-term risk topics (such as risks related to research and development) as part of the risk assessment process. Accordingly, we also take the long-term impact of risks on our results into consideration when classifying risk categories.

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 at the present time. Immaterial risks from financing instruments are reported in accordance with IFRS 7.

➤ Please refer to the ›Risks from financial instruments‹ section on page 62.

RISK MATRIX

					— Risk class 1 (very high risk) — Risk class 2 (high risk) — Risk class 3 (moderate risk) — Risk class 4 (immaterial risk)	
Extent of damages						
Critical						
Material						
Moderate						
Low						
	Very low	Low	Medium	High	Probability of occurrence	

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
Medium	> 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
Moderate	EUR 5 million to < EUR 10 million	Limited negative impact on earnings
Low	< EUR 5 million	Immaterial negative impact on earnings

RISK CATEGORIES

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

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	↗

POLITICAL, ECONOMIC, AND SOCIAL DEVELOPMENT

Following the historic slump in growth in 2020 as a result of the pandemic, the global economy recovered in 2021 and grew by 5.9 %. However, this increase hides significant shrinkage for some countries, particularly developing markets. For 2022, the International Monetary Fund (IMF) forecasts economic growth of 4.4 %.

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.

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. 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. As part of this, 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. They 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. The standardization of IT systems and their availability could be significantly restricted by geopolitical developments in the future. Today, we already face the challenge of fulfilling various different country-specific compliance guidelines, such as regulatory requirements in the fields of export controls and data security. This development is leading to the increasing localization of IT applications and their data on the basis of technologies, architectures, and contracts.

Database security is also important in mitigating 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 each and thereby guarantee planning security for a certain period of time.

In the case of components and modules that our suppliers intend to stop producing, 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. Right now, bottlenecks are an issue, especially when it comes to the procurement of electronic components (risk class 1).

PRODUCTION AND 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 in this context cannot be fundamentally ruled out.

We rely on logistics providers to repay the faith we place in them and contribute 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 coronavirus pandemic has reduced capacities at many logistics companies, pushing up their prices. There is a risk that these logistics costs will not fall back to their pre-crisis levels, even in the medium 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 page 81 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 areas of product and quality management, among other things (risk class 1).

CURRENCY RISKS

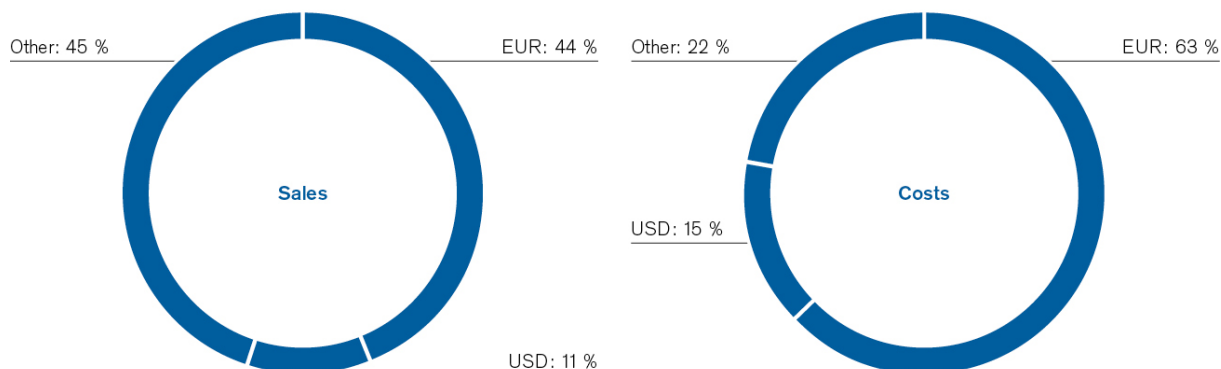
As an international company, we conduct business in a large number of different countries and currencies. As a result, assets and cash flows from our business activities are exposed to currency risks, which can arise as a result of exchange rate fluctuations in the period between planning, accounting, 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 are 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.

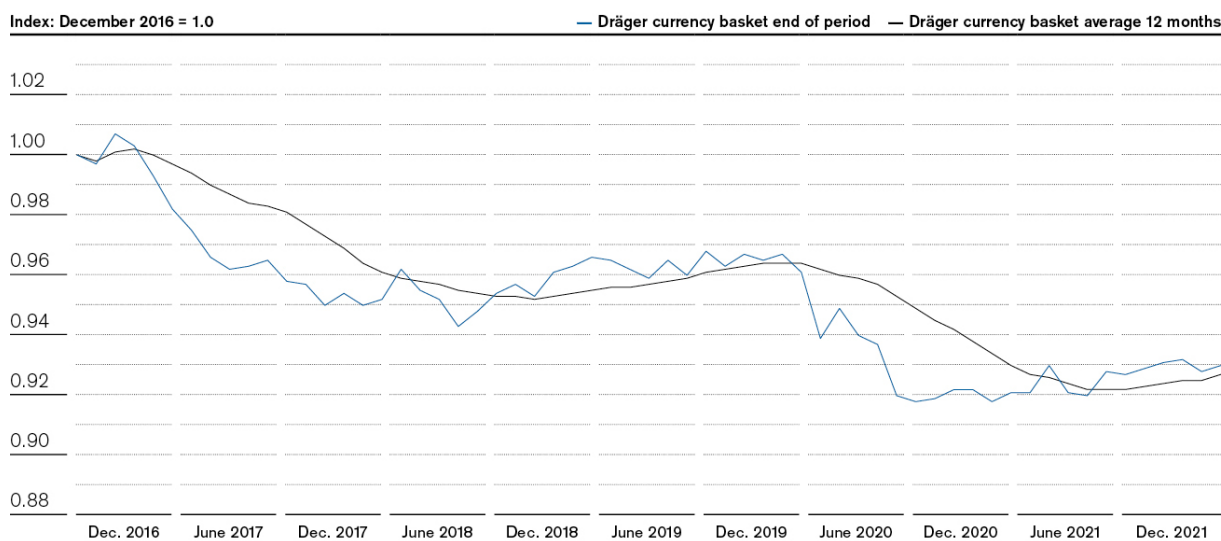
In order to minimize the currency risk from operating activities in an efficient and cost-effective manner, the currencies to be hedged for the subsequent fiscal year are determined on an annual basis using a statistical at risk calculation model. In this model, we use planned cash flows denominated 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 12-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 risk is ultimately also hedged using currency futures when recognizing the underlying transactions for the planned cash flows (risk class 2).

NET SALES AND COSTS BY CURRENCIES (2021)



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



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 2016). 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 rate 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.

To reduce our liquidity risk, the Dräger Group uses note loans of EUR 50 million with a residual term until January 5, 2026, and note loans of EUR 50 million with a residual term until January 4, 2028. 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 a term of five years. One tranche of EUR 50 million has a fixed five-year interest rate and will be repaid on October 2, 2025. One tranche of EUR 60 million with a variable interest rate was repaid on July 1, 2021. There is also an existing loan commitment from the European Investment Bank in the amount of EUR 100 million for a loan with a term of up to five years that can still be fully drawn upon. In 2021, we renewed and expanded our master loan agreement with our core banks. As at December 31, 2021, our related credit lines to ensure our liquidity stood at EUR 415.0 million (previously EUR 377.0 million); they have a term that ends on November 30, 2026. The framework agreement for the bilateral credit lines stipulates a target value based on a certain financial covenant. Should Dräger not comply with this value, the banks are entitled to terminate the bilaterally agreed credit lines. The value has been specified so that we would only run the risk of being unable to comply with the agreed value threshold if our results of operations and financial position were to deteriorate drastically. It is also possible to obtain the banks' approval to exceed or undercut this key figure at an early stage. We continuously monitor the financial covenant.

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 over the short term at commercial banks with high credit ratings and in euro-denominated money market funds with high credit ratings that are subject to European regulation.

We manage currency risks associated with currencies other than the euro through forward and swap hedging transactions with selected banking partners. 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)

The high inflation rate is currently having an impact on the financial market. Monetary policy decisions will cause fluctuations on the markets and have an effect on the future development of capital cost parameters. Higher capital costs may lead to the impairment of our 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. At the present time, we are seeing a decline in demand for FFP masks, as the market is currently oversaturated with respiratory protection masks. This trend could continue and lead to long-term underutilization of production capacities and result in impairments. 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 1).

Recognizing trends and taking advantage of opportunities

We observe opportunities within the scope of our strategic planning process, which involves identifying trends, determining strategic focuses for Dräger, 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 23 et seq.

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.

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. While we expect business development to normalize in 2022, investments in these fields could increase in the long term due to an increased need for safety.

GLOBAL TRENDS

GLOBALIZATION VS. PROTECTIONISM

Nationalistic tendencies are emerging in politics and society in some industrialized nations and emerging markets. The coronavirus crisis has further strengthened protectionist sentiment. This development increases the uncertainty in the market and will remain a key issue in the years ahead. Despite the rising complexity, globalization continues to offer us many opportunities. Thanks to the close links in the global economy, emerging markets such as Brazil are seeing dynamic growth and an associated increase in prosperity, enhancing demand for medical and safety products.

HEALTH

The increase in living standards in emerging markets and industrialized countries alike is resulting in higher standards of healthcare and workplace safety. The coronavirus pandemic has shone a spotlight on the importance of health for individuals and for entire economies. Healthcare should not be taken for granted; it is a scarce commodity. Considering these developments, the outlook for Dräger and our medical and safety divisions continues to be positive.

CONNECTIVITY

The growing extent of digital connectivity is increasing the requirements that devices must fulfill in use. Our Company must explore the potentials offered by new platform-oriented sales models, as well as new innovation and production opportunities. The digital connectivity of devices and the availability of more and more data increases the importance of information security.

➤ Please refer to the ›Trends with an influence on our business performance‹ section on page 38.

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. 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 hospi-

tals to achieve these goals. In industrial markets, the real-time transfer of safety-related data to IT systems is 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 market 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. Dräger is involved in the global

initiative ›Vision Zero,‹ which aims to stop all occupational accidents before they occur, take preventive steps to encourage good health in the interest of avoiding work-related illness, and promote individual well-being.

Overall assessment of risks and opportunities

From a strategic perspective, 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 2022, supply bottlenecks related to the pandemic are the leading factor that could have a negative impact on our results. Moreover, sales of respiratory protection products could fall short of our expectations. General economic and geopolitical developments, as well as regulatory requirements, could pose further risks. Currency risks may 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 rising health needs in connection with the pandemic, economic 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 on page 67.

SWOT ANALYSIS – DRÄGER GROUP

Company-specific

Strengths	Weaknesses
– Wide range of products and services – Strong brand and long-term customer relationships – High degree of diversification – 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	– High complexity through broad product portfolio – Partial dependence on sales partners – Focus on the premium segment and low diversification of the portfolio – 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	Risks
– Continual increase in safety requirements for employees at hazardous workplaces – Progress in medical industry and aging society driving up spending on medical technology – Growth potential in emerging markets through the expansion of healthcare systems and supply – 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	– Increasing complexity and requirements for local licensing and the ongoing certification of products – Pressure on margins from growing local competition – Central purchasing strategy on the customer side and increased purchasing power of companies operating worldwide – Restrictions on government spending and trend towards public companies forming purchasing cooperatives – Economic risks due to the financial crisis in certain countries and geopolitical uncertainty caused by factors such as increased protectionism – Interruptions to supply chains due to material shortages during the pandemic – Market saturation / decline in demand for respiratory protection masks and ventilators – 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 global economy saw the first signs of recovery in 2021 following a historic slump as a result of the COVID-19 pandemic. The International Monetary Fund (IMF) predicts a 5.9 % increase in economic output over the past year. Development varied greatly from region to region, and momentum lessened over the course of 2021. As a result, the IMF's initial assessment of the global economy for the new year was less positive than originally expected. The organization also downgraded its forecast for 2022 against the backdrop of renewed restrictions on mobility in connection with the spread of the Omicron variant. Meanwhile, problems in global supply chains continue to negatively impact economic activity.

The IMF now anticipates global economic growth of 4.4 % in 2022, followed by growth of 3.8 % in 2023. With regard to further development, the IMF sees a global health strategy that ensures access to vaccines, tests, and medication as being absolutely essential to reducing the risk of further dangerous virus mutations. It is imperative that monetary and fiscal policy makers also continue promoting international cooperation in all relevant areas.

➤ Please refer to the «January 2022 Gross domestic product (GDP) growth forecast» chart.

IMF - JANUARY 2022 GROSS DOMESTIC PRODUCT (GDP) GROWTH FORECAST

in %	2021	2022	2023
Global economy	+5.9%	+4.4%	+3.8%
U.S.	+5.6%	+4.0%	+2.6%
Eurozone	+5.2%	+3.9%	+2.5%
Germany	+2.7%	+3.8%	+2.5%
China	+8.1%	+4.8%	+5.2%

FUTURE MARKET AND SEGMENT SITUATION

MEDICAL DIVISION

We expect to see positive development for the European healthcare market. In Southern Europe, the need for modernization in terms of medical technology remains high, which is why demand for medical products will continue to rise there. The region's governments are under pressure to make the healthcare system more efficient and more digital due to the high average age of the population, an increasing frequency of chronic illnesses, and the necessary future steps to maintain care during a pandemic. We also take a positive view of how demand will develop in Northern Europe. In the United Kingdom, extensive funding is set to be earmarked for a modernization campaign in the years ahead. In Russia, the government is investing in the modernization of basic medical care, with ventilators expected to be in particularly high demand in 2022 and the country's telemedicine sector continuing to grow. However, government pressure to award public contracts to local manufacturers is rising.

The Americas region will see positive development to a certain extent, in our opinion. In the United States, the need for medical technology remains high. However, rising cost pressure and supply bottlenecks throughout the region will restrict further market growth in 2022. Digital health solutions offer tremendous potential in both North and South America.

We see positive development in the Africa, Asia, and Australia region, albeit with reservations. In China, for example, protectionist tendencies will play an important role in 2022, as will measures to reduce costs and increase efficiency. In the price-sensitive Indian healthcare market, demand for medical technology will continue to rise. However, protectionist tendencies will play a role here too, with the import-dependent market being increasingly served by locally manufactured products. In Japan, the need for modern medical technology will remain high. The Australian market for medical technology will grow, with the country investing in healthcare

infrastructure. The same applies for the countries of the Arabian Peninsula, where the expansion of the health-care system will continue.

SAFETY DIVISION

In our opinion, the European market for safety technology will develop positively to a certain extent. The supply bottlenecks pose a risk for the chemical industry in places such as France. However, a gradual resolution of the supply problems in 2022, should it materialize, could help fuel a rise in demand there. In the United Kingdom, problems in the supply chain and higher transport costs are having a negative impact on the industry's development, which could lead to negative margins in 2022. Russia's chemical industry will see above-average growth in 2022. We see positive sector development in Northern Europe. In Sweden, for example, net sales will continue rising in 2022 despite the supply bottlenecks. Our outlook is also positive when it comes to developments in Southern Europe. In Spain, for instance, the upward trend is likely to slow down in 2022, but is expected to continue. The chemical industry in Italy can also expect to see net sales growth in 2022. Sustainability remains the defining issue in the European oil and gas industry. The United Kingdom—where structural change in the oil and gas industry is set to continue—is no exception in this regard. Russia's oil and gas conglomerates will increase their production yet again.

Our outlook with regard to development in the American chemical industry is positive. In the United States, the industry can expect to see high demand for chemical products thanks to the infrastructure investment program adopted at the end of November. The mining industry in the Americas region is also likely to develop positively due to factors such as the high global market prices for gold and copper. In Brazil, rising investments are anticipated in the industry in 2022. The United States can expect to see fundamental structural change in the mining sector in the years ahead, accompanied by a shift in priorities.

We regard the development in the Africa, Asia, and Australia region favorably, albeit with reservations. Due to rising costs, the Australian chemical industry, for example, is set to reduce production capacities going forward. In Asia, the chemical industry will benefit from an uptick in economic activity. However, the industry's development will see an impact from weaker demand in some customer sectors, interrupted supply chains, and the issue of environmental protection in countries such as China in 2022. Chemical production capacities are expected to increase in 2022 on the Arabian Peninsula, where we also see positive development for the oil and gas industry. In Australia, slated major projects worth billions will have a positive effect on the development of the oil and gas industry. The same applies for the Arabian Peninsula, with Saudi Arabia, for example, planning a significant increase in oil and gas production in the medium to long term. The mining industry, which is extremely important for Southern Africa, should also see positive development. A significant upswing could materialize in 2022 if the trend toward rising prices and recovery in terms of demand gains momentum. In Australia, the mining industry expects to break production records for certain commodities, such as gold and iron ore, in 2021 and 2022.

Our findings indicate that the fire service market will develop in line with the global economy.

FUTURE SITUATION OF THE COMPANY

The table presents an overview of how we believe the various forecast figures will develop. The forecast horizon generally comprises one fiscal year.

➤ Please refer to the ›Expectations for fiscal year 2022‹ table on page 70.

EXPECTATIONS FOR FISCAL YEAR 2022

	Results achieved for fiscal year 2021	Forecast for fiscal year 2022
Net sales (net of currency effects)	-1.8 %	-5.0 to -9.0 %
EBIT margin	8.2 %	1.0 to 4.0 % ¹
DVA	EUR 171.8 million	EUR -70 to +25 million
Other forecast figures		
Gross margin	46.3 %	44.0 to 46.0 %
Research and development costs	EUR 328.6 million	EUR 320 to 335 million
Net interest result	EUR -35.0 million	EUR -17 to -23 million
Days Working Capital (DWC)	99.7 days	100 to 105 days
Investment volume ²	EUR 130.1 million	EUR 120 to 140 million
Net financial debt	EUR -24.0 million	Improvement

¹ Based on exchange rates at the start of fiscal year 2022² Excluding acquisitions and the capitalization of right-of-use assets pursuant to IFRS 16

We expect the normalization of our business performance since the second half of 2021 to continue in 2022. For fiscal year 2022, we anticipate a decline in net sales of between 5.0 % and 9.0 % (net of currency effects). As a result, net sales volume will be significantly lower than in the two strong prior years, which were buoyed by the COVID-19 pandemic. However, compared with 2019 (the year before the COVID-19 pandemic), that figure represents net sales growth.

In the current fiscal year, the lower net sales volume and the lower gross margin alike will have a negative impact on earnings. Among other things, falling ventilator sales will lead to a lower average margin. Aside from the less favorable product mix, the significantly higher prices of intermediate products, raw materials, and electronics components—coupled with sustained high freight and logistics costs—will have a negative impact on profitability. As a result, the EBIT margin should range between 1 % and 4 % in 2022.

For Dräger Value Added (DVA), we forecast a range of EUR -70 million to EUR +25 million in 2022, assuming the cost of capital remains unchanged at 7 % and capital employed rises slightly.

As a consequence of the aforementioned factors, we anticipate a gross margin of between 44.0 % and 46.0 % in 2022.

We plan to continue investing more in the future sustainability of our company in 2022. Our expenditure on research and development will therefore be higher than in the prior year. All in all, we plan to launch 16 new products and developments in the medical division, as well as five new products in our accessories business. In the safety division, we intend to bring ten new products and developments to market.

Assuming interest rates remain the same, our interest result should decline significantly year-on-year in 2022. The improved interest result largely results from lower interest effects from the redemption of participation certificates. A one-off effect from the compounding of a liability for payments to a minority shareholder also had a negative impact in 2021.

In terms of days working capital (DWC), we expect the decline in net sales to result in a figure of between 100 and 105 days for fiscal year 2022.

We expect our investment volume to stand at between EUR 120 million and EUR 140 million in 2022. Expanding infrastructure in Lübeck will continue to be the focal point of investment.

Net financial debt should improve in 2022 if cash inflow remains positive.

We expect to see higher profitability and a return to positive net sales growth starting in 2023.

DRÄGER MANAGEMENT OVERALL ESTIMATE

The normalization of economic activity following the historic slump in global economic growth continues. Uncertainty with regard to the further development of the pandemic and problems in global supply chains, however, make it more difficult to provide a forecast. The current high level of inflation and the anticipated interest rate hikes could also have a negative impact on further economic development.

For fiscal year 2022, we anticipate few one-off effects in connection with the further progress of the pandemic. 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 worldwide sales and service network in particular in 2022.

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 subscribed 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 (AktG), in particular in Secs. 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 related 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 68.36 % of the common shares of Drägerwerk AG & Co. KGaA, equivalent to 37.02 % 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 and 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 May 7, 2021, the general partner is entitled to increase the Company's capital until May 6, 2026, with the approval of the Supervisory Board, by up to EUR 12,006,400.00 (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 non-voting 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 May 7, 2021, the general partner is entitled to issue option and/or convertible bonds with or without maturity limitations with a total nominal value of up to EUR 650,000,000.00 on one or several occasions until May 6, 2026, and to grant the holders and/or creditors option rights or conversion rights on up to 4,690,000 no-par bearer shares. This authorization includes the right to grant and/or enforce conversion or option rights and/or obligations that alternatively provide for the purchase of new common shares and/or new preferred shares without voting rights that are equivalent to the previously issued preferred shares without voting rights in the event of a distribution of profits and/or of the Company's 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 non-voting preferred shares.

Shareholders are principally given a subscription right to the bonds—unless the Company excludes subscription rights with the approval of the Supervisory Board. The right of holders of shares of one class to subscribe to the bonds that grant option or conversion rights to shares of the other class may be excluded (crossed exclusion of subscription rights) if bonds with option or conversion rights and/or obligations on common and preferred shares are issued at the same time.

The share capital has been increased conditionally by up to EUR 12,006,400.00 by issuing up to 4,690,000 new bearer common shares and/or preferred shares without voting rights (conditional capital 2021) in order to grant and/or enforce option and/or conversion rights and/or obligations in relation to the holders or creditors of option and/or convertible bonds issued or guaranteed by virtue of this authorization.

In accordance with the resolution agreed upon at the annual shareholders' meeting on May 7, 2021, the general partner is entitled, until May 6, 2026, and with the approval 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 page 23 et seq.

In fiscal year 2021, Drägerwerk AG & Co. KGaA's net profit amounted to EUR 123.4 million (2020: net loss of EUR -103.5 million). The prior-year earnings were impacted to a material extent by losses attributable to the termination of the series D participation certificates (EUR -281.1 million). Over the course of the year, the Company had 3,030 employees on average (2020: 2,957 employees), of which 714 worked in Production (2020: 778 employees) and 2,316 in other areas (2020: 2,179 employees).

EARNINGS EFFECTS FROM OPERATING ACTIVITIES

In fiscal year 2021, 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 287.5 million (2020: profit of EUR 178.3 million).

Drägerwerk AG & Co. KGaA generated net sales from medical business of EUR 1,263.0 million in fiscal year 2021 (2020: EUR 1,587.0 million), which was offset by the cost of materials of EUR 643.1 million (2020: EUR 815.9 million). Coronavirus-related demand for ventilation technology was lower year-on-year in 2021 and led to a decline in net sales and the cost of materials. Personnel expenses rose year-on-year from EUR 308.0 million to EUR 319.6 million. Other operating expenses amounted to EUR 396.7 million (2020: EUR 355.5 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 higher number of employees and pension expenses.

Since January 1, 2021, the members of the Executive Board of Drägerwerk Verwaltungs AG have received their remuneration and their new pension benefits directly from Drägerwerk Verwaltungs AG. Drägerwerk AG & Co. KGaA continues to be responsible for the Executive Board members' vested rights in pension obligations granted up to December 31, 2020.

RESULTS OF SUBSIDIARIES

The rise in earnings from profit and loss transfer agreements was mainly attributable to Dräger Medical Deutschland GmbH (EUR +60.6 million), Dräger Safety AG & Co. KGaA (EUR +39.3 million), and Dräger Medical International GmbH (EUR +10.8 million).

PAYMENT OBLIGATION FROM THE TERMINATION OF THE PARTICIPATION CERTIFICATES

In January 2021, EUR 158.0 million was paid to the holders of series A and series K participation certificates as part of a buyback program. A further 184,530 series D participation certificates were repurchased early for EUR 100.0 million in March 2021. The resulting payment obligation from series D participation certificates as at the balance sheet date amounts to a discounted value of EUR 203.8 million. Based on the proposed dividend for preferred shares of EUR 0.19 (2020: EUR 0.19), the distribution for participation capital amounts to EUR 1.90 per participation certificate for fiscal year 2021 (2020: EUR 1.90).

INVESTMENTS

In fiscal year 2021, the Company invested EUR 6.7 million (2020: EUR 3.0 million) in software and other intangible assets. Investments in property, plant and equipment came to EUR 34.3 million (2020: EUR 29.4 million). Investments were primarily focused in connection with the redevelopment of buildings, the construction of production facilities, office equipment and machinery, and the production of various tools.

NET ASSETS AND FINANCIAL POSITION

After deducting cash and cash equivalents, net financial receivables from banks amounted to EUR 215.4 million as at December 31, 2021 (2020: net financial receivables of EUR 229.6 million), including the investment in short-term, highly liquid money market funds. Group financing of subsidiaries came to EUR 125.5 million (2020: EUR 72.0 million). Drägerwerk AG & Co. KGaA's equity stood at EUR 1,112.2 million and rose by a total of EUR 120.4 million year-on-year. The net profit of EUR 123.4 million had a material influence on the equity ratio. The decline in total assets and the increase in equity gave Drägerwerk AG & Co. KGaA an equity ratio of 48.5 % as at the balance sheet date (2020: 41.6 %).

COMPARISON OF FORECAST FIGURES AND ACTUAL FIGURES

The coronavirus pandemic continued to lead to 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. At EUR 123.4 million, net profit exceeded the low forecast by a substantial margin. Dividends in the amount of EUR 3.0 million were paid on common and preferred shares. Net financial debt came to EUR 215.4 million in fiscal year 2021, including the investment in short-term, highly liquid money market funds. The equity ratio amounted to 48.5 %. Thanks to the high net profit, the rise in the equity ratio significantly exceeded the slight increase forecast in the prior year.

FORECAST FOR FISCAL YEAR 2022

The coronavirus pandemic continued to ensure high demand for ventilators and had a major impact on Drägerwerk AG & Co. KGaA's earnings. Demand is not likely to be repeated to the same extent in 2022, which is why we expect to generate a significantly lower net profit. In the reporting year, we achieved a net profit of EUR 123.4 million. This high net profit had a significant effect on the equity ratio in the reporting year (December 31, 2021: 48.5 %). We expect to see a slight rise in this figure in 2022.

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

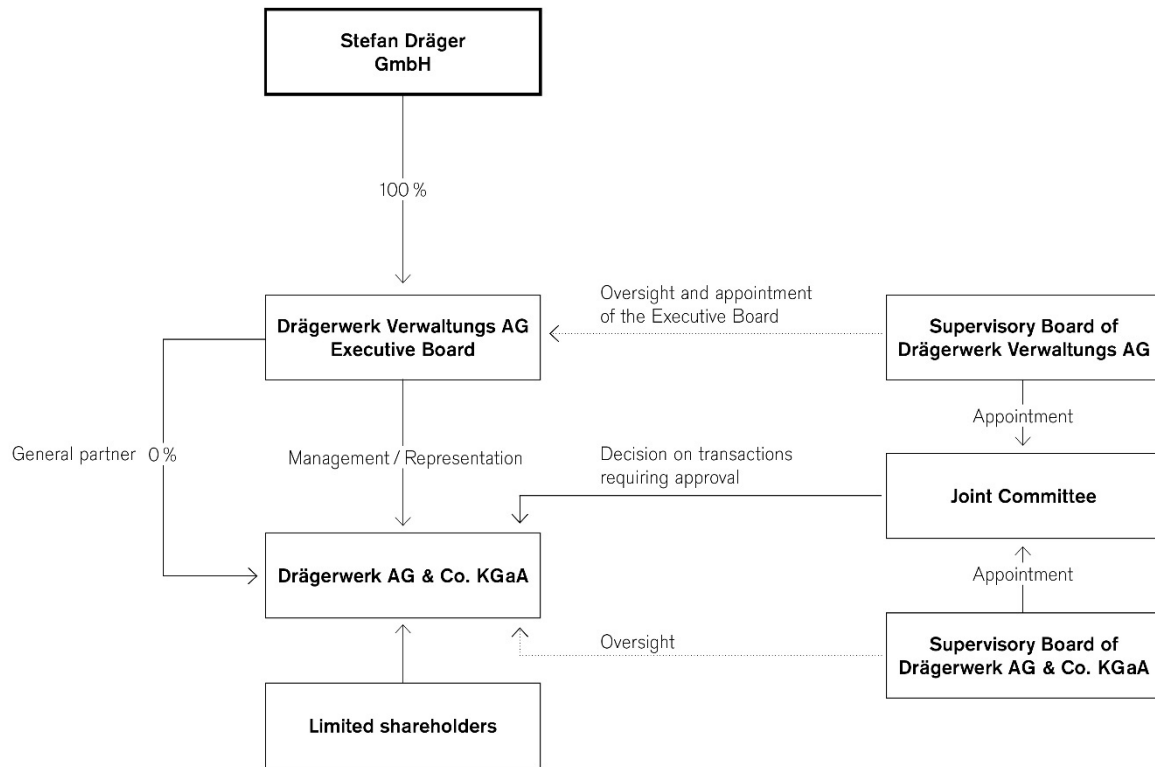
According to Sec. 278 (1) AktG, ›The public partly limited partnership is a company having a legal personality of its own in which at least one shareholder is liable to the creditors of the company without limitation (general partner) and the remaining shareholders, without being personally liable for the obligations of the company, have an ownership interest in the share capital divided up into shares of stock (limited liability shareholders of a public partly limited partnership).‹ 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 from 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] 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 on page 78.

DRÄGERWERK AG & CO. KGAA



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 16, 2021. 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 20, 2021, 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 and will comply with the recommendations of the Government Commission on the German Corporate Governance Code in the version dated 16 December 2019 since issuing its last declaration of conformity on 18 December 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 12 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 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 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 at 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 at 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. Stefan Lauer has been a member of the Supervisory Board since 2013. Maria Dietz and Astrid Hamker have been members since 2018. Of the employee representatives, Siegfried Kasang has been a member of the Supervisory Board since 1998, Thomas Rickers since 2000, and Daniel Friedrich since 2006. Nike Benten, Stephan Kruse, and Bettina van Almsick were elected in 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 2021 for the period 2020/2021.

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 the 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 prospects 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 May 7, 2021. 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 anti-corruption, antitrust law, or conflicts of interest—which are regularly updated to avoid risk in these areas.

The regulatory and training environment at Dräger underwent fundamental revision in fiscal year 2021. The updated Principles of Business and Conduct (Code of Conduct), which can now be found on a dedicated website, describe our values system. They are the compass that every one of us uses as a guide to constantly align their actions. The manuals for employees and managers also contain the rules pertaining to how these values are to be reflected in our everyday work.

□ www.draeger.com/en-us_us/About-Draeger/Company-Principles

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.

A digital solution has been introduced for the global process for assessing sales and distribution partners already in place since 2013 (Sales Channel Partner Integrity Assessment—SCPIA) as a measure for managing identified sales-related risks. This internally developed application provides guidance for all phases of the assessment process, thereby ensuring that we meet the necessary transparency and documentation requirements for a sales and distribution partner assessment.

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. Moreover, the Dräger Integrity Channel, a web-based integrity reporting system, is available to all employees and third parties worldwide. As a result, it also meets the requirements of the German Corporate Governance Code (GCGC).

Detailed information on our compliance management system and its further development is available in the Dräger Sustainability Report 2021.

DECLARATION PURSUANT TO SEC. 161 AKTG

- ☐ Our declaration of conformity is available to the public on the company website in the Investor Relations/Corporate Governance section
- ☒ and is also printed in this Annual Report on page 78 et seq.

REMUNERATION REPORT AND REMUNERATION SYSTEM ON THE COMPANY WEBSITE

The remuneration report for the past fiscal year and the auditor's report pursuant to Sec. 162 AktG, the applicable remuneration system pursuant to Sec. 87a (1) and (2) Sentence 1 AktG, and the most recent remuneration resolution pursuant to Sec. 113 (3) AktG are available to the public on the company website at

- ☐ www.draeger.com/remunerationreport

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 May 7, 2021, 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 2021.

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 single entity financial statements, 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 2021.

WORKING METHODS OF THE EXECUTIVE AND SUPERVISORY BOARDS

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

In its role as the 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.

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 77 et seq. 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. The Company does not comply with the minimum quotas with regard to the composition of the general partner's Executive Board, as the provisions of Sec. 76 (3a) AktG do not apply to the general partner.

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 18, 2022

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

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

03

—

ANNUAL FINANCIAL STATEMENTS

—

Annual Financial Statements 2021 of the Dräger Group

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

in € thousand	Notes	2021	2020
Net sales	8	3,328,419	3,406,276
Cost of sales	9	-1,787,507	-1,797,382
Gross profit		1,540,912	1,608,894
Research and development costs	10	-328,578	-289,595
Marketing and selling expenses	11	-672,923	-658,965
General administrative costs	12	-261,114	-248,120
Impairment losses on financial assets and contract assets	13	-3,800	-10,033
Other operating income	14	4,131	2,638
Other operating expenses	14	-1,435	-1,096
Functional expenses		-1,263,721	-1,205,171
Result from net exposure from monetary items	6	-2,167	-1,663
Result from investments in associates		-720	-485
Result from other investments		142	-46
Other financial result		-2,764	-4,930
Financial result (before interest result)	15	-5,509	-7,125
EBIT		271,682	396,598
Interest result	15	-35,032	-36,433
Earnings before income taxes		236,650	360,165
Income taxes	16	-82,377	-110,279
Net profit		154,274	249,886
Net profit		154,274	249,886
Earnings to non-controlling interests		42	-273
Earnings attributable to shareholders and holders of participation certificates	19	154,231	250,159
Undiluted/diluted earnings per share on full distribution	19		
per preferred share (in €)		7.19	10.25
per common share (in €)		7.13	10.19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

in € thousand	2021	2020
Net profit	154,274	249,886
Items that cannot be reclassified into the income statement		
Remeasurements of defined benefit pension plans	68,830	-49,621
Deferred taxes on remeasurements of defined benefit pension plans	-20,585	15,209
Items that may be reclassified into the income statement in the future		
Currency translation adjustment for foreign subsidiaries	25,658	-29,597
Changes in the fair value of the cash flow hedge reserve recognized directly in equity	-10,605	5,974
Deferred taxes on changes in the fair value of the cash flow hedge reserve recognized directly in equity	3,349	-1,884
Other comprehensive income (after taxes)	66,647	-59,919
Total comprehensive income	220,920	189,967
of which attributable to non-controlling interests	-65	-501
thereof earnings attributable to shareholders and holders of participation certificates	220,986	190,468

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

in € thousand	Notes	December 31, 2021	December 31, 2020
Assets			
Intangible assets	20	354,136	330,962
Property, plant and equipment	21	481,554	456,577
Right-of-use assets	36	115,435	110,445
Investments in associates	22	6,321	7,384
Non-current trade receivables	23	2,604	1,447
Other non-current financial assets	24	26,104	19,825
Deferred tax assets	16	195,202	228,253
Other non-current assets	27	5,203	4,069
Non-current assets		1,186,560	1,158,963
Inventories	25	616,761	620,818
Trade receivables	23	608,943	717,169
Contract assets	23	48,384	49,195
Other current financial assets	24	163,804	182,629
Cash and cash equivalents	26	445,746	497,330
Current income tax refund claims		38,446	33,531
Other current assets	27	69,619	46,356
Current assets		1,991,703	2,147,028
Total assets		3,178,263	3,305,992

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

in € thousand	Notes	December 31, 2021	December 31, 2020
Equity and liabilities			
Capital stock		48,026	48,026
Capital reserves		307,035	307,035
Reserves retained from earnings, including group result		924,970	716,468
Other comprehensive income		-20,120	-38,629
Non-controlling interests	29	584	911
Equity	28	1,260,494	1,033,810
Provisions for pensions and similar obligations	30	357,884	430,127
Non-current personnel provisions	31	37,092	37,206
Other non-current provisions	31	38,748	36,031
Non-current note loans	32	100,000	-
Non-current liabilities to banks	32	84,841	157,814
Other non-current financial liabilities	33	302,511	391,031
Non-current income tax liabilities		9,016	20,422
Deferred tax liabilities	16	5,431	3,069
Other non-current liabilities	34	47,339	43,560
Non-current liabilities		982,862	1,119,259
Current personnel provisions	31	135,882	136,380
Other current provisions	31	146,544	120,741
Current note loans	32	-	59,998
Current liabilities to banks	32	41,058	36,252
Trade payables	33	223,979	234,623
Other current financial liabilities	33	110,961	236,058
Current income tax liabilities		56,805	27,177
Other current liabilities	34	219,678	301,694
Current liabilities		934,907	1,152,923
Total equity and liabilities		3,178,263	3,305,992

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

in € thousand	2021	2020
Operating activities		
Earnings after income taxes	154,274	249,886
+ Write-down / Write-up of non-current assets	148,338	124,467
+ Interest result	35,031	36,433
+ Income taxes	82,377	110,279
+ Increase in provisions	12,654	50,491
+ Other non-cash expenses	4,484	37,461
- Gain from the disposal of non-current assets	-1,370	-140
+/- Decrease / Increase in inventories	14,393	-161,991
- Increase in leased equipment	-9,850	-10,577
+/- Decrease / Increase in trade receivables	122,297	-95,388
- Increase in other assets	-20,843	-549
+/- Increase / Decrease in trade payables	-15,838	29,714
+/- Increase / Decrease in other liabilities	-65,540	146,233
+ Dividends received	449	331
- Cash outflow for income taxes	-44,781	-41,376
- Cash outflow for interest	-35,473	-18,126
+ Cash inflow from interest	4,284	2,830
Cash inflow from operating activities	384,886	459,980
Investing activities		
- Cash outflow for investments in intangible assets	-9,113	-4,921
+ Cash inflow from the disposal of intangible assets	14	68
- Cash outflow for investments in property, plant and equipment	-101,229	-110,019
+ Cash inflow from disposals of property, plant and equipment	3,376	918
- Cash outflow for investments in financial assets ¹	-136,436	-149,721
+ Cash inflow from the disposal of financial assets ¹	139,475	42
- Cash outflow for the acquisition of subsidiaries	-6,004	-
+ Cash inflow from the disposal of subsidiaries	-	549
Cash outflow from investing activities	-109,919	-263,085
Financing activities		
- Distribution of dividends (including payments to participation capital holders)	-4,048	-5,454
- Cash outflow from the repurchase of participation certificates	-258,034	-
- Cash outflow from the acquisition of treasury shares for the employee share program and the prior year in addition for the Thank You Bonus program	-5,952	-7,284
+ Cash inflow from the transfer of treasury shares from the employee share program	4,464	3,783
+ Cash provided by raising loans	108,815	110,674
- Cash used to redeem loans	-133,539	-12,404
- Net balance of other liabilities to banks	-4,626	-9,600
- Repayment of lease liabilities	-41,461	-40,541
+ Cash inflow from capital increase	-	75,217
- Profit distributed to non-controlling interests	-262	-140
Cash inflow / outflow from financing activities	-334,644	114,252
Change in cash and cash equivalents in the fiscal year	-59,676	311,147
+/- Effect of exchange rates on cash and cash equivalents	8,092	-10,131
+ Cash and cash equivalents at the beginning of the reporting period	497,330	196,314
Cash and cash equivalents on reporting date	445,746	497,330

¹ These items include the purchase and sale of money market funds in which Dräger has a current investment.

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, 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 scope of consolidation	-	-	-24	-	-	-	-24	-4	-28
December 31, 2020/ January 1, 2021	48,026	307,035	716,468	0	0	-38,629	1,032,899	911	1,033,810
Net profit	-	-	154,231	-	-	-	154,231	42	154,274
Other comprehensive income	-	-	48,245	-	-	18,510	66,755	-108	66,647
Total comprehensive income	0	0	202,476	0	0	18,510	220,986	-65	220,920
Distributions (including payments to participation certificates holders)	-	-	-4,048	-	-	-	-4,048	-262	-4,310
Acquisition of treasury shares	-	-	-	-	-5,952	-	-5,952	-	-5,952
Employee share program	-	-	-	-	5,952	-	5,952	-	5,952
Miscellaneous ¹	-	-	10,074	-	-	-	10,074	-	10,074
December 31, 2021	48,026	307,035	924,970	0	0	-20,120	1,259,910	584	1,260,494

¹ This item includes the subsequent recognition of deferred tax assets in connection with the termination of the participation certificates (see also note 28).

Notes of the Dräger Group for 2021

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 3, 2022, the Executive Board is approving the publication of the Group financial statements of Drägerwerk AG & Co. KGaA for fiscal year 2021. 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 2021 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, 2021, to its 2021 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 2021. 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 2021 on their effective dates:

- The ›Covid-19-Related Rent Concessions beyond 30 June 2021 (issued March 2021)‹ amendment to IFRS 16 Leases extends by one year the ruling that grants lessees practical expedients for recognizing rent concessions as a consequence of the coronavirus pandemic. Users of annual financial statements are also provided with useful information regarding lease agreements as a result. Dräger did not receive any rent concessions in fiscal year 2021 (2020: EUR 23 thousand was recognized as other income).
- 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 amended to postpone the fixed expiration date of the temporary exemption from applying IFRS 9 to such fiscal years as well under IFRS 4. The new IFRS 17 ›Insurance Contracts (issued May 2017)‹ will govern the recognition, measurement, and disclosure of insurance contracts, reinsurance contracts, and capital investment contracts with discretionary participation features. The amendments to IFRS 4 will not have an impact on 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 following accounting requirement is to be applied to fiscal years beginning on January 1, 2023, and has been applied voluntarily prior to the effective date.

- According to IAS 12, companies are exempted, under certain circumstances, from the requirement to recognize deferred tax liabilities if they are recognizing assets or liabilities for the first time (initial recognition exemption). Under ›Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) (issued May 2021)‹, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendment

primarily affects the recognition of leases (recognition of a right-of-use asset and the corresponding liability) and decommissioning obligations (recognition of an obligation for decommissioning costs with deduction of the capitalized costs of the asset in question). This has no impact Dräger's Group financial statements.

The following accounting requirements are to be applied to fiscal years beginning on or after January 1, 2022, and, in some cases, have already been adopted into European law by the EU. Dräger did not voluntarily apply these requirements prematurely.

- The IASB has made minor changes to the following standards that 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 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 IAS 1 ›Presentation of Financial Statements‹ under ›Classification of Liabilities as Current or Non-current (Amendments to IAS 1) (issued January 2020)‹ clarify that the classification of liabilities as current or non-current must be based on the contractual arrangements in place at the balance sheet date. This does not materially impact Dräger's Group financial statements.
- In ›Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued February 2021)‹, the IASB has defined the differences between accounting methods and accounting-related estimates. In particular, the amendment has an impact on changes made prospectively (as in the case of accounting-related estimates) and retrospectively (largely, as in the case of accounting methods). This does not materially impact Dräger's Group financial statements.
- The IASB's ›Disclosure Initiative‹ aims to improve and simplify IFRS financial statements. According to ›Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (issued February 2021)‹, immaterial disclosures on accounting methods are to be omitted from IFRS financial statements. It also defines when an accounting method is to be seen as material and therefore must be disclosed. This does not materially impact Dräger's Group financial statements.

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 SCOPE OF CONSOLIDATION

As at December 31, 2021, the consolidated group of Drägerwerk AG & Co. KGaA was composed of 104 fully consolidated entities (2020: 103 entities) and three associated entities (as in the prior year).

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.

As in the prior year, the consolidated group includes three property management companies and 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 [7 note 7](#)). 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 three joint ventures (2020: five 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, 2021, are listed under [7 note 44](#).

4 EFFECTS OF THE CHANGES IN THE SCOPE OF CONSOLIDATION

The scope of consolidation of Drägerwerk AG & Co. KGaA developed as follows in fiscal year 2021:

SCOPE OF CONSOLIDATION

	Germany	Abroad	Total
Drägerwerk AG & Co. KGaA and fully consolidated companies			
January 1, 2021	20	83	103
Acquisitions	-	2	2
Mergers	-	1	1
December 31, 2021	20	84	104
Associates			
January 1, 2021 / December 31, 2021	1	2	3
Total	21	86	107

In April 2021, Dräger acquired a total of 67.32 % of the shares in STIMIT AG, Biel/Bienne, Switzerland, through a share purchase agreement and a subsequent capital increase and added this company to its scope of consolidation. STIMIT AG specializes in non-invasive respiratory muscle stimulation in intensive care patients receiving artificial ventilation. The agreed purchase price for the shares in STIMIT AG was EUR 5,000 thousand. The purchase price and the capital increase were paid in full. The current net outflow of funds to third parties in the Group financial statements totaled EUR 4,910 thousand on account of the simultaneous takeover of cash in the amount of EUR 90 thousand. In addition to a debtor warrant agreement, it was also agreed to contractually grant the shareholders the option of offering their shares to the respective other shareholder. The goodwill remaining after the purchase price allocation is attributable to the workforce. Goodwill is calculated from the purchase price, less the acquired assets and assumed liabilities. It is fully attributed to the medical division. Goodwill is not tax-deductible.

Since joining the scope of consolidation, the net sales of STIMIT AG of EUR 0 thousand, as well as the corresponding earnings after income taxes of EUR -3,634 thousand, have been included in the consolidated income statement of the Dräger Group. Had STIMIT AG joined the scope of consolidation effective January 1, 2021, net sales of EUR 0 thousand, as well as corresponding earnings after income taxes of EUR -4,392 thousand, would have been included in the consolidated income statement of the Dräger Group.

In May 2021, Dräger also acquired 62.5 % of the shares in AB UlaX, Motala, Sweden. AB UlaX manufactures foams for heat and moisture exchangers and ventilation system filters that moisten the air used in mechanical ventilation and minimize the risk of cross-infection. The agreed purchase price for the shares in AB UlaX was EUR 2,375 thousand. The purchase price was paid in full. The current net outflow of funds to third parties in the Group financial statements totaled EUR 1,095 thousand on account of the simultaneous takeover of cash in the amount of EUR 1,280 thousand. It was also agreed to contractually grant Dräger the option of acquiring the remaining shares of the company. The goodwill remaining after the purchase price allocation is attributable to the workforce. Goodwill is calculated from the purchase price, less the acquired assets and assumed liabilities. It is fully attributed to the medical division. Goodwill is not tax-deductible.

Since joining the scope of consolidation, the net sales of AB UlaX of EUR 987 thousand, as well as the corresponding earnings after income taxes of EUR -384 thousand, have been included in the consolidated income statement of the Dräger Group. Had AB UlaX joined the scope of consolidation effective January 1, 2021, net sales of EUR 1,858 thousand, as well as corresponding earnings after income taxes of EUR -237 thousand, would have been included in the consolidated income statement of the Dräger Group.

The present values of the total purchase prices of the shares in STIMIT AG and AB UlaX included in the provisional purchase price allocations had the following effects on the consolidated balance sheet:

EFFECT OF THE ACQUISITIONS ON THE CONSOLIDATED BALANCE SHEET

in € thousand	Assumed carrying values	Purchase price allocation	Assumed fair values
Intangible assets	176	18,804	18,981
Property, plant and equipment	753	-	753
Other non-current financial assets	18	-	18
Inventories	299	-	299
Cash and cash equivalents	1,371	-	1,371
Other current assets	354	-	354
Total purchased assets	2,971	18,804	21,775
Other non-current financial liabilities	194	-	194
Deferred tax liabilities	-	3,931	3,931
Other current provisions	495	-	495
Trade payables	189	-	189
Other current liabilities	1,737	-	1,737
Total assumed liabilities	2,616	3,931	6,546
Equity = net balance of purchased assets and assumed liabilities	355	14,873	15,229
Purchase price paid			7,375
+ Present value of the right to sell / purchase option and of the earn-out clause			9,686
Present value of total purchase price			17,061
Goodwill			1,833

The arrangements agreed regarding the acquisition of the remaining shares mean that the shares of the minority shareholders constitute financial liabilities that are recognized as debt, rather than in equity.

By contrast, Dräger Safety Romania SRL, Bucharest, Romania, was merged with Dräger Romania SRL, Bucharest, Romania, in July 2021.

5 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 (↗ note 29).

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.

6 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 La Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) stood at 580.55 as at December 31, 2021 (December 31, 2020: 387.72). The effects of inflation amounted to EUR 2,530 thousand (2020: EUR 771 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 –2,167 thousand (2020: EUR –1,663 thousand).

The exchange gains/losses on operating foreign currency items included in cost of sales gave rise to a total loss of EUR –9,957 thousand (2020: loss of EUR –18,659 thousand).

The exchange gains/losses on foreign currency items disclosed in the financial result led to total losses of EUR –2,329 thousand (2020: loss of EUR –4,800 thousand).

Currency translation for foreign subsidiaries gave rise to an increase in other comprehensive income of EUR 25,766 thousand as at the balance sheet date (2020: decrease of EUR –29,369 thousand).

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

CURRENCIES / EXCHANGE RATES

		Closing rate		Average rate	
	1 € =	December 31, 2021	December 31, 2020	2021	2020
U.S.	USD	1.13	1.23	1.18	1.15
People's Republic of China	CNY	7.21	8.04	7.61	7.91
United Kingdom	GBP	0.84	0.90	0.86	0.89
Australia	AUD	1.56	1.59	1.58	1.66

7 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 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 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 and
- measurements that have some similarities to fair value but are not fair value.

Net sales recognition (including contract assets and contract liabilities)

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 performance obligations to the customer.

Any claims resulting from the recognition of net sales before the requirements for invoicing have been met or the customer has made a payment following the fulfillment of a contractual performance obligation will be recognized as a contractual asset.

The future net sales are to be recognized as contractual liabilities if payments are made by customers or if receivables from a customer fall contractually due before a contractual performance obligation has been met and net sales realized accordingly. The contractual liabilities are then allocated to net sales in line with the fulfillment of the contractual performance obligations.

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 12 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 the receipt of the agreed payment, 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 as an asset 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 (11 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 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,
- trade receivables,
- contract assets,
- 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 commissions, 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.

Derivatives that are not part of a hedge and have a positive market value are measured at fair value through profit or loss. The same applies for equity instruments, 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 12 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 90 % of financial assets measured at amortized cost (excluding cash and cash equivalents), 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 12 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, 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 in the income statement 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.

Dräger exercised its option to continue to apply hedge accounting pursuant to IAS 39 up to fiscal year 2020. Accordingly, due to the forward-to-forward designation, the spot and forward components of the hedge were designated to the hedge up to fiscal year 2020. The effective portion of the designated components calculated through the retrospective effectiveness test was 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. For fiscal year 2021, Dräger has now changed the recognition and measurement policies to IFRS 9, meaning that the currency forwards are now designated as spot-to-spot rather than forward-to-forward. As a result, the spot component is entered in the cash flow hedge reserve (OCI I) and the forward component in the cost of hedging reserve (OCI II).

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 35](#) 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.

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 profit or loss in the consolidated income statement.

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 at the present value of the obligation at the balance sheet date. The present value of the obligation is 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 regard 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.

According to IAS 12, companies are exempted, under certain circumstances, from the requirement to recognize deferred tax liabilities if they are recognizing assets or liabilities for the first time (initial recognition exemption). Under ›Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)‹ (issued May 2021), the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendment primarily affects the recognition of leases (recognition of a right-of-use asset and the corresponding liability). 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 2021—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

The lessee is required to recognize assets and liabilities for the rights and obligations arising under all existing leases.

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, which are fundamentally discounted using the incremental borrowing rate, if the implied interest rate of the lease cannot be determined. 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 penalty 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 are 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 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 property management 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 its own returns from the investments. As in the prior year, these property management 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 completion 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 30](#) 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.

Management has to make assumptions when calculating actual and deferred taxes in every tax jurisdiction in which Dräger operates. Such assumptions may affect the recognition and recoverable amount of deferred tax assets, as it must be probable that sufficient taxable earnings against which the loss and interest carryforwards, deductible temporary differences, and tax credits can be offset will be generated in the future. These assumptions may still affect the difference in the treatment of balance sheet items between IFRS and the respective tax laws or the tax assessment of matters. Tax assumptions are made in accordance with national laws.

Notes to the income statement

8 NET SALES

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

NET SALES

in € thousand	2021	2020	Change in %
Net sales from the sale of products and goods ¹	1,855,745	2,067,044	-10.2
Net sales from the sale of services and accessories (including replacement parts) ¹	1,377,522	1,267,664	8.7
Net sales from projects	95,151	71,568	33.0
Net sales	3,328,419	3,406,276	-2.3

¹ Some products are reallocated to new product groups. The prior year's figures have been adjusted accordingly.

A detailed segment report, including net sales by region, is provided in [7](#) note 38.

Net sales of EUR 766.6 million were generated in Germany during the reporting year (2020: EUR 807.8 million). Net sales of EUR 2,064.2 million (2020: EUR 2,302.2 million) were generated with medical products and services in fiscal year 2021, and net sales of EUR 1,264.2 million (2020: EUR 1,104.1 million) were generated with safety products and services.

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 201,750 thousand (2020: EUR 88,797 thousand) were still included under contract liabilities at the start of the reporting period; contract liabilities include deferred net sales and prepayments received.

FUTURE NET SALES FROM LONG-TERM SERVICE AND CONSTRUCTION CONTRACTS

in € thousand	2021	2020
Expected net sales in year 1	73,702	57,117
Expected net sales in year 2	68,960	44,905
Expected net sales from year 3 on	84,858	47,915
	227,519	149,937

The reporting period included net sales of EUR 69 thousand (2020: EUR 402 thousand) that we fulfilled either in full or in part in prior fiscal years.

9 COST OF SALES

Cost of sales include the following:

COST OF SALES		
in € thousand	2021	2020
Direct materials	919,962	996,605
Direct labour	344,724	341,324
Direct costs	1,264,686	1,337,929
Material overheads	76,172	62,716
Production overheads	345,072	293,947
Other indirect costs	101,577	102,790
Indirect costs	522,821	459,453
Cost of sales	1,787,507	1,797,382

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

Other indirect costs include cost of warranties and impairments on inventories.

Cost of sales includes 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 6](#) 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.

10 RESEARCH AND DEVELOPMENT COSTS

Research and development costs comprise all costs incurred during the research and development process and include registration costs, costs of prototypes, and the costs of the first series, provided these costs are not capitalized as separate development costs.

11 MARKETING AND SELLING EXPENSES

Marketing expenses comprise all costs associated with corporate marketing and product marketing, including 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.

12 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.

13 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	2021	2020
Release of risk provisions	6,048	4,527
Allocations to risk provisions	-9,392	-14,191
Direct derecognition	-457	-369
	-3,800	-10,033

14 OTHER OPERATING INCOME / EXPENSES

OTHER OPERATING INCOME / EXPENSES

in € thousand	2021	2020
Gains on the disposal of intangible assets and property plant and equipment	2,069	543
Rental income	1,931	1,950
Income from the derecognition of liabilities	131	145
Other operating income	4,131	2,638
Expenses for leased assets	-750	-693
Losses on the disposal of intangible assets and property, plant and equipment	-685	-403
Other operating expenses	-1,435	-1,096

15 FINANCIAL RESULT

FINANCIAL RESULT (BEFORE INTEREST RESULT)

in € thousand	2021	2020
Profit from net exposure from monetary items	-2,167	-1,663
Share in the profits from investments in associates	343	328
Other expenses from investments in associates	-1,097	-835
Other income from investments in associates	34	21
Profit from investments in associates	-720	-485
Income from the disposal of subsidiaries	-	65
Net result from the measurement of financial assets measured at fair value through profit and loss	142	-111
Profit from other investments	142	-46
Net result from foreign exchange transactions	-2,329	-4,800
Other financial expenses	-435	-131
Other financial result	-2,764	-4,930
Financial result (before interest result)	-5,509	-7,125

INTEREST RESULT

in € thousand	2021	2020
Income from financial assets measured at amortized cost	4,587	3,169
Income from financial assets measured at fair value through profit and loss	13	9
Interest contained in lease payments	163	148
Interest and similar income	4,763	3,326
Expenses from financial liabilities measured at amortized cost	-30,562	-29,081
Interest portion contained in pension provisions	-3,334	-4,124
Interest contained in lease payments	-4,707	-4,858
Expenses from interest hedges	-479	-496
Other interest and similar expenses	-713	-1,200
Interest and similar expenses	-39,795	-39,760
Interest result	-35,032	-36,433

Expenses from financial liabilities measured at amortized cost primarily include the interest expense on repayment obligations to the minority shareholder of Draeger Arabia Co. Ltd., Riyadh, Saudi Arabia, of EUR 12,315 thousand. This item also includes interest expenses from the compounding of the payment obligation from the termination of the series D participation certificates and the early repayment of part of this series D amounting to EUR 8,855 thousand (2020: EUR 5,322 thousand from the compounding of the payment obligation from the termination of the series D participation certificates). In the prior year, this item primarily included the one-off remeasurement of debt components as at the termination of the participation certificates in the amount of EUR 11,086 thousand as well as the distribution for participation certificates of EUR 345 thousand, which was not incurred in fiscal year 2021.

Other interest and similar expenses include expenses incurred from the compounding of other provisions (↗ note 31).

16 INCOME TAXES

COMPOSITION OF INCOME TAXES

in € thousand	2021	2020
Germany	-21,628	-3,945
Abroad	-35,144	-38,639
Current tax expense	-56,773	-42,584
Germany		
Deferred tax income / expense from temporary differences	3,730	-84,469
Deferred tax expense / income from loss carryforwards	-36,949	912
Deferred tax expense (Germany)	-33,219	-83,557
Abroad		
Deferred tax income from temporary differences	4,911	15,771
Deferred tax income from loss carryforwards	2,704	91
Deferred tax income (abroad)	7,615	15,862
Deferred tax expense	-25,604	-67,695
Income taxes	-82,377	-110,279

Deferred tax expenses in Germany in fiscal year 2020 primarily concerned the reduction of deferred tax assets recognized directly in equity in relation to the termination of participation certificates in March and April 2020. In fiscal year 2021, a large share of deferred tax assets on loss carryforwards was utilized from the termination of the participation certificates.

Deferred tax expenses include a tax-reducing effect of EUR 894 thousand (2020: tax-increasing effect of EUR 141 thousand) from the change in tax rates.

A deferred tax liability of EUR 2,896 thousand (2020: EUR 2,316 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 13,438 thousand (2020: EUR 11,711 thousand) as the sale of these companies or a distribution of retained profits is unlikely in the foreseeable future.

From a tax perspective, the payment of dividends to shareholders of the parent company and profit retention at the level of the parent company have the same effect.

RECONCILIATION OF EXPECTED INCOME TAX EXPENSE TO RECOGNIZED INCOME TAX EXPENSE

in € thousand	2021	2020
Earnings before income taxes	236,650	360,165
Expected income tax expense (tax rate: 31.5 %; 2020: 31.5 %)	-74,545	-113,452
Reconciliation		
Effects from other periods and non-deductible withholding tax	979	-372
Effect from changes in tax rates	894	-141
Effect from different tax rates	6,360	7,128
Tax effect of non-deductible expenses and tax-free income	-9,509	-6,911
Recognition and measurement of deferred tax assets	-7,311	3,958
Other tax effects	755	-489
Recognized income tax expense	-82,377	-110,279
Tax rate (%) overall	34.8	30.6

The parent company's tax rate of 31.5 % (2020: 31.5 %) was used as the expected tax rate. The expected tax rate is composed of a corporate income tax component of 15.83 % (2020: 15.83 %), which includes the 5.5 % solidarity surcharge, and a trade tax component of 15.67 % (2020: 15.67 %). Domestic deferred taxes are determined on the basis of a 31.5 % tax rate (2020: 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	
	2021	2020	2021	2020
Intangible assets	1,295	3,041	7,053	7,476
Property, plant and equipment	8,640	7,741	8,618	8,912
Right-of-use assets	-	23	19,397	18,788
Other non-current financial assets	215	364	4,103	4,160
Other non-current assets	-	-	-	16
Non-current assets	10,150	11,169	39,171	39,352
Inventories ¹	19,223	17,056	844	724
Trade receivables	4,312	4,099	417	443
Contract assets ²	-	-	8,126	7,527
Other current financial assets ¹	162	1,238	3,492	7,419
Other current assets ^{1,2}	693	916	1,481	1,199
Current assets ¹	24,390	23,309	14,360	17,312
Provisions for pensions and similar obligations	93,947	107,516	-	-
Non-current personnel provisions ¹	5,936	4,965	-	-
Other non-current provisions ¹	2,148	1,789	-	-
Non-current liabilities to banks	-	-	-	542
Other non-current financial liabilities	934	942	2,039	5,087
Non-current lease liabilities	13,130	12,934	-	-
Other non-current liabilities	4,258	4,076	-	93
Non-current liabilities ¹	120,353	132,222	2,039	5,722
Current personnel provisions ¹	11,243	12,226	-	-
Other current provisions ¹	15,337	10,871	-	-
Current liabilities to banks	-	542	-	-
Trade payables	1,225	902	-	133
Other current financial liabilities ¹	1,241	1,832	164	333
Current lease liabilities	6,707	6,654	-	-
Other current liabilities ¹	9,665	11,621	296	154
Current liabilities ¹	45,418	44,648	460	620
Gross amount temporary differences ^{1,3}	200,311	211,348	56,030	63,006
Valuation allowance on temporary differences	-7,451	-209	-	-
Capitalized tax loss carryforwards and tax credits (net incl. valuation allowances)	8,774	32,506	-	-
Deferred taxes from consolidation entries	70,197	64,559	26,030	20,014
Offset	-76,629	-79,951	-76,629	-79,951
Carrying amount	195,202	228,253	5,431	3,069

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

² The deferred tax liabilities from contract assets were included in other current assets in the prior year.

³ The capitalized tax loss carryforwards and tax credits (net incl. valuation allowances) were included in the gross amount in the prior year.

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. A valuation allowance is recognized where a realization of the deferred tax assets is unlikely. Deductible temporary differences of EUR 26,639 thousand (2020: EUR 662 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 inter-company 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	2021	2020
Corporate income tax	16,702	103,221
Trade tax and U.S. state tax	8,360	89,867
	25,062	193,088
NON-CAPITALIZED TAX LOSS CARRYFORWARDS		
in € thousand	2021	2020
Corporate income tax	81,221	101,044
of which does not expire	79,409	101,044
Trade tax and U.S. state tax	40,315	81,942
of which does not expire	40,315	81,942
	121,536	182,986

The decline in capitalized and non-capitalized tax loss carryforwards was primarily due to their utilization within the income tax fiscal unit of Drägerwerk AG & Co. KGaA.

Deferred taxes are recognized on loss carryforwards of EUR 5,457 thousand (2020: EUR 8,163 thousand) of a U.S. company subject to an average state tax rate of 4.34 % (2020: two U.S. companies with state taxes of between 4.47 % and 4.64 %).

Deferred tax assets are recognized on unclaimed tax credits in the amount of EUR 4,799 thousand (2020: EUR 2,556 thousand).

Theoretically, deferred taxes of EUR 20,627 thousand (2020: EUR 30,140 thousand) would have been recognized for non-capitalized corporate income and trade tax losses. However, these deferred taxes were not recognized as it was not assumed that these loss carryforwards were recoverable. Forfeitable corporate income tax loss carryforwards will expire within five years.

Despite tax losses in the current and/or prior year, deferred tax assets of EUR 111,606 thousand (2020: EUR 153,982 thousand) were recognized for loss carryforwards and temporary differences. The amounts are recognized on the basis of tax planning. Management assumes that the companies in question will generate sufficient taxable profits in the future. This high value was primarily due to deferred tax assets of EUR 106,055 thousand (2020: EUR 144,764 thousand) on temporary differences and tax loss carryforwards of the fiscal unit of Drägerwerk AG & Co. KGaA.

The expense from the valuation allowance on deferred tax assets amounted to EUR 7,311 thousand (2020: EUR 75 thousand). There was no income from the reversal of previous valuation allowances on deferred tax assets in fiscal year 2021 (2020: EUR 4,033 thousand).

In fiscal year 2021, the change in deferred tax assets in connection with the termination of the participation certificates in the prior year increased equity by EUR 10,074 thousand (2020: EUR 111,431 thousand) in retained earnings outside of other comprehensive income.

The first-time consolidation of two subsidiaries in fiscal year 2021 results in deferred tax liabilities of EUR 3,939 thousand recognized directly in equity.

The deferred tax assets recognized in other comprehensive income decreased by EUR 17,236 thousand (2020: increased by EUR 13,325 thousand) during the period and mainly concerned the recognition of the effects from the remeasurement of pension plans directly in equity.

17 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 40).

PERSONNEL EXPENSES

in € thousand	2021	2020
Wages and salaries	1,039,606	1,029,320
Social security	189,705	186,868
Pension expenses and related employee benefits	37,921	25,046
	1,267,232	1,241,234

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 include severance payments of EUR 1,971 thousand (2020: EUR 2,463 thousand); in the prior year, this item included an additional amount of EUR 23,200 thousand attributable to the worldwide thank you bonus.

HEADCOUNT AS AT THE BALANCE SHEET DATE

	2021	2020
Germany	7,432	7,350
Abroad	8,468	8,307
Total headcount	15,900	15,657
Production	2,296	2,393
Other	13,604	13,264
Total headcount	15,900	15,657

HEADCOUNT (AVERAGE)

	2021	2020
Germany	7,398	7,179
Abroad	8,455	8,050
Total headcount	15,852	15,229
Production	2,384	2,256
Other	13,469	12,972
Total headcount	15,852	15,229

Please see the comments in the management report for more information on the development of headcount.

18 AMORTIZATION ON INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Amortization of intangible assets and depreciation of property, plant and equipment was incurred in the following functional areas:

DISTRIBUTION OF DEPRECIATION / AMORTIZATION ON THE FUNCTIONAL AREAS

in € thousand	2021	2020
Cost of sales	76,544	53,420
Research and development costs	4,976	4,888
Marketing and selling expenses	13,054	12,142
General administrative costs	54,734	53,982
	149,307	124,432

Pursuant to IAS 36, checks were performed as at the reporting date to establish whether there are any indications that assets may be impaired. Asset impairment tests were performed for all cash-generating units due to their market capitalization being lower than the carrying amount of equity as at the balance sheet date and the challenging competitive environment in a variety of countries. For this purpose, the individual companies are regarded as the cash-generating units, broken down into medical business and safety business where necessary.

The following impairments and reversals of impairments were recognized in fiscal year 2021:

RECOGNIZED NEED FOR IMPAIRMENT

Cash Generating Unit in € thousand		Discount rate 2021 (prior year)	Value in use	Recognized need for impairment loss	Recognized reversal of impairment loss
Dräger Production France SAS, Obernai	Safety Division	7.7 % (- %)	1,583	13,244	-
Draeger Medical Systems, Inc., Telford	Safety Division	7.8 % (- %)	11,017	954	-
Dräger Chile Ltda., Santiago	Medical Division	7.7 % (9.5 %)	3,960	341	-
Dräger Safety do Brasil Equipamentos de Segurança Ltda., São Paulo	Safety Division	12.2 % (- %)	7,462	-	290
Draeger Peru S.A.C., Piso Miraflores-Lima	Medical Division	8.0 % (7.2 %)	2,978	-	186
Dräger-Simsa S.A., Santiago	Safety Division	9.4 % (9.5 %)	1,194	478	-
Draeger Medikal Ticaret ve Servis Anonim Sirketi, Istanbul	Medical Division	22.1 % (19.3 %)	3,322	380	-
Draeger Arabia Co. Ltd., Riyadh	Medical Division	6.9 % (6.7 %)	33,239	221	-
Draeger Arabia Co. Ltd., Riyadh	Safety Division	8.6 % (8.3 %)	17,367	-	425
Dräger South Africa (Pty.) Ltd., Johannesburg	Safety Division	13.6 % (13.1 %)	5,916	710	-
			88,037	16,327	900

Of the impairments of cash-generating units amounting to EUR 16,327 thousand (2020: EUR 2,362 thousand), EUR 942 thousand was attributable to the medical division (2020: EUR 1,065 thousand) and EUR 15,385 thousand was attributable to the safety division (2020: EUR 1,297 thousand). In regional terms, EUR 13,624 thousand was attributable to the Europe region (2020: EUR 140 thousand), EUR 1,772 thousand to the Americas region (2020: EUR 212 thousand), and EUR 931 thousand to the Africa, Asia, and Australia region (2020: EUR 2,010 thousand).

Impairments in the safety division were mainly related to mask production. There was significant overcapacity on the global market for FFP masks and an associated slump in demand, which means that Dräger will not be able to utilize to the full extent the mask production capacities it expanded in the course of efforts to combat the pandemic. As a consequence, an impairment loss was recognized on part of the investments made in 2020 and 2021.

Of the reversals of impairments of cash-generating units amounting to EUR 900 thousand (2020: EUR 2,189 thousand), EUR 186 thousand was attributable to the medical division (2020: EUR 1,351 thousand) and EUR 714 thousand was attributable to the safety division (2020: EUR 838 thousand). In regional terms, EUR 0 thousand was attributable to the Europe region (2020: EUR 299 thousand), EUR 476 thousand to the Americas region (2020: EUR 1,113 thousand), and EUR 425 thousand to the Africa, Asia, and Australia region (2020: EUR 777 thousand).

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 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 fiscal year 2021 and in the prior year was not recognized in full.

19 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

		2021	2020
Net profit	in € thousand	154,274	249,886
less the share of earnings attributable to non-controlling interests	in € thousand	42	-273
Earnings attributable to shareholders and holders of participation certificates	in € thousand	154,231	250,159
plus future tax benefits resulting from the hypothetical case of a full distribution on participating equity instruments	in € thousand	7,583	23,383
Earnings attributable to shareholders and holders of participation certificates including the tax benefit	in € thousand	161,814	273,542
less earnings attributable to holders of participation certificates (excluding the minimum dividend of EUR 345 thousand)	in € thousand	27,495	84,954
Earnings attributable to shareholders	in € thousand	134,318	188,588
Weighted average of outstanding preferred shares	piece	8,600,000	8,293,151
Weighted average of outstanding common shares	piece	10,160,000	10,160,000
Undiluted earnings per common share	in €	7.13	10.19
Preference per preferred share	in €	0.06	0.06
Undiluted earnings per preferred share	in €	7.19	10.25
Diluted earnings per common share	in €	7.13	10.19
Preference per preferred share	in €	0.06	0.06
Diluted earnings per preferred share	in €	7.19	10.25

The proposed distribution is based on the annual financial statements of Drägerwerk AG & Co. KGaA in accordance with German Commercial Code and is as follows:

CALCULATION OF PROPOSED DISTRIBUTION

	Number of shares (piece)	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	382,289	1.90	726,349.10
			3,681,149.10

Taking into account the tax advantage and the minimum dividend for participation certificates, the proposed effective distribution rate is 2.39 % (2020: 1.81 %).

In April 2020, Dräger terminated all 195,245 series A participation certificates and all 69,887 series K participation certificates with six months' notice to the end of the 2020 calendar year. Dräger repaid the amounts due in January 2021. The series A and K participation certificates were entitled to dividends for the final time in fiscal year 2020.

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. A total of 184,530 of these participation certificates were repaid early, in March 2021. The remaining 382,289 series D participation certificates are still entitled to dividends for the years 2021 and 2022.

There are no reasons for a dilution of earnings per share.

Notes to the consolidated balance sheet

20 INTANGIBLE ASSETS

INTANGIBLE ASSETS AS AT DECEMBER 31, 2021

in € thousand	Goodwill	Patents, trademarks and licenses	Purchased software	Internally generated intangible assets	Prepayments made	2021 Total
Costs						
January 1, 2021	312,748	33,642	129,004	12,509	3,399	491,302
Additions	-	629	6,853	-	1,211	8,692
Disposals	-	-	-1,906	-	-	-1,906
Reclassifications	-	-	3,341	-	-3,341	0
Change in the scope of consolidation	1,833	18,981	-	-	-	20,813
Currency translation effects	1,232	1,661	1,016	63	1	3,973
December 31, 2021	315,812	54,913	138,308	12,572	1,269	522,874
Accumulated amortization and impairment losses						
January 1, 2021	4,783	23,320	119,728	12,509	-	160,340
Additions	-	2,110	5,624	-	-	7,734
Disposals	-	-	-1,892	-	-	-1,892
Change in the scope of consolidation	-	121	-	-	-	121
Currency translation effects	45	1,527	802	63	-	2,436
December 31, 2021	4,828	27,077	124,262	12,572	0	168,739
Net carrying value	310,985	27,835	14,046	0	1,269	354,136

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 amortization 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 value	307,965	10,323	9,276	0	3,399	330,962

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.

The additions as a result of the change in the scope of consolidation relate to the acquired subsidiaries STIMIT AG, Biel/Bienne, Switzerland, and AB Ulax, Motala, Sweden.

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 (see 7 note 35), 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.

Goodwill totaled EUR 311.0 million as at December 31, 2021 (2020: EUR 308.0 million), of which EUR 158.3 million was attributable to the medical division (2020: EUR 156.8 million) and EUR 152.7 million to the safety division (2020: EUR 151.2 million).

The main planning assumptions are growth of single markets, 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 2022 to 2026, the planning assumptions indicate net sales growth of 6.4 % for the medical division and 7.2 % for the safety division, resulting in total growth for the Group in this period of 6.7 %. 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 4.1 % for the medical division and 8.2 % for the safety division.

The calculation was also based on discount rate assumptions: A discount rate of 6.8 % after taxes (9.3 % before taxes) and a growth rate of 1.0 % for perpetual annuity were taken into account in the current planning of the

medical division. For the safety division, a discount rate of 8.3 % after taxes (11.5 % before taxes) and a growth rate of 1.0 % for perpetual annuity were taken into account in the current planning of the medical division. The underlying planning assumptions are validated by external sources of information on market development. The multi-year plan did not provide any grounds for an impairment loss. Even if the perpetual annuity was to grow by 0 % and the discount rate were to increase by further 2 percentage points, there would still be no grounds for an impairment loss.

21 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT AS AT DECEMBER 31, 2021

in € thousand	Land, equivalent titles and buildings	Production plant and machinery	Other plant, factory and office equipment	Leased equipment	Prepayments made and assets under construction	2021 Total
Costs						
January 1, 2021	489,430	137,360	483,919	91,954	63,291	1,265,954
Additions	3,434	12,782	31,507	3,432	56,670	107,825
Disposals	-1,501	-1,055	-13,583	-1,808	-199	-18,146
Reclassifications	6,825	4,066	28,404	215	-39,510	0
Reclassification of rental and demo equipment	-	-	2,239	-34,828	-	-32,589
Change in the scope of consolidation	530	1,367	114	-	-	2,011
Currency translation effects	8,102	3,202	8,451	4,511	498	24,763
December 31, 2021	506,821	157,722	541,050	63,475	80,751	1,349,819
Accumulated amortization and impairment losses						
January 1, 2021	262,699	101,397	368,252	77,020	10	809,378
Additions	16,848	9,673	63,357	10,101	-	99,979
Write-ups	-	-	-966	-	-	-966
Disposals	-963	-998	-12,325	-1,393	-	-15,679
Reclassifications	-	-247	205	43	-	0
Reclassification of rental and demo equipment	-	-	367	-42,161	-	-41,794
Change in the scope of consolidation	262	952	43	-	-	1,257
Currency translation effects	3,816	2,368	6,024	3,880	1	16,090
December 31, 2021	282,663	113,145	424,957	47,490	10	868,264
Net carrying value	224,158	44,577	116,093	15,986	80,741	481,554

PROPERTY, PLANT AND EQUIPMENT AS AT DECEMBER 31, 2020

in € thousand	Land, equivalent titles and buildings	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 value	226,731	35,963	115,667	14,934	63,282	456,577

In fiscal year 2021, Dräger received government investment allowances of EUR 1,047 thousand (2020: EUR 0 thousand), which 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 ↗ note 18).

Right-of-use assets from leases are recognized in the separate right-of-use assets item on the balance sheet (see also ↗ note 36).

As in the prior year, no borrowing costs for additions for new buildings were recognized in fiscal year 2021.

22 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Dräger continues to hold shares in three 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 holds a 29.53 % stake. The fiscal year of this associate ends as at December 31. Dräger also holds 36.03 % of the shares in MultiSensor Scientific Inc., Somerville, USA. 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 2021.

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 recently published quarterly statement as at September.

FINANCIAL INFORMATION ON ASSOCIATES

in € thousand	2021	2020
Carrying value of the Group shares of associates	6,321	7,384
Share in the profits from continued operations / total profits of the associates	-720	-485
Distributions received	343	328

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 three (2020: five) working groups, which are accounted for as joint ventures using the equity method. As in the prior year, the interests in these working groups amount to between 40 % and 77.11 %. 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.

23 TRADE RECEIVABLES AND CONTRACT ASSETS

TRADE RECEIVABLES AND CONTRACT ASSETS

in € thousand	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	650,224	2,604	652,828	758,059	1,447	759,506
Contract assets	48,440	-	48,440	49,268	-	49,268
less risk provisions	-41,337	-	-41,337	-40,962	-	-40,962
	657,327	2,604	659,931	766,364	1,447	767,812

The risks associated with trade receivables and contract assets are adequately accounted for by risk provisions. Please refer to [note 35](#) 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.

24 OTHER FINANCIAL ASSETS

OTHER FINANCIAL ASSETS

in € thousand	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Money market funds	130,066	-	130,066	139,349	-	139,349
Positive fair values of derivatives	4,276	888	5,165	13,883	1,565	15,448
Notes receivable	11,649	-	11,649	11,732	-	11,732
Security deposits paid	3,911	5,510	9,421	3,968	4,875	8,843
Other loans	-	7,304	7,304	-	6,727	6,727
Creditors with debit balances	5,216	-	5,216	3,943	-	3,943
Finance lease receivables (lessor)	863	1,944	2,807	1,270	2,593	3,863
Other investments	-	7,170	7,170	-	3,117	3,117
Receivables from employees	1,079	-	1,079	983	-	983
Receivables from associates	3	2,615	2,618	0	322	322
Receivables from commission agents	4,086	-	4,086	-	-	0
Sundry financial assets	2,655	674	3,329	7,500	627	8,126
	163,804	26,104	189,909	182,629	19,825	202,454

Other financial assets of EUR 9,899 thousand (2020: EUR 9,439 thousand) are impaired (please refer to our comments in [note 35](#)).

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 606 thousand (2020: EUR 714 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 35](#)).

For further details of finance lease receivables, please refer to our comments on recognition of finance leases by the lessor ([note 36](#)).

25 INVENTORIES

INVENTORIES

in € thousand	2021	2020
Finished goods and merchandise	339,408	353,671
Work in progress	69,741	69,947
Raw materials, consumables and supplies	200,781	191,747
Prepayments made	6,832	5,453
	616,761	620,818

The carrying amount of inventories written down to their net realizable value as at December 31, 2021 is EUR 280,454 thousand (2020: EUR 282,725 thousand).

Impairment losses of EUR 36,443 thousand (2020: EUR 31,822 thousand) were recognized on inventories in the fiscal year; these impairment losses are recognized in cost of sales. By contrast, EUR 12,736 thousand (2020: EUR 8,963 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 9,933 thousand (2020: EUR 10,679 thousand). Rental 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 rental and demo equipment.

In fiscal year 2020, inventories with a carrying amount of EUR 1,182,150 thousand (2020: EUR 1,194,334 thousand) were recognized in cost of sales.

As in the prior year, no interest on debt was included in the valuation of inventories.

26 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 6,308 thousand (2020: EUR 5,100 thousand). These restrictions primarily concerned currency export restrictions and other contractual and legal limitations.

27 OTHER ASSETS

OTHER ASSETS

in € thousand	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Prepaid expenses	32,605	-	32,605	25,887	-	25,887
Other tax refund claims	34,890	-	34,890	19,307	-	19,307
Receivables from investment grants	1,048	-	1,048	-	-	0
Fund assets from pension plans	-	-	0	-	71	71
Sundry	1,077	5,203	6,281	1,162	3,997	5,159
	69,619	5,203	74,822	46,356	4,069	50,425

Individual impairments on other current assets amounted to EUR 10 thousand (2020: EUR 10 thousand).

Other tax refund claims largely consist of VAT claims.

As in the prior year, sundry non-current assets include non-current receivables from taxes of three foreign subsidiaries of EUR 5,061 thousand (2020: EUR 3,964 thousand).

28 EQUITY

For the breakdown and changes in equity in fiscal years 2021 and 2020, please see the ›Consolidated statement of changes in equity of the Dräger Group.«

Capital stock

The subscribed capital stock of Drägerwerk AG & Co. KGaA amounts to EUR 48,026 thousand (2020: EUR 48,026 thousand).

The capital stock consists of 10,160,000 limited no-par bearer common shares (2020: 10,160,000) and 8,600,000 non-voting limited no-par preferred shares (2020: 8,600,000).

The nominal value of both share types is EUR 2.56. Drägerwerk Verwaltungs AG, the general partner, holds no shares in the 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 May 7, 2021, the general partner is entitled to increase the Company's capital until May 6, 2026, with the approval of the Supervisory Board, by up to EUR 12,006,400.00 (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 to issue preferred shares without voting rights may only be exercised to the extent that the proportion of preferred shares without voting rights does not exceed half of the capital stock (Sec. 139 (2) German Stock Corporation Act (AktG)).

In the event that the approved capital is used, the shareholders must be granted subscription rights. Subscription rights can also be granted to shareholders in such a way that the new shares are taken over by one or more banks or companies specified by the general partner within the meaning of Sec. 186 (5) Sentence 1 AktG with the obligation to transfer them to the shareholders in a subscription offer (indirect subscription right) This may be useful for processing reasons and does not represent a restriction on shareholders' subscription rights.

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.

In addition and subject to the approval of the Supervisory Board, the general partner is authorized to exclude the subscription right of the shareholders in certain other cases.

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 approved 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 10 % of capital stock. Shares issued under a crossed exclusion of subscription rights are excluded from the limitation to 10 % of capital stock. The key factor for calculating the 10 % 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.

In addition, by resolution agreed upon at the annual shareholders' meeting on May 7, 2021, the general partner is authorized to issue warrant and/or convertible bonds with a total nominal amount of up to EUR 650,000,000.00 and create a corresponding conditional capital of up to EUR 12,006,400.00 by issuing up to 4,690,000 new no-par bearer shares.

The warrant and/or conversion price for the shares to be subscribed to when exercising option and/or conversion rights must amount to at least 80 % of the listed price of no-par bearer shares in the Company close to the date on which the bonds conferring option or conversion rights are issued, with the exception of cases involving option or conversion obligations, substitution rights, or rights of sale on the part of the issuer of the bonds in order to supply shares.

Shareholders generally have a right to subscribe to the bonds (Sec. 221 (4) in conjunction with Sec. 186 (1) AktG).

The authorization initially provides that, in the event that bonds with option or conversion rights or obligations on common shares as well as bonds with option or conversion rights or obligations on preferred shares are issued, the general partner can, with the approval of the Supervisory Board, exclude subscription rights for holders of shares of one class to the bonds that grant option or conversion rights to shares of the other class, or provide for a corresponding exercise or conversion obligation, if the subscription ratio for subscription of the bonds is determined to be the same for the holders of both share classes (>crossed exclusion of subscription rights<).

The general partner is also authorized, subject to the approval of the Supervisory Board, to exclude the subscription rights of the shareholders in certain other cases.

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. 33 (1) or (2) Securities Trading Act (WpHG).

No notifications regarding voting rights were received in the reporting year.

Capital reserves

The capital reserves were formed using 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.

Retained earnings

Retained earnings comprise the earnings generated until fiscal year 2021 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 pension provisions, including deferred taxes, are also included in retained earnings.

Other effects that had a positive impact on retained earnings in fiscal year 2021 were an amount of EUR 10,074 thousand from the subsequent recognition of deferred tax assets that were not considered recoverable in the prior year in relation to the termination of participation certificates. The distributions to shareholders and payments to holders of participation certificates had the opposite effect in the amount of EUR 4,048 thousand (2020: EUR 5,454 thousand).

Retained earnings, including Group result, therefore changed as follows:

RETAINED EARNINGS, INCLUDING GROUP RESULT

in € thousand	2021	2020
Reserves retained from earnings, including Group result as at January 1	716,468	779,162
Changes from remeasurements of pension plans (after taxes)	48,245	-34,411
Net profit for the year (excluding non-controlling interests)	154,231	250,159
Net result from termination of participation certificates	-	-272,963
Other effects	6,025	-5,479
Reserves retained from earnings, including Group result as at December 31	924,970	716,468

Treasury shares within the scope of the employee share program

In fiscal year 2021, 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 final purchase price per investment share for the employees amounted to EUR 55.55 (lowest price on the day the shares were handed over to participants for tax purposes) and was therefore lower than the maximum purchase price set before the program was launched of EUR 68.10 per preferred share (closing price of the preferred shares in XETRA trading on the last trading day before the start of the acquisition period on October 29, 2021). 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 1, 2021 and ended on November 10, 2021. During this agreed period, 22,327 bonus shares resulted from the shares acquired by employees, including Executive Board members. An account was opened with Deutsche Bank AG (paying agent), Frankfurt am Main, Germany, for the entry and custody of bonus shares for participating employees.

The 22,327 bonus shares were acquired for Dräger on the stock exchange in the period from November 1 to November 10, 2021, by the paying agent on a commission basis in the form of a share buyback at a total cost of EUR 1,488 thousand. The price on the stock exchange amounted to an average of EUR 66.64. The total price for investment and bonus shares, acquired for and on behalf of Dräger, totals EUR 5,952 thousand. Of this amount, EUR 3,721 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 2,231 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.

The acquisition of treasury shares to pass on to participating employees in the form of bonus shares is covered by resolution of the annual shareholders' meeting on May 7, 2021, according to which the general partner was authorized to acquire until May 7, 2026 up to 10 % in treasury 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. Exercising the authorization is subject to the approval of the Supervisory Board. Treasury shares must be acquired on the stock market, on the basis of a public purchase offer, or on the basis of a public invitation to submit offers for sale. The principle of equal treatment under stock corporation law must be complied with.

If the shares are acquired through a public purchase offer submitted to all shareholders of a class of share or through a public invitation to submit offers for sale, the volume of the offer or invitation to submit offers for

sale can be limited. It may be the case that the volume of shares in the Company offered by shareholders exceeds the Company's demand for treasury shares. In this case, allocation must take place proportionately.

The offered price or the upper limit on the purchase price range determined by the Company for each class and type of share (excluding incidental acquisition costs) may not be more than 10 % higher or lower than the volume-weighted average of the closing auction prices for the same class and type of share 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 offer or the public invitation to submit offers for sale is publicly announced.

The general partner is authorized to use treasury shares acquired on the basis of this authorization for any lawful purposes.

Subject to the approval of the Supervisory Board, the general partner is authorized to exclude the preemptive right of the shareholders in certain other cases.

Other comprehensive income

CHANGES IN OTHER COMPREHENSIVE INCOME

in € thousand	Currency translation adjustment	Cash flow hedge reserve	Total
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 / January 1, 2021	-37,598	-1,031	-38,629
Currency translation differences	25,766	-	25,766
Change from the remeasurement of cash flow hedge instruments	-	-23,846	-23,846
Reclassification to the income statement	-	13,241	13,241
Deferred taxes recognized directly in equity	-	3,349	3,349
December 31, 2021	-11,833	-8,287	-20,120

Apart from derivatives, Dräger does not hold any other financial instruments that are subsequently valued directly in equity via other comprehensive income.

The year-on-year change in the adjustment item for currency translation differences was mainly due to the translation of income statement items at average rates as well as the historical rates from the consolidation of capital.

Please see [note 35](#) for further explanations on the 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	2021	2020
Equity interest held by shareholders of Drägerwerk AG & Co. KGaA	1,259.9	1,032.9
+ Non-controlling interests	0.6	0.9
Equity of the Dräger Group	1,260.5	1,033.8
Share of total equity and liabilities	39.7 %	31.3 %
Non-current liabilities	982.9	1,119.3
Current liabilities	934.9	1,152.9
Total liabilities	1,917.8	2,272.2
Share of total equity and liabilities	60.3 %	68.7 %
Total equity and liabilities	3,178.3	3,306.0

The Dräger Group's gearing had developed as follows as at the balance sheet date:

GEARING		
in € million	2021	2020
Non-current interest-bearing loans	184.8	157.8
+ Current interest-bearing loans and liabilities to banks	41.1	96.2
+ Non-current and current liabilities from finance lease	122.1	116.7
+ Liability from the termination of participation certificates	203.8	453.0
- Current money market funds	-130.1	-139.3
- Cash and cash equivalents	-445.7	-497.3
Net financial debt	-24.0	187.1
Equity	1,260.5	1,033.8
Gearing (= net financial debt / equity)	-0.02	0.18

As at December 31, 2021, the Dräger Group held bilateral credit lines of EUR 250 million due on November 30, 2026, to secure its liquidity (the agreement concerning guarantee and letter of credit facilities with no effect on liquidity of EUR 165 million continued to apply). The framework agreement for the bilateral credit lines stipulates a target value based on a defined financial covenant. Should the Dräger Group not comply with the covenant, the banks are entitled to terminate the bilateral credit lines. The value has been specified so that the Dräger Group would only run the risk of being unable to meet the covenant if its financial position were to deteriorate drastically. It is also possible for the Dräger Group to obtain the banks' approval to exceed the value in advance. The financial covenant is monitored continuously. Another bilateral surety credit line of EUR 5.0 million outside the scope of the framework agreement is agreed with DZ Bank.

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; another totaling EUR 60 million had a variable interest rate but has already been repaid. A further loan commitment from the European Investment Bank in the amount of EUR 100 million was agreed in 2021. To date, no disbursements from this loan commitment have been made.

In addition, Dräger agreed a promissory note loan of EUR 100 million in 2020 that was disbursed in 2021. A total of EUR 40 million of the funds was used to partially repay the participation certificates terminated in 2020, while EUR 60 million was used to completely refinance a promissory note loan due in fiscal year 2021.

29 NON-CONTROLLING INTERESTS

Non-controlling interests are as follows:

NON-CONTROLLING INTERESTS				
in € thousand	2021		2020	
	Non-controlling interests	thereof net profit	Non-controlling interests	thereof net profit
Dräger-Simsa S.A.	912	73	950	226
Dräger South Africa Pty. Ltd.	-329	-30	-40	-499
	584	42	911	-274

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 -108 thousand (2020: EUR -228 thousand) only include exchange rate differences.

30 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

As at December 31, 2021, 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 retirement, 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 mortality tables published by Dr. Klaus Heubeck as a basis of calculation, account for some 93.2 % (2020: 92.4 %) 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
- employee-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 197,906 thousand (2020: EUR 165,113 thousand) in assets secured by the CTA were offset against the gross pension obligations in fiscal year 2021. Additions to the CTA of EUR 14,621 thousand are expected for fiscal year 2022 (in fiscal year 2020 for fiscal year 2021: EUR 14,735 thousand).

The available excess of plan assets over the relevant pension obligations totaling EUR 0 thousand (2020: EUR 71 thousand) is disclosed under other non-current assets (see ↗ note 27).

The defined benefit pension plans of Dräger Schweiz AG, which use the BVG 2020 generation tables (2020: BVG 2015) as a basis of calculation, account for 0.7 % (2020: 2.4 %) 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 from fiscal year 2019, Dräger must compensate for the actual return on fund 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	2021	2020
Carrying amount of benefit obligations with plan assets	411,059	422,559
Present value of plan assets	-281,949	-242,069
Underfunded pension plans	129,110	180,489
Carrying amount of benefit obligations without plan assets	228,773	249,566
Net obligation as at December 31	357,884	430,055
Available excess of plan assets	-	71
Provisions for pensions and similar obligations	357,884	430,127

Changes in the net obligation are as follows:

CHANGES IN THE PROJECTED BENEFIT OBLIGATIONS AND PLAN ASSETS						
in € thousand	2021			2020		
	Projected benefit obligation	Fair value of plan assets	Total	Projected benefit obligation	Fair value of plan assets	Total
January 1	672,125	-242,069	430,055	629,668	-238,836	390,833
Service costs	20,237	-	20,237	13,767	-	13,767
Interest income (-)/ interest expense (+)	4,931	-1,597	3,334	6,212	-2,087	4,124
Past service costs	-1,624	-	-1,624	-3,741	-	-3,741
Other effect on profit or loss	43	-	43	41	-	41
Changes recognized in profit or loss	23,586	-1,597	21,989	16,278	-2,087	14,191
Return on plan assets excluding amounts included in interest	-	-20,428	-20,428	-	11,053	11,053
Revaluations from changes to demographic assumptions	-57	-	-57	-9	-	-9
Revaluations from changes to financial assumptions	-45,750	-	-45,750	34,944	-	34,944
Revaluations from adjustment to empirical values	-2,596	-	-2,596	3,610	-	3,610
Changes in other comprehensive income	-48,403	-20,428	-68,830	38,546	11,053	49,598
Benefits paid	-17,549	4,792	-12,757	-16,387	2,081	-14,306
Employee contributions	5,485	-5,427	59	4,593	-4,581	12
Employer contributions	-	-13,690	-13,690	-	-9,486	-9,486
Transfer from obligations and other effects	88	0	88	-64	-	-64
Currency changes	4,500	-3,529	970	-510	-214	-724
Other changes	-7,476	-17,855	-25,331	-12,368	-12,199	-24,567
December 31	639,832	-281,949	357,884	672,125	-242,069	430,055
Net obligation as at December 31			357,884			430,055

Service costs and past service costs are included under personnel expenses.

Plan assets are composed as follows:

COMPOSITION OF PLAN ASSETS

in € thousand	2021			2020		
	active market	no active market	Total	active market	no active market	Total
Cash and cash equivalents	3,997	-	3,997	6,766	-	6,766
Equity instruments	28,749	-	28,749	24,512	-	24,512
Securities	82,571	1,429	84,000	52,805	1,252	54,057
Debt instruments	140,665	-	140,665	134,220	-	134,220
Real estate	11,784	-	11,784	11,230	-	11,230
Other	12,753	-	12,753	11,286	-	11,286
			281,949			242,069

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 %	2021		2020	
	Germany	Abroad	Germany	Abroad
Discount rate	1.20	0.61	0.80	0.46
Future wage and salary increases	3.00	1.58	3.00	1.76
Future pension increases	1.30	0.26	1.30	0.25

The weighted average term of the defined benefit obligation in the fiscal year was 19 years (2020: 20 years).

The effect of changes in fundamental assumptions on the projected benefit obligation was as follows:

EFFECT OF FUNDAMENTAL ASSUMPTIONS ON THE PROJECTED BENEFIT OBLIGATION

	2021			2020		
	Discount rate	Future pension increases	Life expectancy	Discount rate	Future pension increases	Life expectancy
Change in assumption	1,00 %	0.25 %	1 year	1,00 %	0.25 %	1 year
Effect on the projected benefit obligation if the assumption increases	16,2 % decrease	0,7 % increase	4,8 % increase	17,0 % decrease	0,8 % increase	4,9 % increase
Effect on the projected benefit obligation if the assumption decreases	21,8 % increase	0,4 % decrease	4,8 % decrease	23,1 % increase	0,4 % decrease	4,9 % decrease

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 2021

in € thousand	2022	2023	2024 - 2026	> 2026	Total
Expected pension payments	18,071	18,620	59,440	911,335	1,007,466

EXPECTED PENSION PAYMENTS 2020

in € thousand	2021	2022	2023 - 2025	> 2025	Total
Expected pension payments	17,612	17,627	56,752	893,978	985,968

Expenses for additional benefits to pension recipients of EUR 2,486 thousand (2020: EUR 2,732 thousand) were recognized in fiscal year 2021.

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 45,265 thousand (2020: EUR 43,467 thousand) in fiscal year 2021. In addition, the cost of other defined contribution plans came to EUR 13,938 thousand (2020: EUR 12,247 thousand).

31 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 from sales	Provisions for other obligations in the normal course of business	2021 Total
January 1	173,586	53,650	1,170	24,206	77,746	330,358
Allocation	131,076	31,891	684	14,828	75,253	253,732
Accumulation of interest	71	0	3	-	35	109
Utilization	-133,719	-23,340	-240	-14,777	-45,336	-217,411
Reversal	-4,595	-3,219	-175	-2,013	-9,280	-19,282
Reclassifications	135	-	-	-54	-82	0
Change in the scope of consolidation	-1	0	-	-	499	498
Currency translation effects	6,420	920	6	676	2,240	10,262
December 31	172,974	59,901	1,448	22,866	101,077	358,266

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 determined by reference to the warranty claims made in the past and specific known risks.

Provisions from sales primarily include provisions for expected credit notes and provisions for customer bonuses and commission. Commission relates to the contractual commission entitlements where the underlying intermediary transaction had not been finalized as at the balance sheet date, meaning that the obligations are not yet reported as liabilities.

Provisions for other obligations in the normal course of business include provisions for unpaid invoices for services received amounting to EUR 62,600 thousand (2020: EUR 43,006 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. Obligations for the audit of financial statements of EUR 2,016 thousand (2020: EUR 1,823 thousand) were also set aside. Obligations in the normal course of business also include obligations 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	more than 5 years	Total
Provisions for personnel and welfare obligations	135,882	26,541	10,552	172,974
Warranty provisions	29,302	30,599	-	59,901
Provisions for potential losses	1,448	-	-	1,448
Provisions from sales	22,646	221	-	22,866
Provisions for other obligations in the normal course of business	93,149	7,928	-	101,077
	282,426	65,289	10,552	358,266

32 INTEREST-BEARING LOANS AND LIABILITIES TO BANKS

INTEREST-BEARING LOANS AND LIABILITIES TO BANKS 2021

in € thousand	Current	Non-current		Total
		1 year to 5 years	more than 5 years	
Liabilities to banks	41,058	23,671	61,170	125,899
Note loans (issued 2021)	-	100,000	-	100,000
	41,058	123,671	61,170	225,899

INTEREST-BEARING LOANS AND LIABILITIES TO BANKS 2020

in € thousand	Current	Non-current		Total
		1 year to 5 years	more than 5 years	
Liabilities to banks	36,252	144,978	12,836	194,066
Note loans (issued 2016)	59,998	-	-	59,998
	96,250	144,978	12,836	254,064

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**

	2021			2020		
	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 – 1.85	69,354	fixed	0.75 – 5.10	77,965
EUR	variable	1.46	13,614	variable	0.701 – 1.46	74,067
ZAR	fixed	6.35	969	fixed	5.00	4,801
MYR	fixed	4.69	636	fixed	4.69	971
Others	fixed	2.05 – 17.00	268	fixed	14.00 – 17.00	10
			84,841			157,814
Non-current note loans						
EUR	fixed	0.85 – 1.00	100,000	fixed	-	-
			100,000			0
			184,841			157,814
Current liabilities to banks						
EUR	variable	0.85 – 7.00	481	variable	0.85 – 7.00	551
EUR	fixed	0.85 – 1.85	8,604	fixed	0.75 – 5.10	9,764
VND	variable	0.03 – 0.05	9,773	variable	0.03 – 0.04	1,410
ZAR	fixed	5.25 – 6.35	6,180	fixed	-	-
BRL	fixed	14.00 – 17.00	5,823	fixed	-	-
CNY	fixed	4.40	2,773	fixed	-	-
JPY	fixed	0.83	2,300	fixed	0.84	2,372
SAR	fixed	3.30 – 3.40	2,116	fixed	3.30 – 3.40	1,955
IDR	fixed	5.99 – 9.65	838	fixed	9.65	3,662
IDR	variable	5.90 – 6.88	435	variable	0.30	1,015
MYR	fixed	4.69	381	fixed	4.69	364
INR	variable	6.12 – 8.45	243	variable	8.28 – 10.60	754
USD	fixed	-	-	fixed	1.55 – 3.25	12,226
Others	fixed	0.27 – 4.20	1,109	fixed	5.00 – 17.00	2,178
			41,058			36,252
Current note loans						
EUR	fixed	-	-	fixed	0.80	59,998
			0			59,998
			41,058			96,250

Variable interest rates are partly hedged. Please see our information on derivative financial instruments and interest rate risks (↗ note 35).

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 23.8 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 7.6 million). There are no other material 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 2021.

33 OTHER FINANCIAL LIABILITIES

OTHER FINANCIAL LIABILITIES 2021

	Current	Non-current		Total	
in € thousand		1 year to 5 years	more than 5 years	Total	
Trade payables to third parties	223,979	-	-	0	223,979
Other financial liabilities					
Liability from termination of participation certificates	0	203,825	-	203,825	203,825
Lease liabilities	37,137	55,266	29,705	84,970	122,107
Negative fair values of derivative financial instruments	21,231	2,521	-	2,521	23,752
Repayment obligation Draeger Arabia Co. Ltd.	24,503	-	-	0	24,503
Liabilities to employees	13,753	-	-	0	13,753
Debtors with credit balances	6,438	-	-	0	6,438
Liabilities to Drägerwerk Verwaltungs AG	1,954	-	-	0	1,954
Liabilities from accrued loan interest	875	-	-	0	875
Other financial liabilities	5,070	11,195	-	11,195	16,265
Other financial liabilities	110,961	272,806	29,705	302,511	413,472
	334,939			302,511	637,451

OTHER FINANCIAL LIABILITIES 2020

	Current	Non-current		Total	
in € thousand		1 year to 5 years	more than 5 years	Total	
Trade payables to third parties	234,623	162	-	162	234,785
Other financial liabilities					
Liability from termination of participation certificates	158,019	294,985	-	294,985	453,003
Lease liabilities	35,656	56,372	24,658	81,030	116,686
Negative fair values of derivative financial instruments	15,214	2,079	-	2,079	17,293
Repayment obligation Draeger Arabia Co. Ltd.	-	12,188	-	12,188	12,188
Liabilities to employees	12,226	-	-	0	12,226
Debtors with credit balances	7,324	-	-	0	7,324
Liabilities to Drägerwerk Verwaltungs AG	1,585	-	-	0	1,585
Liabilities from accrued loan interest	472	-	-	0	472
Distribution for participation capital	345	-	-	0	345
Other financial liabilities	5,218	587	-	587	5,804
Other financial liabilities	236,058	366,211	24,658	390,869	626,927
	470,682			391,031	861,713

An amount of EUR 158,019 thousand was paid to the holders of series A and series K participation certificates in January 2021 for the repurchase of said participation certificates. A further 184,530 series D participation certificates were repurchased early for EUR 100,015 thousand in March 2021. The resulting payment obligation from series D participation certificates as at the balance sheet date amounts to a discounted value of EUR 203,825 thousand, which will be disbursed in January 2023.

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 the company's liquidation in the event that the other shareholder does not consent to purchase the shares. The increase in this payment obligation was the result of a remeasurement. 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 fair value.

Other financial liabilities include obligations in the amount of EUR 10,626 thousand for payments to the minority shareholders of STIMIT AG, Biel/Bienne, Switzerland, and AB Ulax, Motala, Sweden, resulting from shareholders' contractual option to offer their shares to the respective other shareholder as well as from potential purchase price payments under a debtor warrant agreement. These payment obligations to minority shareholders constitute a financial liability that is recognized as debt, rather than recognized in equity.

For an explanation of lease liabilities, please refer to our comments on recognition of finance leases by the lessee (➤ note 36).

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 35.

34 OTHER LIABILITIES

OTHER LIABILITIES

in € thousand	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Contractual liabilities	131,562	41,025	172,587	210,328	37,196	247,524
Deferred other income	147	6,054	6,200	162	6,129	6,290
Other tax liabilities	43,841	-	43,841	51,794	-	51,794
Other liabilities to employees and for social security	38,247	-	38,247	37,144	-	37,144
Remaining other liabilities	5,882	261	6,142	2,267	236	2,502
	219,678	47,339	267,017	301,694	43,560	345,254

Contractual liabilities are composed of accrued net sales, including call-offs for ventilators, of EUR 112,602 thousand (2020: EUR 176,760 thousand) and of prepayments received of EUR 59,985 thousand (2020: EUR 70,763 thousand).

Other deferred income includes accruals of other income.

35 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	2021	2020
Financial assets			
Equity and debt instruments	Fair value through profit or loss	137,841	143,061
Derivatives (without hedging relation)	Fair value through profit or loss	2,616	6,868
Derivatives (cash flow hedge)	Recognized directly in equity in other comprehensive income	2,549	8,581
Trade receivables	Amortized cost	611,547	718,617
Contract assets	Amortized cost	48,384	49,195
Other financial assets	Amortized cost	46,902	43,945
Cash and cash equivalents	Amortized cost	445,746	497,330
		1,295,585	1,467,596
Financial liabilities			
Trade payables	Amortized cost	223,979	234,623
Loans and liabilities to banks	Amortized cost	225,899	254,064
Other financial liabilities	Amortized cost	389,720	609,796
Derivatives (with hedging relation)	Recognized directly in equity in other comprehensive income	20,106	14,410
Derivatives (without hedging relation)	Fair value through profit or loss	3,646	2,882
		863,350	1,115,776

The measurement classes are explained in our comments on the measurement of financial assets and liabilities in [note 7](#).

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 2021.

In the following table, the carrying amounts of financial assets and liabilities not regularly recognized at fair value are compared with their fair values.

FINANCIAL INSTRUMENTS - ASSETS 2021

December 31, 2021					
in € thousand	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets – at amortized cost					
Trade receivables ¹	611,547	-	-	-	611,547
Contract assets ¹	48,384	-	-	-	48,384
Other financial assets	46,902	-	46,903	-	46,903
Cash and cash equivalents ¹	445,746	-	-	-	445,746
	1,152,579	0	46,903	0	1,152,580
Financial assets – recognized directly in equity in other comprehensive income					
Derivatives (with hedging relation)	2,549	-	2,549	-	2,549
	2,549	0	2,549	0	2,549
Financial assets – at fair value through profit and loss					
Derivatives (without hedging relation)	2,616	-	2,616	-	2,616
Equity instruments	7,170	-	-	7,170	7,170
Debt instruments	130,672	130,672	-	-	130,672
	140,457	130,672	2,616	7,170	140,457
	1,295,585	130,672	52,068	7,170	1,295,586

¹ The valuation of these financial instruments is not assigned to any fair value level.

FINANCIAL INSTRUMENTS - ASSETS 2020

December 31, 2020					
in € thousand	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets – at amortized cost					
Trade receivables ¹	718,617	-	-	-	718,617
Contract assets ¹	49,195	-	-	-	49,195
Other financial assets	43,945	-	44,061	-	44,061
Cash and cash equivalents ¹	497,330	-	-	-	497,330
	1,309,087	0	44,061	0	1,309,203
Financial assets – recognized directly in equity in other comprehensive income					
Derivatives (with hedging relation)	8,581	-	8,581	-	8,581
	8,581	0	8,581	0	8,581
Financial assets – at fair value through profit and loss					
Derivatives (without hedging relation)	6,868	-	6,868	-	6,868
Equity instruments	3,117	-	-	3,117	3,117
Debt instruments	139,944	139,944	-	-	139,944
	149,929	139,944	6,868	3,117	149,929
	1,467,596	139,944	59,509	3,117	1,467,712

¹ The valuation of these financial instruments is not assigned to any fair value level. The figures have been adjusted.

FINANCIAL INSTRUMENTS - EQUITY AND LIABILITIES 2021

December 31, 2021					
in € thousand	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities – at amortized cost					
Trade payables ¹	223,979	-	-	-	223,979
Loans and liabilities to banks	225,899	-	213,674	-	213,674
Other financial liabilities	389,720	-	390,293	-	390,293
	839,598	0	603,967	0	827,945
Financial liabilities – recognized directly in equity in other comprehensive income					
Derivatives (with hedging relation)	20,106	-	20,106	-	20,106
	20,106	0	20,106	0	20,106
Financial liabilities – at fair value through profit and loss					
Derivatives (without hedging relation)	3,646	-	3,646	-	3,646
	3,646	0	3,646	0	3,646
	863,350	0	627,719	0	851,697

¹ The valuation of these financial instruments is not assigned to any fair value level.

FINANCIAL INSTRUMENTS - EQUITY AND LIABILITIES 2020

December 31, 2020					
in € thousand	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities – at amortized cost					
Trade payables ¹	234,623	-	-	-	234,623
Loans and liabilities to banks	254,064	-	249,479	-	249,479
Other financial liabilities	609,796	-	610,115	-	610,115
	1,098,483	0	859,593	0	1,094,217
Financial liabilities – recognized directly in equity in other comprehensive income					
Derivatives (with hedging relation)	14,410	-	14,410	-	14,410
	14,410	0	14,410	0	14,410
Financial liabilities – at fair value through profit and loss					
Derivatives (without hedging relation)	2,882	-	2,882	-	2,882
	2,882	0	2,882	0	2,882
	1,115,776	0	876,886	0	1,111,510

¹ The valuation of these financial instruments is not assigned to any fair value level. The figures have been adjusted.

Level 1:

Fair value is measured using prices in active markets for identical financial assets or financial liabilities. The fair values of non-current securities are based on current stock market prices.

Level 2:

Fair value is measured using 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-specific 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 2.23 % for cash flows in 2022 and 2.79 % for cash flows in 2027 relating to loans and liabilities to banks, as well as between 2.34 % and 31.16 % for cash flows in the period from 2022 to 2047 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:

Fair value is measured using 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. Within the Dräger Group, only equity instruments are allocated to level 3. When measuring equity instruments, Dräger applies the discounted cash flow method including all material parameters.

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 2021 is composed as follows:

NET RESULT FROM FINANCIAL INSTRUMENTS		
in € thousand	2021	2020
Financial assets measured at amortized cost	3,509	-13,347
Assets measured at fair value through profit or loss	-342	-193
Equity instruments measured at fair value through profit or loss	-89	0
Derivatives measured at fair value through profit or loss	-21,887	9,462
Financial liabilities measured at amortized cost	-1,435	1,210
	-20,243	-2,868

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:

INTEREST RESULT FROM FINANCIAL INSTRUMENTS

in € thousand	2021	2020
Financial assets measured at amortized cost	4,750	3,317
Debt instruments measured at fair value through profit or loss	119	12
Financial liabilities measured at amortized cost	-30,562	-29,081
	-25,693	-25,751

Please refer to [note 15](#) for our comments on the composition of the net interest result of the financial liabilities measured at amortized cost.

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 value	Fair value					
		Non-current	Current	Assets Total	Non-current	Current	Equity and liabilities Total
2021							
Currency forwards							
Without a hedging relationship recognized in the balance sheet	362,897	607	2,009	2,616	311	3,335	3,646
In conjunction with cash flow hedges	424,867	281	2,268	2,549	1,598	17,896	19,495
	787,763	888	4,276	5,165	1,910	21,231	23,141
Interest rate swap							
In conjunction with cash flow hedges	11,364	-	-	0	611	-	611
	799,127	888	4,276	5,165	2,521	21,231	23,752
2020							
Currency forwards							
Without a hedging relationship recognized in the balance sheet	461,384	783	6,085	6,868	161	2,721	2,882
In conjunction with cash flow hedges	588,226	782	7,798	8,581	767	12,492	13,259
	1,049,610	1,565	13,883	15,448	928	15,214	16,141
Interest rate swap							
In conjunction with cash flow hedges	11,788	-	-	0	1,151	-	1,151
	1,061,399	1,565	13,883	15,448	2,079	15,214	17,293

A committee, which is comprised of the CFO as well as participants from the treasury, tax, 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 2021

in € thousand	2022	2023	2024 to 2026	2027	Total
Derivative financial liabilities					
Foreign currency derivatives – cash outflow	479,418	67,582	10,538	-	557,538
Foreign currency derivatives – cash inflow	-452,880	-63,714	-9,731	-	-526,325
Interest rate swap – cash outflow	461	112	-	-	574
	26,999	3,980	807	0	31,787
Non-derivative financial liabilities					
Interest-bearing loans and liabilities to banks	41,481	11,957	118,748	62,579	234,764
Trade payables	223,979	-	-	-	223,979
Other financial liabilities	89,730	237,279	35,440	54,367	416,816
	355,189	249,236	154,188	116,945	875,558
	382,188	253,217	154,995	116,945	907,345

MATURITIES OF FINANCIAL LIABILITIES 2020

in € thousand	2021	2022	2023 to 2025	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	0	-	-	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

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 aim of portfolio optimization is to reduce currency risk at EBIT level to a maximum of 1 % of planned annual net sales with a confidence interval of 95 %.

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.

Until fiscal year 2020, Dräger exercised its option to continue to recognize hedge accounting pursuant to IAS 39. The notes were prepared according to IFRS 7, and so the requirements of IFRS 9 were also met. The effectiveness of the hedging relationships was measured by the cumulative dollar offset method. In this method, only the change in the derivative attributable to the forward rate was designated as the hedging instrument (forward-to-forward). This resulted in the change in value of the effective hedging instrument being recognized initially in other comprehensive income until the part of the hedged item was 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). Dräger updated its accounting and measurement methods in line with IFRS 9 for fiscal year 2021. Currency futures are now designated as spot-to-spot rather than forward-to-forward. Existing hedges were de-designated at the point of transition from IAS 39 to IFRS 9 before being immediately re-designated according to IFRS 9. The final measurement of the currency futures according to IAS 39 is frozen in the cash flow hedge reserve (OCI I). The re-designation in IFRS 9 is then carried out on a spot basis and the changes in value of the derivative accrued since re-designation are recognized with the spot component in the cash flow hedge reserve (OCI I) and with the forward component in the cost of hedging reserve (OCI II). The voluntary de-designation and subsequent re-designation did not result in any transition effects, as the hedge is treated under both accounting standards according to its designation.

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. As past ineffectiveness arose merely from taking counterparty risk into consideration, counterparty risk must not be included in the calculation of the hypothetical derivative.

Dräger does not typically renew its hedges by changing the hedging instruments and the hedged items.

The currency selection can be adjusted as part of the annual update of the hedging strategy. The planning of future risk positions is also updated annually, as a result of which it may be necessary to reduce or terminate cash flow hedges early.

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	up to 1 year	1 to 5 years	Residual terms	Total nominal volume	Average hedging rate / price
			over 5 years	December 31	December 31
2021					
Currency futures CNY	96.8	29.7	-	126.4	8.0
Currency futures SAR	33.5	8.5	-	42.0	4.5
Currency futures AUD	28.4	6.9	-	35.3	1.6
Currency futures JPY	25.1	7.0	-	32.1	130.1
Currency futures ZAR	24.3	2.4	-	26.7	18.8
Currency futures PLN	15.5	4.4	-	19.9	4.6
Currency futures THB	16.2	4.0	-	19.8	38.2
Currency futures MXN	17.6	1.8	-	19.4	26.1
Currency futures SEK	16.5	1.5	-	18.0	10.2
Total other currency areas	77.4	7.9	-	85.3	n/a
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

The sum of all other currency areas in fiscal year 2021 includes the currency futures for a total of eight currencies (2020: eleven), which only account for 20 % (2020: 19 %) 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 items	Change in fair value to determine ineffectiveness	Nominal value
2021				
Currency forwards				
Derivative assets	2.5	other financial assets	2.5	100.1
Derivative liabilities	19.5	other financial liabilities	14.9	324.7
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

The fair value changes to determine ineffectiveness in fiscal year 2021 only include changes in the spot component.

The effects of the hedged items on the consolidated balance sheet in fiscal year 2021 only include changes in the spot component and are as follows:

DISCLOSURES ON UNDERLYING TRANSACTIONS AS PART OF FOREIGN CURRENCY CASH FLOW HEDGES

in € million	2021	2020
Value change to the hedging item period to determine ineffectiveness	12.6	5.2
Status of hedging reserve and currency reserve of active cash flow hedges	-9.9	-0.3
Status of hedging reserve and currency reserve of successful cash flow hedges	-	-

The effects of foreign currency cash flow hedges on the income statement and other comprehensive income in fiscal year 2021 only include changes in the spot component and are as follows:

DISCLOSURES ON GAINS AND LOSSES FROM FOREIGN CURRENCY CASH FLOW HEDGES (CFH)

in € million	2021	2020
Gain or loss from CFH recognized in equity ¹	-9.9	-0.3
Ineffectiveness recognized in the income statement	0.0	0.1
Items in the statement of comprehensive income containing the recognized ineffectiveness	Cost of sales	Cost of sales
Reclassifications from the CFH reserve in the income statement		
Due to premature termination of the CFH	2.3	3.4
Due to the recognition of the hedged item in the income statement ¹	8.4	-1.7
Items in the statement of comprehensive income containing the reclassification	Net sales / Cost of sales	Net sales
Gain or loss from hedging the net positions ¹	-	-

¹ The prior year figures have been adjusted.

The foreign currency cash flow hedges reserves pursuant to IFRS 9 developed as follows:

DEVELOPMENT OF FOREIGN CURRENCY CASH FLOW HEDGE RESERVES

in € million	2021		2020
	Hedge reserves	Costs of hedging	
January 1	-0.3	-	-5.8
Gain or loss from effective hedge accounting	-20.3	-3.6	3.9
Reclassifications due to amended expectations regarding the occurrence of the hedged item	2.3	0.5	3.4
Reclassifications due to recognition of the hedged item	8.4	1.4	-1.7
Reclassifications of presumably irrecoverable losses recorded in other comprehensive income	-	-	-
Reclassifications due to basis adjustment	0.1	0.0	-
December 31	-9.9	-1.6	-0.3

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	2021		2020	
	Influence to		Influence to	
	Earnings after taxes	Other comprehensive income in equity	Earnings after taxes	Other comprehensive income in equity
US dollar				
Euro up 10 %	0.2	-	1.9	-
Euro down 10 %	-0.2	-	-2.3	-
Chinese yuan				
Euro up 10 %	-0.1	7.4	-0.3	5.7
Euro down 10 %	0.1	-9.0	0.4	-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. As a result, 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 fully hedge cash flows from a non-current, variable interest-bearing loan (100 % hedging ratio). The interest rate swap has a remaining term until 2023. 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 VOLUMES OF INTEREST HEDGING INSTRUMENT

in € million	Residual terms			Total nominal volume	Average hedging interest rate
	up to 1 year	1 to 5 years	over 5 years	December 31	December 31
2021					
Interest rate swap	-	11.4	-	11.4	4.1%
2020					
Interest rate swap	-	11.8	-	11.8	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 IBOR reform also has no effect, as the reference interest rate for the interest rate swap is EURIBOR.

The effects of these hedging transactions on the consolidated balance sheet are as follows:

DISCLOSURES ON HEDGING INSTRUMENTS AS PART OF INTEREST CASH FLOW HEDGES

in € million	Carrying amount	Balance sheet items	Change in fair value to determine ineffectiveness ¹	Nominal value
2021				
Interest rate swap				
Derivative assets	-		-	-
Derivative liabilities	0.6	other financial liabilities	0.6	11.4
2020				
Interest rate swap				
Derivative assets	-		-	-
Derivative liabilities	1.2	other financial liabilities	1.2	11.8

¹ The prior year figure has been adjusted.

The effects of the hedged items on the consolidated balance sheet are as follows:

DISCLOSURES ON UNDERLYING TRANSACTIONS AS PART OF INTEREST CASH FLOW HEDGES

in € million	2021	2020
Value change to the hedging item period to determine ineffectiveness ¹	0.6	1.2
Status of hedging reserve and interest reserve of active cash flow hedges	-0.6	-1.2
Status of hedging reserve and interest reserve of successful cash flow hedges	-	-

¹ The prior year figure has been adjusted.

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 INTEREST CASH FLOW HEDGES (CFH)

in € million	2021	2020
Gain or loss from CFH recognized in equity	0.1	-0.0
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		
Due to premature termination of the CFH	-	-
Due to the recognition of the hedged item in the income statement	0.5	0.5
Items in the statement of comprehensive income containing the reclassification	Financial result	Financial result
Gain or loss from hedging the net positions	-	-

The interest-rate cash flow hedges reserves pursuant to IFRS 9 developed as follows:

DEVELOPMENT OF INTEREST CASH FLOW HEDGE RESERVES

in € million	2021	2020
January 1	-1.2	-1.6
Gain or loss from effective hedge accounting	0.1	-0.0
Reclassifications due to amended expectations regarding the occurrence of the hedged item	-	-
Reclassifications due to recognition of the hedged item	0.5	0.5
Reclassifications of presumably irrecoverable losses recorded in other comprehensive income	-	-
Reclassifications due to basis adjustment	-	-
December 31	-0.6	-1.2

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 1,443 thousand (2020: EUR 1,437 thousand) and equity by EUR 49 thousand (2020: EUR 93 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 42 thousand (2020: EUR 133 thousand) and decrease equity by EUR 36 thousand (2020: EUR 86 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, Dräger's customer structure in the medical division mainly involves public or private hospitals, while customers in the safety division are public organizations (fire service, police, etc.) as well as companies from the chemical, oil, and gas industries and other 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 353 thousand (2020: EUR 8,635 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.

Dräger bases its determination of impairment losses on the fundamental assumptions and requirements of IFRS 9. 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 risks of the receivables increase 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 measured at amortized cost (excluding cash and cash equivalents). 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 56 thousand (2020: EUR 73 thousand) was recognized for contract assets in the amount of EUR 48,440 thousand (2020: EUR 49,268 thousand).

According to the simplified approach, a risk provision in the amount of EUR 41,337 thousand (2020: EUR 40,962 thousand) was recognized for gross carrying amounts totaling EUR 701,268 thousand (2020: EUR 808,774 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	Bad debt allowances	Total
December 31, 2021									
Gross carrying amounts of trade receivables and contract assets	487,481	64,659	24,709	18,938	10,137	95,343			701,268
Risk provisions	499	80	33	25	27	447	1,112	40,225	41,337
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

The development of risk provisions according to IFRS 9 is as follows:

RECONCILIATION OF RISK PROVISIONS FOR TRADE RECEIVABLES AND CONTRACT ASSETS

in € thousand	Specific bad debt allowances	Risk provisions	Total
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/ January 1, 2021	39,040	1,922	40,962
Allocation	9,170	148	9,317
Utilization	-3,842	0	-3,842
Reversal	-5,043	-984	-6,027
Currency translation effects	901	26	927
December 31, 2021	40,225	1,112	41,337

During the reporting period, Dräger wrote off trade receivables of EUR 534 thousand (2020: 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 28 thousand (2020: EUR 39 thousand) was recognized for gross carrying amounts totaling EUR 46,930 thousand (2020: EUR 43,983 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	Specific bad debt allowances	Risk provisions	Total
January 1, 2020	9,495	49	9,544
Allocation	350	-	350
Currency translation effects	-455	-10	-466
December 31, 2020/ January 1, 2021	9,390	39	9,428
Allocation	74	-	74
Reversal	-	-11	-11
Currency translation effects	407	-	407
December 31, 2021	9,871	28	9,899

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 2021

in € thousand	Gross amounts of financial assets	Amount of netted financial liabilities	Recognized net amount 2021	Unnetted amount of a netting agreement	Net amount 2021
Positive derivative financial instruments	5,165	-	5,165	-	5,165
Cash and cash equivalents	445,746	-	445,746	-1	445,745
	450,911	0	450,911	-1	450,909

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 2021

in € thousand	Gross amounts of financial liabilities	Amount of netted financial assets	Recognized net amount 2021	Unnetted amount of a netting agreement	Net amount 2021
Negative derivative financial instruments	23,752	-	23,752	-3,814	19,937
Liabilities to banks	125,899	-	125,899	-258	125,641
	149,651	0	149,651	-4,072	145,579

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	194,066	-	194,066	-243	193,823
	211,358	0	211,358	-3,387	207,972

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.

As before, no offsetting claims exist from operating activities within the scope of supply and service relationships.

36 LEASING

Contracts recognized under IFRS 16 as leases are explained below.

A) 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 are generally 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 2021

in € thousand	Land, equivalent titles and buildings	Other plant, factory and office equipment	Leased equipment	Total
Carrying value as at January 1, 2021	78,975	31,409	61	110,445
Carrying value as at December 31, 2021	84,964	30,440	31	115,435
Additions in fiscal year 2021	27,146	19,857	0	47,002
Amortization in fiscal year 2021	-21,158	-20,406	-30	-41,594

RIGHT-OF-USE ASSETS 2020

in € thousand	Land, equivalent titles and buildings	Other plant, factory and office equipment	Leased equipment	Total
Carrying value as at January 1, 2020	79,078	29,483	1,173	109,734
Carrying value as at December 31, 2020	78,975	31,409	61	110,445
Additions in fiscal year 2020	24,302	22,505	50	46,857
Amortization in fiscal year 2020	-21,394	-19,695	-400	-41,489

Lease liabilities and their due dates are presented in [note 33](#). Potential additional payments from options in the amount of EUR 26,277 thousand (2020: EUR 26,573 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 LEASE CONTRACTS (LESSEE)

in € thousand	2021	2020
Amortization of right-of-use assets	41,594	41,489
Interest expenses for lease obligations	4,707	4,858
Expenses for short-term leases	2,888	2,987
Expenses for low-value leases	1,536	1,748
Expenses for variable lease payments	0	3
	50,724	51,084

The payments from these leases recognized in the cash flow statement were as follows:

LEASE PAYMENTS		
in € thousand	2021	2020
Fixed lease payments	41,461	40,539
Variable lease payments	0	3
	41,461	40,541

Income from sub-leases of EUR 215 thousand (2020: EUR 215 thousand) was generated in fiscal year 2021.

B) 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	2021	2020
Due in less than 1 year	916	1,355
Due in 1 to 2 years	801	763
Due in 2 to 3 years	655	726
Due in 3 to 4 years	338	669
Due in 4 to 5 years	187	403
Due in more than 5 years	68	442
Undiscounted lease payments	2,965	4,358
Unearned finance income	158	495
Net investments in leases	2,807	3,863

The following table shows the amounts recognized in the income statement:

AMOUNTS FROM FINANCE LEASES RECOGNIZED IN THE INCOME STATEMENT		
in € thousand	2021	2020
Selling profit for finance leases	0	694
Finance income on the net investment in finance leases	163	148
Income relating to variable lease payments not included in the net investment in finance leases	-	-
	163	842

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.

Leased building space of EUR 23,465 thousand (2020: EUR 23,861 thousand) is recognized in the Group's property, plant and equipment at historical cost, together with EUR 18,916 thousand (2020: EUR 18,356 thousand) in accumulated depreciation. The depreciation recognized in the fiscal year amounts to EUR 560 thousand (2020: EUR 232 thousand).

Dräger reports leased equipment (products) separately under property, plant and equipment ⁷ note 21). Dräger generated income from leasing of EUR 52,817 thousand (2020: EUR 54,846 thousand) in fiscal year 2021.

Future minimum lease payments outstanding under non-cancelable operating leases are as follows:

MINIMUM LEASE PAYMENTS

in € thousand	2021	2020
Payments in the first year	30,844	22,686
Payments from the first to second years	5,785	5,017
Payments from the second to third years	3,455	3,586
Payments from the third to fourth years	2,436	2,053
Payments from the fourth to fifth years	1,732	1,335
Payments after five years	1,210	2,179
	45,463	36,856

As in the prior year, no contingent rents were agreed in fiscal year 2021.

37 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, 2021, other financial obligations amounted to a total of EUR 26,691 thousand (2020: EUR 39,123 thousand) and are structured as follows:

a) Rental and lease agreements

Other financial obligations from rental and lease agreements amount to EUR 2,965 thousand (2020: EUR 1,029 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 2,324 thousand (2020: EUR 907 thousand) and to purchase property, plant and equipment of EUR 21,401 thousand (2020: EUR 37,187 thousand) as at December 31, 2021.

c) Litigation

Companies of the Dräger Group were involved in litigation and claims for damages in connection with business activities as at December 31, 2021. 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.

38 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Twelve months					
		Medical division		Safety division		Dräger Group	
		2021	2020	2021	2020	2021	2020
Order intake	€ million	1,916.9	2,498.7	1,170.9	1,287.5	3,087.8	3,786.2
Europe	€ million	971.2	1,407.0	729.1	864.1	1,700.3	2,271.1
thereof Germany	€ million	362.6	636.8	287.4	305.1	650.1	941.9
Americas	€ million	419.4	464.5	190.5	197.8	609.8	662.2
Africa, Asia, and Australia	€ million	526.4	627.3	251.3	225.7	777.7	852.9
Net Sales	€ million	2,064.2	2,302.2	1,264.2	1,104.1	3,328.4	3,406.3
Europe	€ million	1,069.8	1,262.6	822.5	723.2	1,892.3	1,985.8
thereof Germany	€ million	466.6	521.8	300.1	286.0	766.6	807.8
Americas	€ million	428.8	443.9	200.3	167.2	629.1	611.2
Africa, Asia, and Australia	€ million	565.6	595.6	241.5	213.6	807.1	809.3
EBITDA ¹	€ million	256.4	391.5	164.5	129.5	421.0	521.0
Depreciation/Amortization	€ million	-64.8	-62.1	-84.5	-62.3	-149.3	-124.4
EBIT ²	€ million	191.6	329.4	80.0	67.2	271.7	396.6
Capital employed ^{3, 4}	€ million	805.8	859.3	575.4	551.4	1,381.1	1,410.6
EBIT ² / Net sales	%	9.3	14.3	6.3	6.1	8.2	11.6
EBIT ^{2, 5} / Capital employed ^{3, 4} (ROCE)	%	23.8	38.3	13.9	12.2	19.7	28.1
DVA ^{5, 6}	€ million	132.1	269.6	39.7	27.4	171.8	296.9

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

Segment reporting in the annual report is geared towards the organizational and management system pursuant to IFRS 8. The chief operating decision maker is the Executive Board.

Dräger has managed its business through the medical and safety divisions instead of by region since January 2020.

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	2021	2020
Net profit	154.3	249.9
+ Interest result	35.0	36.4
+ Income taxes	82.4	110.3
EBIT	271.7	396.6

CAPITAL EMPLOYED		
in € million	December 31, 2021	December 31, 2020
Total assets	3,178.3	3,306.0
- Deferred tax assets	-195.2	-228.3
- Cash and cash equivalents	-445.7	-497.3
- Non-interest bearing liabilities	-1,156.2	-1,169.8
Capital employed	1,381.1	1,410.6

DVA		
in € million	December 31, 2021	December 31, 2020
EBIT (of the last 12 months)	271.7	396.6
- Cost of capital (basis: average of capital employed in the past 12 months)	-99.9	-99.7
DVA	171.8	296.9

Non-current assets are broken down by segments as follows:

NON-CURRENT ASSETS BY SEGMENTS ¹		
in € million	2021	2020
Medical division	543,259.3	515,827.7
Safety division	413,068.8	386,225.2
	956,328.1	902,052.9

¹ Non-current assets = intangible assets; property, plant and equipment, right-of-use asset 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.

39 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 2021, Dräger Group's cash inflow from operating activities amounted to EUR 384.9 million (2020: EUR 460.0 million). The year-on-year reduction in profitability⁵ contributed to the decline in cash inflow. The lower cash inflow was also attributable to a EUR 65.5 million decrease in other liabilities (2020: increase of EUR 146.2 million) that related in particular to changes in contract liabilities. By contrast, the EUR 122.3 million reduction in trade receivables (2020: increase of EUR 95.4 million) and the EUR 14.4 million drop in inventories (2020: increase of EUR 162.0 million) raised cash inflow.

The significant decline in cash outflow from investing activities to EUR 109.9 million (2020: EUR 263.1 million), was attributable in particular to the substantial cash outflow in the prior year due to the purchase of money market funds in which Dräger invested available cash and cash equivalents with a short-term investment horizon. Fiscal year 2021 saw, among other things, cash inflow in the net amount of EUR 8.8 million from the partial reduction of money market fund holdings. Remaining investments were primarily made in movable assets. Investments attributable to German subsidiaries totaled EUR 142.9 million (2020: EUR 201.8 million).

The cash outflow from financing activities of EUR 334.6 million (2020: cash inflow of EUR 114.3 million) was mainly attributable to repayments to the holders of the terminated participation certificates in the amount of EUR 258.0 million (see also note 33). Bank loans and current account liabilities of EUR 29.4 million (2020: net borrowing of EUR 88.7 million) were also repaid.

Changes in liabilities from financing activities are broken down into cash and non-cash changes as follows:

RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES 2021

	January 1	Affecting payments				Not affecting payments	December 31
in € thousand			Addition	De-recognition	Reclassification	Exchange rate change	
Non-current note loans	-	100,000	-	-	-	-	100,000
Non-current liabilities to banks	157,814	-59,242	-	-	-8,405	-5,326	84,841
Current note loans	59,998	-60,000	2	-	-	-	0
Current liabilities to banks	36,252	-10,108	13	-	8,405	6,497	41,058
Lease liabilities	116,686	-41,461	47,002	-2,921	-	2,801	122,107
Total liabilities from financing activities	370,750	-70,812	47,017	-2,921	0	3,972	348,006

⁵ Earnings before depreciation, amortization, net interest result, and income taxes (EBITDA) – adjusted for cash-neutral changes to provisions and other non-cash income/expenses.

RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES 2020

	January 1	Affecting payments				Not affecting payments	December 31
in € thousand			Addition	De-recognition	Reclassification	Exchange rate change	
Liabilities from participation certificates (in debts)	25,988	-	209	-26,197	-	-	0
Non-current note loans ¹	59,986	-	-	-	-59,986	-	0
Non-current liabilities to banks ¹	58,583	108,515	-	-	-	-9,284	157,814
Current note loans ¹	-	-	-	-	59,986	12	59,998
Current liabilities to banks ¹	51,009	-19,844	-	-	-	5,087	36,252
Lease liabilities	115,424	-40,541	47,706	-1,572	-	-4,330	116,686
Total liabilities from financing activities	310,990	48,129	47,914	-27,769	0	-8,514	370,750

¹ The previous year's values were adjusted according to the changed level of detail in the balance sheet.

Cash and cash equivalents as at December 31, 2021, exclusively comprised cash and cash equivalents, of which EUR 6.3 million (December 31, 2020: EUR 5.1 million) is subject to restrictions regarding use. In addition, Dräger held EUR 130.1 million in short-term, highly liquid money market funds as at December 31, 2021 (December 31, 2020: EUR 139.3 million), which are to be recognized as part of cash and cash equivalents following their redemption.

Unused credit lines amounted to EUR 492.4 million as at the balance sheet date (December 31, 2020: EUR 401.3 million). The credit lines are subject to standard market restrictions.

40 EXECUTIVE AND SUPERVISORY BOARD REMUNERATION

Executive Board remuneration

Total remuneration for active Executive Board members amounted to EUR 9,785,543 in fiscal year 2021 (2020: EUR 8,869,863). This amount is made up of non-performance-related payments of EUR 2,383,689 (2020: EUR 2,386,865) and performance-related payments of EUR 7,401,854 (2020: EUR 6,478,089), of which EUR 4,143,174 were short-term (2020: EUR 4,431,684) and EUR 3,253,125 long-term (2020: EUR 2,046,404), as well as share-based remuneration with long-term incentives in the amount of EUR 5,555 (2020: EUR 4,910).

The employee share program, offered for the first time in Germany in 2013, was once again offered by Dräger in fiscal year 2021. 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 55.55 per share using their own funds, which were booked at a price of EUR 55.55 per share. For every three preferred shares, participants received one preferred share worth EUR 55.55 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, 2023.

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 incorporation, 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 2021, this fee amounted to EUR 110,566 (2020: EUR 115,943) plus any VAT that may be incurred.

Obligations to active Executive Board members under pension plans are stated in the financial statements 2021 at EUR 10,756,462 (2020: EUR 11,219,324). Starting January 1, 2021, pension commitments were transferred into an externally pre-financed insurance-linked scheme with a guaranteed minimum return, which is served

directly by Drägerwerk Verwaltungs AG. Drägerwerk AG & Co. KGaA continues to be responsible for the Executive Board members' vested rights in pension obligations granted up to December 31, 2020.

Due to the new pension commitments, the Company did not make any additions to the pension obligations for active members of the Executive Board in fiscal year 2021. An addition of EUR 1,410,033 was made in the prior year, 2020. The amount of EUR 3,317,986 was paid to former members of the Executive Board and their surviving dependents as at the end of the reporting year (2020: EUR 3,301,986). Pension commitments to former members of the Executive Board and their surviving dependents amounted to EUR 38,682,674 (2020: EUR 42,279,905).

If an Executive Board member dies during his or her active service on the Board, the surviving spouse is entitled to Dräger widow's and widower'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 since fiscal year 2011. Supervisory Board remuneration for fiscal year 2021 came to EUR 722,500 (2020: EUR 640,000).

In fiscal year 2021, the total remuneration of the six members of the Supervisory Board of the general partner, Drägerwerk Verwaltungs AG, amounted to EUR 180,000 (2020: EUR 135,000), as well as additional allowances for out-of-pocket expenses totaling EUR 60,000 (2020: 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.

41 SHARES OWNED BY THE EXECUTIVE AND SUPERVISORY BOARDS

As at December 31, 2021, the members of the Executive Board of Drägerwerk Verwaltungs AG and their related parties directly held 16,242 preferred shares in Drägerwerk AG & Co. KGaA, equivalent to 0.189 % of the Company's total shares, and 114,755 common shares, corresponding to 1.129 % of the Company's total shares.

As at December 31, 2021, the members of the Supervisory Board and their related parties directly or indirectly held a total of 543 preferred shares, equivalent to 0.006 % of the Company's total shares, and no common shares.

42 RELATED-PARTY TRANSACTIONS

Services were rendered for Stefan Dräger and companies and persons related to him, the Dräger-Stiftung, and the Dräger-Familienstiftung (Dräger Foundation and Dräger Family Foundation) totaling EUR 49 thousand (2020: EUR 45 thousand) in fiscal year 2021. Receivables in this respect amounted to EUR 23 thousand as at December 31, 2021 (2020: EUR 1 thousand)

Services in the amount of EUR 11 thousand (2020: EUR 32 thousand) were rendered for the working groups in fiscal year 2021 (see ↗ note 22). No receivables arose from the rendered services (2020: EUR 11 thousand).

Group companies rendered rental services and other services totaling EUR 127 thousand (2020: EUR 118 thousand) for associate MAPRA Assekuranzkontor GmbH in fiscal year 2021. Receivables in this respect amounted to EUR 3 thousand as at December 31, 2021 (2020: EUR 0 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 second and third tranches

amounting to CAD 1,000 thousand (EUR 719 thousand) were disbursed in fiscal year 2021. The interest rate is 5.5 % and is due at the point at which the loan is converted as at December 31, 2023. There were no liabilities to Focus Field Solutions Inc., St. Johns, Canada. Expenses for Focus Field Solutions, Inc. services amounted to EUR 127 thousand in fiscal year 2021 (2020: EUR 0 thousand).

A convertible loan of EUR 2,000 thousand was granted by Dräger Safety AG & Co. KGaA to associate Multi Sensor Scientific, Inc., Somerville, USA, in fiscal year 2021. The loan was disbursed in multiple tranches of EUR 500 thousand each. The first three tranches totaling EUR 1,500 thousand were disbursed in fiscal year 2021. The interest rate is 5.8 % and is due at the point at which the loan is converted as at June 30, 2024. No receivables or liabilities in relation to Multi Sensor Scientific, Inc., Somerville, USA, existed as at the reporting date. No services were rendered in fiscal year 2021 either.

The remuneration of the employee representatives on the Supervisory Board for work performed in addition to the Supervisory Board activities was 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 (ultimate parent company of the Dräger Group) 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, and other expenses.

Liabilities to Drägerwerk Verwaltungs AG amounted to EUR 19,569 thousand as at December 31, 2021 (2020: EUR 13,867 thousand). Expenses for Drägerwerk Verwaltungs AG services amounted to EUR 16,985 thousand in the fiscal year (2020: EUR 8,932 thousand—prior-year figure adjusted). Services in the amount of EUR 29 thousand were rendered for Drägerwerk Verwaltungs AG in fiscal year 2021 (2020: EUR 16 thousand). No receivables arose in this regard (2020: EUR 9 thousand).

All members of the Executive Board of Drägerwerk Verwaltungs AG participated in the 2021 employee share program. The Executive Board members purchased twenty sets each of three shares at a cost of EUR 55.55 per share using their own funds. For every three preferred shares, participants received one preferred share worth EUR 55.55 free of charge from Dräger. The holding period for these preferred shares—including those that participants acquired themselves—runs until December 31, 2023.

The Executive Board members were given a non-interest bearing advance on long-term variable remuneration of EUR 538 thousand in fiscal year 2021.

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

in €	2021	2020
Payments due in the short term	6,515,210	6,823,458
Post-employment benefits	0	280,785
Other payments due in the long term	3,253,125	2,046,404
Total remuneration ¹	9,768,335	9,150,648

¹ New pension scheme for Drägerwerk Verwaltungs AG only according German Commercial Code since January 1, 2021

Members of the Supervisory Board of Drägerwerk AG & Co. KGaA received short-term benefits of EUR 722,500 (2020: EUR 640,000). The members of the Supervisory Board of Drägerwerk Verwaltungs AG received short-term benefits of EUR 240,000 (2020: EUR 195,000).

43 FURTHER INFORMATION

Auditor's fee

The total fee charged by the auditor—PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft—in fiscal year 2021 for the audit of the Group financial statements amounted to EUR 1,380 thousand (2020: EUR 1,012 thousand) for the audit of the financial statements, EUR 35 thousand (2020: EUR 2 thousand) for other audit services, EUR 129 thousand (2020: EUR 161 thousand) for other services, and EUR 300 thousand (2020: EUR 177 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 2021, Dr. Andreas Focke signed the audit report for the third time, while Marko Schipper signed his sixth audit report for the Dräger Group.

Corporate governance declaration

Drägerwerk AG & Co. KGaA's declaration of conformity under the terms of Sec. 161 AktG was issued and made permanently available to the shareholders online at www.draeger.com in December 2021.

44 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 company as per IAS 28.

³ Special purpose vehicles as per IFRS 10

⁴ 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 Romania SRL, Bucharest	205 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
	AB Ulax, Motala	500 SEK	62.5
Switzerland	Dräger Schweiz AG, Liebefeld-Bern	3,000 CHF	100
	STIMIT AG, Biel/Bienne	292 CHF	67.32
Serbia	Draeger Tehnika d.o.o., Belgrade	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., Klášterec nad Ohří	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 Indústria e Comércio Ltda., São Paulo	106,243 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

² This company is treated as an associated company 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 %
Americas (continued)			
Peru	Draeger Peru S.A.C., Piso Miraflores-Lima	9,809 PEN	100
United States	Draeger, Inc., Telford	356 USD	100
	Draeger Medical Systems, Inc., Telford	100 USD	100 ⁵
	MultiSensor Scientific Inc., Somerville	1 USD	36.03 ²
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, Rangoon	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

² This company is treated as an associated company as per IAS 28.

⁵ Capital stock stated in local currency (not in thousands of the local currency unit).

45 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 553,873 thousand for fiscal year 2021 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 550,918 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 18, 2022

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, that 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 18, 2022

The general partner

Drägerwerk Verwaltungs AG
represented by its Executive Board

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

Independent Auditor's Report

To Drägerwerk AG & Co. KGaA, Lübeck

Report on the Audit of the Consolidated Financial Statements and of the Combined 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 balance sheet as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated in-come statement, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from 1 January to 31 December 2021, and notes, including a summary of significant accounting policies. In addition, we have audited the combined management report of Drägerwerk AG & Co. KGaA, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB.

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 § 315e Abs. [paragraph] 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined 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 combined management report does not cover the content of the statement on corporate governance referred to above.

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 combined management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the combined 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 Combined 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 combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. 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 recoverability of goodwill
- ② 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 RECOVERABILITY OF GOODWILL

- ① Goodwill amounting in total to EUR 311.0 billion (representing 9.8 % 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 20 of the notes to the consolidated financial statements.

② PENSION PROVISIONS

- ① Pension provisions totaling EUR 357.9 million (11.3 % 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 639.8 million and plan assets of EUR 281.9 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 30 of the notes to the consolidated financial statements.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f HGB and § 315d HGB, which we obtained prior to the date of our auditor's report, as an unaudited part of the combined management report.

The other information comprises further

- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB, which is expected to be made available to us after the date of the auditor's report.
- all remaining parts of the annual report, which we obtained prior to the date of our auditor's report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited combined management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the combined 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 mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with 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 COMBINED 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 combined 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 combined 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 combined 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 combined management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED 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 combined 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 combined 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 combined 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 combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined 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 combined 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 combined 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 combined 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 combined 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

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

ASSURANCE OPINION

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file `Draeger_KA+KLB_ESEF-2021-12-31.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 work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: 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 renderings of the consolidated financial statements and the combined management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 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 supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work 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 work. 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 opinion.
- Obtain an understanding of internal control relevant to the assurance work 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 opinion 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 in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on 7 May 2021. We were engaged by the supervisory board on 9 August 2021. 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).

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Pre-pared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Marko Schipper.

Hamburg, February 21, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Andreas Focke	Marko Schipper
German Public Auditor	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

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

DANIEL FRIEDRICH

Regional Director of the metalworkers' union IG Metall, coastal region, Hamburg

Supervisory board membership:

- Airbus Operations GmbH, Hamburg
- Mercedes-Benz AG, Stuttgart (since November 1, 2021)

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 (until February 28, 2021)

Supervisory board memberships:

- Schaltbau Holding AG, Munich (March 1, to October 25, 2021)
- Drägerwerk Verwaltungs AG, Lübeck
- Dräger Safety AG & Co. KGaA, Lübeck
- Dräger Safety Verwaltungs AG, Lübeck
- Credion AG, Hamburg

ASTRID HAMKER

Advisory Board member and partner of Piepenbrock Unternehmensgruppe GmbH & Co. KG, Berlin

Advising family-run businesses through KOMPASS-Beratung as a freelance consultant, Georgsmarienhütte

Supervisory board memberships:

- Schmitz Cargobull AG, Horstmar
- Drägerwerk Verwaltungs AG, Lübeck
- Dräger Safety AG & Co. KGaA, Lübeck
- L. Possehl & Co. mbH, Lübeck, (since January 1, 2021)

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
- Tengelmann Verwaltungs- und Beteiligungs GmbH, Munich (since January 1, 2021)

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:

- 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

Secretary for metalworkers' union IG Metall, coastal region, Hamburg

DR. REINHARD ZINKANN

Managing Partner of Miele & Cie. KG, Gütersloh

Supervisory board memberships:

- Falke KGaA, Schmallingenberg, 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 on behalf of 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)

Supervisory board memberships:
– Carl Zeiss AG, Oberkochen (since March 1, 2021)

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)

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)

FURTHER INFORMATION

The segments over the past five years

THE SEGMENTS OVER THE PAST FIVE YEARS

		Twelve months				
		2021	2020	2019	2018	2017
MEDICAL DIVISION						
Order intake	€ million	1,916.9	2,498.7	1,728.6	1,723.4	1,683.7
Net sales	€ million	2,064.2	2,302.2	1,741.8	1,643.0	1,668.0
EBIT ^{1,2}	€ million	191.6	329.4	13.1	6.9	92.9
EBIT ^{1,2} / Net sales ³	%	9.3	14.3	0.8	0.4	5.6
SAFETY DIVISION						
Order intake	€ million	1,170.9	1,287.5	1,067.6	963.1	931.0
Net sales	€ million	1,264.2	1,104.1	1,039.1	952.0	904.3
EBIT ^{1,2}	€ million	80.0	67.2	53.5	55.8	62.8
EBIT ^{1,2} / Net sales ³	%	6.3	6.1	5.1	5.9	6.9

¹ EBIT = Earnings before net interest result and income taxes² For effects of the first-time application of IFRS 16 on the figures as at December 31, 2019, see table on page 37 in our 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				
		2021	2020	2019	2018	2017
Order intake	€ million	3,087.8	3,786.2	2,796.1	2,686.5	2,614.7
Net sales	€ million	3,328.4	3,406.3	2,780.8	2,595.0	2,572.3
Gross profit	€ million	1,540.9	1,608.9	1,188.4	1,108.0	1,152.2
Gross profit / Net sales	%	46.3	47.2	42.7	42.7	44.8
EBITDA^{1, 2, 4}	€ million	421.0	521.0	193.8	148.0	240.0
EBIT^{2, 3, 4}	€ million	271.7	396.6	66.6	62.6	155.7
EBIT ^{2, 3, 4} / Net sales ⁴	%	8.2	11.6	2.4	2.4	6.1
Interest result	€ million	-35.0	-36.4	-17.0	-11.0	-12.8
Income taxes	€ million	-82.4	-110.3	-15.7	-16.8	-44.4
Net profit	€ million	154.3	249.9	33.8	34.9	98.5
Earnings per share on full distribution⁵						
per preferred share	€	7.19	10.25	1.44	1.48	4.18
per common share	€	7.13	10.19	1.38	1.42	4.12
DVA^{4, 6, 7}	€ million	171.8	296.9	-32.7	-26.5	70.7
Equity ^{4, 8}	€ million	1,260.5	1,033.8	1,076.4	1,080.7	1,068.3
Equity ratio ^{4, 8}	%	39.7	31.3	41.9	44.8	45.4
Capital employed ^{2, 4, 8, 9, 10}	€ million	1,381.1	1,410.6	1,401.3	1,341.3	1,243.6
EBIT ^{3, 6} / Capital employed ^{2, 8, 9, 10} (ROCE) ⁴	%	19.7	28.1	4.8	4.7	12.5
Net financial debt ^{2, 4, 8, 11, 12}	€ million	-24.0	187.1	88.7	43.3	-29.2
Headcount as at December 31		15,900	15,657	14,845	14,399	13,739

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 of our Annual financial 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

¹⁰ Due to the redefinition of capital employed in December 2019, the figures for 2018 have been adjusted.

¹¹ As at December 31, 2021, including the remaining payment obligation from the termination of the series D participation certificates of EUR 203.8 million

¹² Including the payment obligation of EUR 453.0 million from the termination of the participation certificates as at December 31, 2020

FINANCIAL CALENDAR 2022

Publication of 2021 fiscal year figures, Analysts´ meeting	March 3, 2022
Report as at March 31, 2022, Conference call	April 28, 2022
Annual shareholders´ meeting, Lübeck, Germany	May 6, 2022
Report as at June 30, 2022, Conference call	July 28, 2022
Report as at September 30, 2022, Conference call	October 27, 2022

Imprint

DRÄGERWERK AG & CO. KGAA

Moislinger Allee 53 – 55
23558 Lübeck, Germany
www.draeger.com

www.twitter.com/DraegerNews
www.facebook.com/DraegerGlobal
www.youtube.com/Draeger

COMMUNICATIONS

Tel. + 49 451 882 – 3202
Fax + 49 451 882 – 3944

INVESTOR RELATIONS

Tel. + 49 451 882 – 2685
Fax + 49 451 882 – 3296

TRANSLATION BY

Lennon Language Solutions, Münster

CHARTS BY

Berichtsmanufaktur GmbH, Hamburg

PUBLICATION

March 3, 2022

Possible rounding differences in this annual report may lead to slight discrepancies.

This Annual Report has been set up in German and English language. In case of any discrepancy between the German and English version, the German version shall prevail.

Legal note: Some articles provide information on products and their possible applications in general. They do not constitute any guarantee that a product has specific properties or of its suitability for any specific purpose. All specialist personnel are required to make use exclusively of the skills they have acquired through their education and training and through practical experience. Not all of the products named in this report are available worldwide. Equipment packages can vary from country to country. We reserve the right to make changes to products.