

Single entity financial statements and combined management report of Drägerwerk AG & Co. KGaA

as of December 31, 2020

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

This financial 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.

Combined management report of Drägerwerk AG & Co. KGaA

The management report of Drägerwerk AG & Co. KGaA and the management report of the Dräger Group have been combined and published in the Group Annual Report since fiscal year 2014 pursuant to Sec. 315 (5) of the German Commercial Code (Handelsgesetzbuch—HGB). The management report of Drägerwerk AG & Co. KGaA, which is combined with the Group management report, and the single entity financial statements for fiscal year 2020 are submitted and published in an electronic version by the German Federal Gazette.

Single entity financial statements of Drägerwerk AG & Co. KGaA

INCOME STATEMENT OF DRÄGERWERK AG & CO. KGAA—JANUARY 1 TO DECEMBER 31

in € thousand	Note	2020	2019
Net sales	6	1,587,039	1,059,653
Increase in work in progress and finished products		8,712	3,277
Other own work capitalized		4,033	2,732
Other operating income	7	88,020	44,024
Cost of materials	8	-815,872	-591,990
Personnel expenses	9	-307,971	-299,831
Depreciation / amortization	10	-31,234	-30,992
Other operating expenses	11	-355,477	-283,013
Income from investments	12	7,847	3,162
Income from profit and loss transfer agreements	13	95,159	101,952
Income from other securities and loans of financial assets		2,935	4,180
Write-downs on financial assets		-409	-12,618
Expenses from a loss transfer due to profit and loss transfer agreements	13	-6,299	-769
Interest result	14	-16,181	1,240
Expenses from the termination of participation capital	15	-423,516	-
Income taxes	16	61,099	6,942
Earnings after taxes		-102,115	7,949
Other taxes		-358	-405
Profit before distribution for participation capital		-102,473	7,544
Distribution for participation capital Series D		-1,077	-1,077
Net loss / profit for the period		-103,550	6,467
Profit brought forward from prior year		536,977	533,465
Net earnings	29	433,427	539,932

BALANCE SHEET OF DRÄGERWERK AG & CO. KGAA AS OF DECEMBER 31

in € thousand	Note	December 31, 2020	December 31, 2019
Assets			
Intangible assets	18	10,757	10,595
Property, plant and equipment	19	208,969	206,503
Financial assets	20	801,538	814,122
Non-current assets		1,021,263	1,031,220
Inventories	21	238,929	151,330
Trade receivables	22	39,862	33,096
Other receivables and other assets	22	507,483	372,251
Other securities	23	139,349	0
Bank balances		292,894	35,804
Current assets		1,218,517	592,481
Prepaid expenses	24	8,209	6,733
Deferred tax assets	25	135,685	72,782
Total assets		2,383,674	1,703,217

in € thousand	Note	December 31, 2020	December 31, 2019
Equity and liabilities			
Capital stock	26	48,026	45,466
Capital reserves	27	311,157	237,217
Retained earnings	28	199,191	199,191
Other retained earnings		199,191	199,191
Net earnings	29	433,427	539,932
Participation capital—par value: EUR 14,488 thousand (Series D)		-	28,511
Equity		991,801	1,050,317
Provisions for pensions and similar obligations		157,612	139,566
Other provisions		137,213	119,834
Provisions	32	294,826	259,400
Participation capital—par value: EUR 6,777 thousand (Series A+K)		-	15,588
Liabilities from the termination of participation capital	31	467,615	-
Liabilities to banks		202,852	103,382
Trade payables		116,243	91,100
Other liabilities		308,900	182,868
Liabilities	33	1,095,610	392,938
Deferred income		1,437	563
Total equity and liabilities		2,383,674	1,703,217

Notes to Drägerwerk AG & Co. KGaA single entity financial statements 2020

1 GENERAL

Drägerwerk Verwaltungs AG, Lübeck, is the sole general partner of Drägerwerk AG & Co. KGaA. Drägerwerk Verwaltungs AG, Lübeck, does not hold any shares. The capital stock of the general partner amounts to EUR 1.0 million.

Drägerwerk AG & Co. KGaA, Lübeck, Germany, is registered at the Register Court of Lübeck under HRB 7903 HL.

The single entity financial statements of Drägerwerk AG & Co. KGaA have been prepared in accordance with the provisions of the Commercial Code (Handelsgesetzbuch—HGB). For the income statement, the expense method of presentation has been used.

With the goal of enhancing the transparency of the presentation, certain items of the balance sheet and income statement have been summarized, but are detailed separately in the notes. The financial statements were prepared in euros. Unless otherwise stated, all figures are disclosed in thousands of euros (EUR thousand); rounding differences may arise as a result.

2 CORPORATE GOVERNANCE

Drägerwerk AG & Co. KGaA's declaration of conformity under the terms of Sec. 161 AktG (Aktiengesetz—German Stock Corporation Act) has been issued and made available to the shareholders (see the Annual Report of the Dräger Group or www.draeger.com, Investor Relations/Corporate Governance).

3 CAPITAL INCREASE AND TERMINATION OF DRÄGER PARTICIPATION CERTIFICATES

In March and April 2020, Drägerwerk AG & Co. KGaA decided to terminate all series A, series K, and series D participation certificates subject to the notice periods. In this context, a capital increase was also implemented by issuing 1,000,000 new bearer preferred shares (please refer to our comments in Notes 15, 26, and 33).

4 CURRENCY TRANSLATION

Foreign currency assets and liabilities are stated at the historical exchange rate on the day of transaction.

Foreign currency assets and liabilities with a remaining term of up to one year are recognized at the mean spot exchange rate as of the balance sheet date. Exchange gains and losses from this conversion are recognized in income. Only losses resulting from different currency exchange rates are recognized for assets and liabilities with a remaining term of more than one year. Income and expenses from currency translation are recognized in the notes under other operating income and expenses.

5 ACCOUNTING POLICIES

Purchased **intangible assets** are carried at cost less straight-line amortization over an estimated useful life of no more than four years. Internally developed intangible assets that are part of non-current assets are not recognized.

Property, plant and equipment are carried at cost less straight-line depreciation over the assets' estimated useful life. Pursuant to Sec. 255 (1) HGB, cost also includes incidental purchase costs and post-acquisition expenses, allowing for acquisition cost deductions. Costs include direct materials and labor costs, special production costs, and materials and production overheads to an appropriate extent, as well as the impairment of non-current assets insofar as it is caused by production. Research and sales costs are not taken into account. Factory and office buildings are depreciated over a maximum period of 50 years, building fixtures and fittings over 10 years, production plant and machinery over 8 years, and other plant, factory, and office equipment up to 15 years, but generally between 2 and 5 years.

Movable items of property, plant and equipment recognized up to December 31, 2009, are depreciated according to the declining balance method, applying the maximum rates permitted by tax regulations. For assets received after that date, the declining balance method is only applied if it corresponds with the actual depreciation of non-current assets. Low-value assets with a value up to EUR 250 are recognized immediately as expenses. Low-value assets with a value between EUR 251 and EUR 800 are recognized, fully expensed, and written off in the fiscal year of acquisition.

Within **financial assets**, the **shares in Group companies and investments** are stated at the lower of cost or, where long-term impairment appears probable, at realizable value.

Non- and/or low-interest bearing **loans** are disclosed at their present value, while loans carried at the customary market interest rate are disclosed at nominal value. Discounting and compounding are shown as write-downs or write-ups respectively in the asset history sheet. Non-current assets whose carrying amounts, when determined according to the above-mentioned principles, exceed the values to be attributed to them on the balance sheet date are written down accordingly where long-term impairment appears probable.

Exchange rate gains and losses from foreign currency denominated financial assets are recognized under other operating income or expenses.

In the case of **inventories**, raw materials, consumables, and supplies, as well as merchandise and prepayments, are recognized at the lower of average cost or reference values. Work in progress and finished products, as well as services not yet billed are recognized at cost; average costs are comprised of direct costs of materials and labor, material costs, and production overheads, as well as the decline in the value of fixed assets. Sufficient impairments are recorded for inventory risks arising from storage time and reduced value. Costs do not include interest on debt.

Prepayments received on account of orders or discounts on services that have already been rendered but not yet invoiced are recognized at nominal value and directly offset against inventories.

Receivables and other assets are stated at nominal value, less any necessary allowances for bad debts. Adequate general allowances provide for the normal collection risk. Non- and/or low-interest receivables with a remaining term of more than one year are discounted.

Derivative financial instruments are measured at fair value. Provisions for contingent losses are recognized for those derivatives that have negative fair values where they are not part of a valuation unit. If the market value cannot be reliably determined, the fair value is derived from the market value of similar derivatives or calculated with the help of established measurement methods such as the discounted cash flow method (present

value approach) and the Black Scholes model (in the case of options). The applied yield curves and exchange rates that are in line with the market are the primary factors for these models.

Bank balances are stated at the nominal value.

Deferred taxes are calculated for temporary differences between the values of non-current and current assets, as well as prepaid expenses, provisions, and liabilities under commercial law and tax law, that in all probability will be reversed in the future. Drägerwerk AG & Co. KGaA, in its role as parent company, includes the differences from its own balance sheet items as well as those from the consolidated tax group. Tax loss carryforwards and interest carryforwards are recognized in addition to these temporary differences. Deferred taxes are determined on the basis of the income tax rate applicable to Drägerwerk AG & Co. KGaA's fiscal unit. The deferred taxes are measured at the amount expected to be paid or recovered in subsequent fiscal years. Deferred tax assets from loss and interest carryforwards are only recognized if it is sufficiently probable that they will be realized within the next five years.

The repayment obligation of the **series A, K, and D participation certificates** is recognized in liabilities as a result of the termination in March and April 2020. In addition, expenses were incurred for the respective difference between the carrying amounts and the payment obligations arising from the termination of the participation certificates, which are reported separately under "Expenses for the termination of participation certificates" in the income statement after net interest income. The dividend amount for series D participation certificates is still shown on a separate line of the income statement immediately preceding net profit/loss.

The actuarial calculations for determining **pension obligations** are based on biometric probability (2018 G Heubeck mortality table) and use the projected unit credit method. The calculation also takes into account future expected wages/salary and pension increases. The underlying interest rate for compounding and discounting of pension obligations is based on the average market rate of the past 10 fiscal years for an anticipated remaining term of 15 years determined and published by Deutsche Bundesbank.

The company pension plan for the German Group companies introduced on January 1, 2005, is composed of three levels: the employer-funded basic level, employee-funded top-up level, and employer-funded supplementary level. The pension cost for the employer-funded basic level is based on the respective employee's income. The employee-funded top-up level allows employees to 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 Dräger Group's business performance (EBIT).

The employees' pension accounts have a minimum guaranteed return of 2.75% until December 31, 2018. The company pension plan was amended effective as of January 1, 2019. The amendments concern the minimum guaranteed return on the pension capital, which has been lowered to 0.9%, and the redefinition of the annuitization factor used to convert pension capital into pension benefits in the light of changes in demographic trends. Pension capital accrued up to 2018 and future interest due on these amounts continue to apply under the previous terms to the extent of the respective pension entitlement. The funds resulting from pension commitments as of 2005 (including the changes as of 2019) are invested in a restricted fund set up especially for Dräger that is subject to

special restraints on disposal. The measurement is carried out at fair value, which is offset against the respective underlying obligations. If the result is a backlog of obligations, this amount is recognized in pension provisions. If the value of the plan assets exceeds the obligations, it is recognized in “**Excess of plan assets over pension liability.**”

Provisions adequately allow for all identifiable risks in accordance with prudent business judgment and contingent liabilities. The amount recognized reflects the sum required to fulfill the obligations according to prudent business judgment. Future price and cost increases are taken into consideration if there is sufficient evidence to substantiate their actual occurrence. Non-current provisions are discounted at the market rate relating to their remaining terms published by the Bundesbank. Expenses incurred from the compounding of provisions are recognized separately in “Interest and similar expenses.”

Liabilities are stated at the amount repayable.

Contingent liabilities are valued at the best estimate of the possible liabilities as of the balance sheet date. For contingent liabilities from guarantees, suretyships, and warranty/indemnity contracts, the loan sums actually drawn as of the balance sheet date are disclosed in addition to the guaranteed ceilings.

The **other financial obligations** based on continuing obligations are measured at their nominal value and disclosed in the notes.

Notes to the income statement

6 NET SALES

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

NET SALES		
in thousand €	2020	2019
Equipment	1,282,690	800,970
Services	304,349	258,683
Breakdown by business field	1,587,039	1,059,653
Germany	378,669	249,479
Rest of Europe	492,705	281,383
Asia / Pacific	351,616	273,015
Americas	276,858	205,872
Other (such as Africa, Australia)	87,191	49,904
Breakdown by region (markets)	1,587,039	1,059,653

Business with subsidiaries accounts for a large share of Drägerwerk AG & Co. KGaA's net sales.

7 OTHER OPERATING INCOME

In fiscal year 2020, other operating income mainly comprised income generated from derivative financial instruments in the amount of EUR 39.1 million (2019: EUR 14.1 million), income from currency translation in the amount of EUR 17.6 million (2019: EUR 13.6 million), write-ups on financial assets in the amount of EUR 9.5 million, and income from the reversal of allowances and provisions.

In fiscal year 2020, other operating income included income from other periods of EUR 6.3 million (2019: EUR 3.8 million) that was primarily attributable to the reversal of provisions.

8 COST OF MATERIALS

COST OF MATERIALS		
in thousand €	2020	2019
Cost of raw materials, consumables, and supplies, and purchased goods	-738,497	-524,337
Cost of services	-77,375	-67,653
Cost of materials	-815,872	-591,990

The increase in the cost of materials is due to the healthy level of orders and associated increase in net sales in fiscal year 2020.

9 PERSONNEL EXPENSES/HEADCOUNT

PERSONNEL EXPENSES / HEADCOUNT

in thousand €	2020	2019
Salaries	-244,258	-239,842
Social security, pension expenses, and related employee benefits	-63,713	-59,989
thereof pension expenses	(-21,007)	(-21,688)
Personnel expenses	-307,971	-299,831
Headcount (average)	2,957	2,924
Production	778	733
Other	2,179	2,191
Headcount as of the balance sheet date	3,042	2,927
Production	812	726
Other	2,230	2,201

"Production" covers manufacturing, service, and exterior fitting.

The main reasons for the increase in personnel expenses were the granting of increased profit shares and one-off payments to employees in the form of the thank you bonus and thank you shares.

Effects from the change in interest rates in the calculation of pension provisions are shown in the personnel expenses.

Pension plans were offered to the members of the Executive Board of Drägerwerk Verwaltungs AG by Drägerwerk AG & Co. KGaA, with the related expenses and liabilities being recognized as personnel expenses at Drägerwerk AG & Co. KGaA.

10 DEPRECIATION/AMORTIZATION

DEPRECIATION / AMORTIZATION

in thousand €	2020	2019
Amortization on intangible assets and depreciation of property, plant and equipment	-31,234	-30,992
Depreciation / amortization	-31,234	-30,992

The slight increase in depreciation and amortization is mainly due to a rise in the volume of investment in technical equipment, as well as operating and office equipment.

11 OTHER OPERATING EXPENSES

The other operating expenses primarily include administrative expenses, such as rent and lease expenses, insurance premiums, contributions, fees and public levies, travel expenses, additions to provisions, services performed on behalf of Group companies, and losses from the disposal of non-current assets.

This item also includes expenses from currency translation of EUR 38.2 million (2019: EUR 11.4 million), as well as expenses from derivative financial instruments of EUR 41.2 million in fiscal year 2020 (2019: EUR 27.4 million).

12 INCOME FROM OTHER INVESTMENTS**INCOME FROM OTHER INVESTMENTS**

in thousand €	2020	2019
Income from other investments	7,847	3,162
thereof from Group companies	(7,515)	(2,834)

13 INCOME/EXPENSES DUE TO PROFIT AND LOSS TRANSFER AGREEMENTS

Income from profit and loss transfer agreements consists mainly of the profits of Dräger Safety AG & Co. KGaA (EUR 32.7 million; 2019: EUR 74.9 million), Dräger Medical International GmbH (EUR 30.8 million; 2019: EUR 21.4 million), Dräger Medical Deutschland GmbH (EUR 24.9 million; 2019: loss of EUR 0.7 million), and Dräger ANSY GmbH (EUR 6.3 million; 2019: EUR 5.5 million).

The expenses from profit and loss transfer agreements the loss transfer due to Dräger Holding International GmbH (EUR 6.3 million; 2019: income of EUR 0.1 million).

14 INTEREST RESULT**INTEREST RESULT**

in thousand €	2020	2019
Other interest and similar income	3,609	4,780
thereof from Group companies	(3,271)	(3,881)
Interest and similar expenses	-19,790	-6,615
thereof to Group companies	(-2,288)	(-2,255)
thereof from compounding of non-current provisions	(-329)	(-305)
thereof from distribution for series A and K participation certificates	(-504)	(-504)
Interest expense from pension provisions	-5,931	-6,416
Expense / income from plan assets	-5,063	9,491
Net amount	-10,994	3,075
Interest result	-16,181	1,240

Interest expense from pension obligations is offset against the original income from plan assets in accordance with Sec. 246 (2) Sentence 2 HGB. In fiscal year 2020, interest loss from plan assets amounted to EUR 5,063 thousand (2019: interest income of EUR 9,491 thousand), and interest expense from pension obligations amounted to EUR 5,931 thousand (2019: EUR 6,416 thousand), resulting in a net amount of EUR 10,994 thousand in 2020 (net amount in 2019: EUR 3,075 thousand).

Interest income from Group companies amounted to EUR 3,271 thousand (2019: EUR 3,881 thousand).

15 EXPENSES FROM THE TERMINATION OF PARTICIPATION CAPITAL

Dräger canceled all 566,819 series D participation certificates on March 25, 2020, with 24 months' notice to the end of the 2022 calendar year. The buyback value is determined in accordance with the terms and conditions underlying the profit participation certificates and corresponds to ten times the average market price of the preferred share in the last three calendar months before the termination, amounting to EUR 309.6 million. The participation certificate capital previously recognized in equity was reclassified as a liability in fiscal year 2020. The difference between the carrying amount and future payment obligations resulted in an expense of EUR 281.1 million.

Furthermore, on April 21, 2020, Dräger terminated all 195,245 series A profit participation certificates and all 69,887 series K profit participation certificates by giving six months' notice to the end of the 2020 calendar year. Series A and series K have buyback values of EUR 116.4 million and EUR 41.7 million respectively. The combined difference between the carrying amount and payment obligation recognized as an expense for these series amounts to EUR 142.4 million.

As before, the dividend on the series D participation certificates is presented as a separate line item in the income statement before net loss/profit for the period.

16 INCOME TAX REFUNDS

INCOME TAXES

in thousand €	2020	2019
Current taxes	- 1,803	- 5,569
Deferred tax income from temporary differences	14,849	12,511
Deferred tax income from addition of loss carryforwards	48,054	-
Deferred tax income	62,903	12,511
Income taxes	61,099	6,942

Income taxes comprise corporate income tax, the corresponding solidarity surcharge, trade tax, and foreign withholding tax, as well as the change in deferred taxes for the fiscal unit of Drägerwerk AG & Co. KGaA. In fiscal year 2020, Drägerwerk AG & Co. KGaA, in its role as parent company, recognized deferred tax income of EUR 62,903 thousand from temporary differences and loss carryforwards (2019: deferred tax income of EUR

12,511 thousand). Deferred taxes are determined on the basis of a 31.5 % income tax rate (2019: 31.5 %). The income tax rate includes corporate income tax and the corresponding solidarity surcharge, as well as trade tax.

17 DERIVATIVE FINANCIAL INSTRUMENTS

To hedge against currency and interest rate risks, derivatives are used, predominantly currency forwards and interest rate swaps. Such contracts are only transacted with commercial banks with high credit rating ratings and limited to financing transactions. The volume of currency forwards mainly includes exchange rate hedges for operations-related underlying transactions and intercompany loans.

Fair values are determined on the basis of a mark to market calculation as of the reporting date. Currency forwards are entered into in various currencies, such as USD, GBP, CNY, and CHF.

DERIVATIVE FINANCIAL INSTRUMENTS				
in thousand €	Nominal amount	Term in years	Fair value	Carrying amount
Currency forwards (receivables and liabilities / operating)	579,217	up to 1	553	- 10,779
Currency forwards (receivables and liabilities / operating)	79,490	1 to 5	- 63	- 739
Currency forwards (foreign currency loans / cash pooling)	262,344	up to 1	853	- 1,545
Currency forwards (foreign currency loans / cash pooling)	31,061	1 to 5	- 141	- 926

Provisions for contingent losses were recognized for unrealized losses from currency forwards (EUR 13,989 thousand).

Unrealized losses and gains from the calculation break down as follows:

UNREALIZED GAINS AND LOSSES FROM THE VALUATION		
in thousand €	2020	2019
Losses from the hedging of		
Foreign currency loans / cash pooling	2,472	2,941
Receivables and liabilities / operating	11,518	3,772
	13,989	6,712
Gains from the hedging of		
Foreign currency loans / cash pooling	3,184	2,132
Receivables and liabilities / operating	11,863	1,836
	15,047	3,968

Interest rate hedges

An interest rate hedge in the form of a swap was concluded to hedge the interest portion of the lease payment for a new office and development building (hedged item); this hedge suitably offsets the interest portion. As a result, a micro-valuation unit exists.

The prospective test as of December 31, 2020, indicates that the key parameters of the hedged item and the hedge that are relevant to the valuation—term, benchmark interest rate, calculation of interest rates, repayment, and nominal amount—tally. Consequently, the valuation unit is classified as highly effective over the entire hedging period.

As of the balance sheet date, the valuation units included currency futures with the following nominal values (carrying values):

DERIVATIVE FINANCIAL INSTRUMENTS

in thousand €	Nominal amount	Term in years	Fair value	Carrying amount
Interest rate swap ¹	11,788	1 to 5	1,185	1,185

¹ Liabilities in the form of a variable interest component from the lease payment for construction financing

It is expected that the changes in the value of the hedging item and the hedging instrument will therefore be fully offset over the next three years. The net hedge presentation method is used to present the offsetting change in value resulting from the valuation unit.

The risk for the interest rate swap hedged by the micro-valuation units amounts to EUR 1,185 thousand; this is the amount of the negative changes in value and cash flows that had been avoided as of the balance sheet date.

Notes to the balance sheet

18 INTANGIBLE ASSETS

INTANGIBLE ASSETS

in thousand €	Purchased concessions, industrial property rights, and similar rights and assets, as well as licenses thereto	Prepayments made	Total
Cost			
January 1, 2020	109,660	3,934	113,594
Additions	3,021	1,779	4,800
Disposals	683	-	683
Reclassifications	2,379	-2,379	0
December 31, 2020	114,377	3,334	117,711
Accumulated depreciation			
January 1, 2020	102,999	0	102,999
Additions	4,601	-	4,601
Disposals	646	-	646
December 31, 2020	106,954	0	106,954
Net carrying amount			
December 31, 2020	7,423	3,334	10,757
Net carrying amount			
December 31, 2019	6,661	3,934	10,595

The additions to intangible assets in the current fiscal year largely comprise the acquisition of software in the amount of EUR 3.0 million (2019: EUR 0.8 million) and prepayments made on software that is still in production of EUR 1.8 million (2019: EUR 3.6 million).

19 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT

in thousand €	Land, equivalent titles, and buildings (incl. on leased land)	Production plant and machinery	Other plant, factory, and office equipment	Prepayments made and assets under construction	Total
Cost					
January 1, 2020	274,592	7,945	170,103	19,170	471,810
Additions	324	152	14,898	14,002	29,376
Disposals	1,238	75	6,030	-	7,343
Reclassifications	676	8	7,088	-7,772	0
December 31, 2020	274,354	8,030	186,059	25,400	493,843
Accumulated depreciation					
January 1, 2020	131,971	6,247	127,088	0	265,307
Additions	7,340	623	18,668	-	26,631
Disposals	1,115	74	5,875	-	7,064
Reclassifications	-	-	-	-	0
December 31, 2020	138,196	6,796	139,880	0	284,874
Net carrying amount December 31, 2020	136,157	1,234	46,179	25,400	208,970
Net carrying amount December 31, 2019	142,620	1,698	43,015	19,170	206,503

Investments in property, plant and equipment amounted to EUR 29.4 million in the fiscal year (2019: EUR 19.7 million). Of this amount, EUR 0.3 million (2019: EUR 1.5 million) related to the construction and redevelopment of buildings, and EUR 14.9 million (2019: EUR 5.3 million) to the replacement of tools and factory equipment. The additions to prepayments and assets under construction of EUR 14.0 million (2019: EUR 12.8 million) are primarily associated with redevelopment, the manufacturing of production systems, and the production of various tools.

20 FINANCIAL ASSETS

FINANCIAL ASSETS					
in thousand €	Shares in Group companies	Loans to Group companies	Shareholdings	Other loans	Total
Cost					
January 1, 2020	597,209	245,720	696	107	843,732
Additions	996	29,692	329	-	31,017
Disposals	486	52,369	-	9	52,864
December 31, 2020	597,719	223,043	1,025	98	821,885
Accumulated depreciation					
January 1, 2020	19,655	9,857	98	0	29,610
Additions	176	34	-	-	210
Disposals	9,472	-	-	-	9,472
December 31, 2020	10,359	9,891	98	0	20,348
Net carrying amount December 31, 2020	587,360	213,152	927	98	801,538
Net carrying amount December 31, 2019	577,554	235,863	598	107	814,122

In fiscal year 2020, Drägerwerk AG & Co. KGaA recognized impairments on the shares in Draeger Arabia Co. Ltd. and performed write-ups on the following shares: Dräger Industria e Comercio Ltda., Dräger Chile Ltda., and Draeger Medical (India) Pvt. Ltd. The additions to loans to Group companies are mainly the result of the reclassification of short-term loans and long-term tenant loans to two leasing companies in connection with leases relating to an office and development building and to a production building.

21 INVENTORIES

Inventories are composed as follows:

INVENTORIES		
in thousand €	2020	2019
Raw materials, consumables, and supplies	105,517	74,933
Work in progress	14,618	10,745
Finished goods and merchandise	122,356	66,100
Prepayments received	-3,563	-448
Inventories	238,929	151,330

22 RECEIVABLES AND OTHER ASSETS

RECEIVABLES AND OTHER ASSETS		
in thousand €	2020	2019
Trade receivables	39,862	33,096
thereof due in more than one year	(-)	(-)
Other receivables and other assets		
Receivables from Group companies	496,961	358,853
thereof trade receivables	(377,468)	(264,563)
Other assets	10,522	13,399
thereof due in more than one year	(1,118)	(1,188)
	507,483	372,251
Receivables and other assets	547,346	405,347

Receivables from Group companies mainly comprise cash management.

Other assets include claims arising from reinsurance funds, credit balances with suppliers, receivables from income tax and VAT, receivables from employees, as well as miscellaneous non-trade receivables.

23 SECURITIES

The other securities are money market funds.

24 PREPAID EXPENSES

Prepaid expenses exclusively comprise transitory items.

25 DEFERRED TAX ASSETS

Drägerwerk AG & Co. KGaA, in its role as parent company, expects future tax relief to total EUR 135.7 thousand (2019: EUR 72.8 thousand) from temporary differences and from tax loss carryforwards as of December 31, 2020. Deferred taxes are determined on the basis of a 31.5 % income tax rate (2019: 31.5 %). The income tax rate includes corporate income tax and the corresponding solidarity surcharge, as well as trade tax.

DEFERRED TAX ASSETS / LIABILITIES

in thousand €	Deferred tax assets		Deferred tax liabilities	
	2020	2019	2020	2019
Non-current assets	3,149	2,696	2,978	2,868
Current assets	13,901	12,209	-	51
Prepaid expenses	321	375	-	-
Provisions	73,276	60,349	-	-
Liabilities	71	79	109	8
Loss carryforward	48,054	-	-	-
Gross amount	138,772	75,709	3,087	2,927
Netting	-3,087	-2,927	-3,087	-2,927
Carrying amount	135,685	72,782	0	0

In accordance with Sec. 274 (1) Sentence 2 HGB, the Company made use of the option to recognize deferred tax assets for the surplus.

26 CAPITAL STOCK

In April 2020, Dräger carried out a capital increase by issuing 1,000,000 new bearer preferred shares while terminating series A and K participation certificates. The new preferred shares were issued through the partial utilization of the authorized capital under exclusion of subscription rights. The price of placement for the new preferred shares stood at EUR 76.50, resulting in gross proceeds of EUR 76,500,000 for the Company.

As a result of this capital increase, the capital stock of Drägerwerk AG & Co. KGaA rose by EUR 2,560,000 thousand to EUR 48,025,600 thousand (2019: EUR 45,465,600 thousand). The remaining amount of the gross proceeds of EUR 73,940,000 raised the capital reserve to EUR 311,157,370.21.

The capital stock therefore consists of 10,160,000 limited no-par bearer common shares (2019: 10,160,000) and 8,600,000 non-voting limited no-par preferred shares (2019: 7,600,000).

The nominal value of both share types is EUR 2.56. Drägerwerk Verwaltungs AG, the general partner, holds no shares in capital.

The capital stock has been fully paid in. As before, the preferred and common shares are traded on the capital market.

Other than voting rights, the preferred shares have the same rights as those attached to the common shares. As compensation for the lack of voting rights, an advance dividend of EUR 0.13 per preferred share is distributed from net earnings.

If sufficient profits are available, a dividend of EUR 0.13 per common share is then paid. Any profit in excess of this amount, if distributed, is allocated so that preferred shares receive EUR 0.06 more than 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 of the annual shareholders' meeting on April 27, 2016, the general partner was authorized to increase the capital stock of the Company, with the approval of the Supervisory Board, until April 26, 2021, by issuing new bearer common shares and/or preferred shares (no-par value shares) in return for cash and/or contributions in kind by up to EUR 11,366,400.00 (authorized share capital) in one or several tranches. The authorization includes the approval to issue new common shares and/or non-voting preferred shares up to the statutory maximum as stipulated in Sec. 139 (2) AktG, which carry the same status as the previously issued non-voting preferred shares with regard to the distribution of profits and/or Company assets.

In the case of common and preferred shares being issued at the same time while maintaining the ratio of both share types at the time of issuance, the general partner is authorized, subject to approval by the Supervisory Board, to exclude the subscription right of holders of one category of shares to the other category of shares ("crossed exclusion of subscription rights"). Also in this case, the general partner is entitled to exclude further subscription rights under the terms of the regulations stated below.

The general partner is further authorized, subject to the approval of the Supervisory Board, to exclude the subscription rights of the shareholders:

- (i) in order to compensate for any fractional amounts;
- (ii) if the shares are issued in exchange for contributions in kind, especially in the context of company mergers or the acquisition of companies, business units, or equity interests in companies or of other assets or of claims to the acquisition of other assets, including receivables from the Company or from companies controlled by it within the meaning of Sec. 17 AktG;
- (iii) if the shares of the Company are issued in exchange for cash and the issue price per share does not significantly fall below the stock market price of an essentially similarly structured, already listed share of the same class at the time the shares are issued. However, the exclusion of the subscription right can, in this event, be conducted only if the number of the shares issued in this way, together with the number of other shares that are issued or sold during the term of this authorization subject to an exclusion of the subscription right in direct application or application mutatis mutandis of Sec. 186 (3) Sentence 4 AktG and the number of shares that may be created as the result of the exercise or fulfillment of option and/or conversion rights or obligations arising from warrant and/or convertible

bonds and/or participation rights that are issued during the term of this authorization subject to an exclusion of the subscription right in application mutatis mutandis of Sec. 186 (3) Sentence 4 AktG, does not exceed 10 % of the share capital either at the time that this authorization comes into effect or at the time the new shares are issued;

- (iv) if this is necessary in order to grant holders or creditors of warrant and/or convertible bonds with option and/or conversion rights and obligations that are issued by the Company or one of the companies in which it holds a majority interest a right to subscribe to new shares in the extent to which they would be entitled after exercising the option or conversion rights or after fulfilling option or conversion obligations.

The proportion of the capital stock attributed in total to new shares for which the subscription right is excluded on the basis of this authorization may, together with the proportion of the capital stock that is attributed to treasury shares or to new shares from other authorized capital or that relates to the option or conversion rights or obligations arising from options, warrant and/or convertible bonds, and/or participation rights that have been sold or issued during the term of this authorization subject to the exclusion of subscription rights, not exceed 20 % of capital stock. Shares issued under a crossed exclusion of subscription rights are excluded from the limitation to 20 % of capital stock. The key factor for calculating the 20 % limit is the existing share capital at the time that this authorization comes into effect or is exercised, on whichever of these dates the share capital is at its lowest.

The general partner is authorized, subject to the approval of the Supervisory Board, to determine the details of the share rights and of the capital increase, as well as the terms and conditions of the share issue, in particular the issue price. The Supervisory Board is entitled to adjust the wording of the articles of association in line with the utilization of the authorized capital or after the authorization period expires.

Reports regarding voting rights

Sec. 160 (1) No. 8 AktG requires disclosure of the existence of investments that have been notified to the Company in accordance with Sec. 21 (1) or (1a) WpHG.

The following table shows the reportable investments disclosed during the Drägerwerk AG & Co. KGaA's fiscal year. Please note that the disclosures may have changed following the preparation of this report.

DISCLOSED REPORTABLE INVESTMENTS

Reporter	Date that thresholds were exceeded or undercut	Reporting threshold*	Allocation pursuant to WpHG	Investment	Investment in voting rights
Lazard Freres Gestion S.A.S., Paris, France	January 24, 2020	3 % undercut	Sec. 34	2.30 %	233,726
Lazard Small Caps Euro, Paris, France	January 24, 2020	3 % undercut	Sec. 34	2.30 %	233,726
Brandes Investment Partners, L.P., San Diego, USA	July 23, 2020	3 % undercut	Sec. 34	2.93 %	297,534

* Reported due to a change in directly and indirectly held voting rights

27 CAPITAL RESERVE**CAPITAL RESERVE**

Drägerwerk AG & Co. KGaA's capital reserve originated from the share premiums from	in € thousand
The Company's establishment (transformation)	2,556
The increases in capital stock of	
March 1979	5,726
June 1981	7,016
July 1991	23,569
April 2020	73,940
	112,807
Dividend waiver by Stefan Dräger in 2009	582
Increase of capital reserves in 2010 by issuing 3,810,000 new common shares	95,277
Replacement of variable option component with equity instrument	26,540
Exercise of 4 options of 50,000 shares each in 2013	12,190
Exercise of 11 options of 50,000 shares each in 2014	33,487
Exercise of 10 options of 50,000 shares each in 2015	30,274
Capital reserve as of December 31, 2020	311,157

The capital increase in April 2020 resulted in the capital reserves increasing by EUR 73,940 thousand.

28 RETAINED EARNINGS

Retained earnings remained unchanged in fiscal year 2020. The retained earnings of EUR 199,191 thousand reported as of December 31, 2020 (2019: EUR 199,191 thousand), relate to transfers from prior years.

29 DEVELOPMENT OF NET EARNINGS

DEVELOPMENT OF NET EARNINGS

	in € thousand
Net earnings as of December 31, 2019	539,932
EUR 0.13 cash dividend for 10,160,000 common shares	- 1,321
EUR 0.19 cash dividend for 8,600,000 preferred shares	- 1,634
Profits brought forward 2020 from prior year	536,977
Net loss for the year 2020	- 103,550
Net earnings as of December 31, 2020	433,427

30 DISCLOSURES ON AMOUNTS RESTRICTED FROM DISTRIBUTION

As of December 31, 2020, the amount restricted from distribution amounted to EUR 178,743 thousand (2019: EUR 119,619 thousand). The calculation of the amount is based on Sec. 268 (8) HGB and Sec. 253 (6) HGB.

DISCLOSURES ON AMOUNTS RESTRICTED FROM DISTRIBUTION

in thousand €	Restricted amount			
	2020	Deferred taxes	2020	2019
Fair value of plan assets exceeding acquisition cost	10,985	- 3,460	7,525	11,091
Difference pursuant to Sec. 253 (6) HGB	32,073	- 10,103	21,970	20,993
Balance of remaining deferred taxes		149,248	149,248	87,535
Total amount restricted from distribution	43,058	135,685	178,743	119,619
Equity interests available to cover amounts			633,199	739,704
Freely available equity			454,456	620,085

The measurement of the special fund assets of the new pension plan is carried out in accordance with Sec. 253 (1) Sentence 4 HGB at fair value. This amounted to EUR 85,902 thousand as of December 31, 2020 (2019: EUR 86,777 thousand), and is therefore EUR 10,985 thousand higher than the acquisition costs of EUR 74,917 thousand (2019: EUR 70,586 thousand). The EUR 32,073 thousand calculated pursuant to Sec. 253 (6) HGB (2019: EUR 30,646 thousand) is the difference between the measurement of the pension provision obligation, the prescribed ten-year average interest rate, and the seven-year average interest rate. The amount in excess of the acquisition costs was offset by freely available retained earnings of EUR 199,191 thousand (2019: EUR 199,191 thousand), free capital reserves of EUR 582 thousand (2019: EUR 582 thousand), and net earnings of EUR 433,427 thousand (2019: EUR 539,932 thousand).

31 PARTICIPATION CAPITAL

Due to the termination of the entire series of participation certificates, the participation capital of series D is no longer recognized as equity and the participation capital of series A and K is no longer recognized as non-current debt. The participation capital is shown as a separate item under liabilities. Please also see our comments in Note 33.

As in the prior year, the dividend amount for the series D participation certificate amounts to EUR 1,077 thousand.

PARTICIPATION CAPITAL CONDITIONS

	Termination right of Drägerwerk AG & Co. KGaA	Termination right of participation certificate holder	Loss share	Minimum yield	Contribution on participation certificates
				€	
Series A	Yes	No	No	1.30	Dividend on preferred share × 10
Series K	Yes	Yes	No	1.30	Dividend on preferred share × 10
Series D	Yes	Yes	Yes	–	Dividend on preferred share × 10

32 PROVISIONS

The pension obligations for fiscal year 2020 were calculated using the generally recognized projected unit credit method. In addition, the calculation also takes into account future expected wage/salary and pension increases. The underlying interest rate for the compounding and discounting of pension obligations is based on the average market rate of the past 10 fiscal years for an anticipated remaining term of 15 years determined and published by Deutsche Bundesbank.

In this fiscal year, the increase in pension obligations was attributable to a number of factors, including the interest rate.

Direct pension provisions are calculated based on the following assumptions:

ACTUARIAL ASSUMPTIONS

	2020	2019
Discount rate	2.30 %*	2.71 %*
Future wage and salary increases	3.00 %	3.00 %
Future pension increases	1.00 – 1.75 %	1.00 – 1.75 %
Average employee turnover	3.00 %	3.00 %

* Forecast interest rate on the basis of the interest rate published by Deutsche Bundesbank on October 31, 2020 (from the interest rate published by Deutsche Bundesbank on December 31, 2020: 2.30 %)

Offsetting plan assets

Plan assets were offset against the underlying obligations from the new pension plan in accordance with Sec. 246 (2) Sentence 2 HGB.

The fair value of plan assets stated in the table below was derived from the stock exchange price of the plan assets at the balance sheet date, if these pertained to fund shares.

EXCESS OF PLAN ASSETS OVER PENSION LIABILITY		
in thousand €	2020	2019
Fair value of plan assets	85,902	86,777
Pension obligations under the pension plan	- 121,114	- 104,109
Excess of plan assets over pension liability	- 35,212	- 17,332
Cost of plan assets	74,917	70,586

The plan assets are shares in a restricted fund set up exclusively for Dräger (WKN—securities identification number—A0HG1B) and a settlement account. They are managed by AllianzGI-Fonds as a trustee for Drägerwerk AG & Co. KGaA, and their access is restricted for other creditors.

The fund and the settlement account serve to safeguard pension obligations made under the new pension plan and are subject to special restraints on disposal.

Other provisions

OTHER PROVISIONS		
in thousand €	2020	2019
Tax provisions	19,933	21,857
Sundry provisions	117,280	97,977
Other provisions	137,213	119,834

Sundry provisions provide for, in particular, warranty obligations (EUR 32,426 thousand), supplier invoices not yet received (EUR 14,641 thousand), lawsuit costs/risks (EUR 3,318 thousand), and contingent liabilities mainly resulting from project-related obligations (EUR 2,539 thousand), as well as various other risks. Provisions for personnel-related risks amount to EUR 42,855 thousand, mainly from the profit share to employees, accrued vacation pay, phased retirement, and long-service awards. Phased retirement employment contracts are concluded in line with works agreements.

Provisions in the amount of EUR 13,989 thousand were set up for expected losses from the settlement of currency forwards (derivative financial instruments) in fiscal year 2020.

33 LIABILITIES

LIABILITIES

in € thousand	2020				2019			
	Total	Residual term			Total	Residual term		
		up to 1 year	more than 1 year	thereof in more than 5 years		up to 1 year	more than 1 year	thereof in more than 5 years
Participation capital series A+K	-	-	-	-	15,588	-	15,588	15,588
Liability from the termination of participation capital	467,615	158,019	309,597	-	-	-	-	-
Liabilities to banks	202,852	68,508	134,344	-	103,382	10,547	92,836	2,694
Trade payables	116,243	116,243	-	-	91,100	91,100	-	-
Liabilities to Group companies	300,595	172,124	128,471	-	174,655	49,776	124,880	-
thereof trade payables	(39,902)	(39,902)	-	-	(50,291)	(50,291)	-	-
Liabilities to companies in which participating interests are held	-	-	-	-	-	-	-	-
Other liabilities	8,305	8,045	260	228	8,212	7,930	282	227
thereof for taxes	(3,934)	(3,934)	-	-	(3,829)	(3,829)	-	-
thereof for social security	-	-	-	-	-	-	-	-
Liabilities	1,095,610	522,938	572,672	228	392,938	159,352	233,586	18,508

There were no liabilities secured by pledges or similar rights.

Liabilities from the termination of participation capital

Payment obligations from the termination of the participation certificates amount to EUR 467,615 thousand.

The buyback value per participation certificate of series A and K amounts to EUR 596.00. The resulting liability to holders of participation certificates amounts to EUR 116,366 thousand for series A and EUR 41,653 thousand for series K, and was paid on January 4, 2021.

The buyback value per participation certificate of series D amounts to EUR 546.20, resulting in a liability to holders of participation certificates of EUR 309,507 thousand that is due on January 2, 2023.

PARTICIPATION CERTIFICATE OBLIGATION

in thousand €	Number	Participation certificate obligation
disclosed in debt:		
Series A	195,245	116,366,020.00
Series K	69,887	41,652,652.00
Series D	566,819	309,596,537.80
As of December 31, 2020 (Series A, K, and D)	831,951	467,615,209.80

Liabilities to banks

Total liabilities of EUR 60.0 million (2019: EUR 60.0 million) were recorded from a note loan as of December 31, 2020. The note loan has a due date in 2021.

In fiscal year 2013, Drägerwerk AG & Co. KGaA utilized a redeemable KfW loan totaling EUR 15.9 million; the loan is due on June 30, 2023. Dräger repaid EUR 2.0 million of this loan in 2020 (2019: EUR 2.0 million). This loan was valued at EUR 5.0 million on December 31, 2020 (2019: EUR 7.0 million).

The first repayment of the redeemable KfW loans that were taken out in fiscal year 2014 was made in 2016. EUR 1.1 million was repaid in fiscal year 2020 (2019: EUR 1.1 million). These loans were valued at EUR 3.6 million on December 31, 2020 (2019: EUR 4.7 million).

Three additional redeemable KfW loans were taken out in fiscal year 2015 to finance the construction of new buildings associated with the “factory of the future”; these loans are due in June 2025. EUR 5.4 million was repaid in fiscal year 2020 (2019: EUR 5.4 million). The loans were valued at EUR 24.2 million on December 31, 2020 (2019: EUR 29.6 million).

On October 2, 2020, two loans in the amount of EUR 50.0 million and EUR 60.0 million, each with a term of five years, were taken out with the European Investment Bank.

**Liabilities to
Group companies**

Liabilities to Group companies mainly result from cash management of EUR 260.7 million (2019: EUR 124.4 million).

Other liabilities

Other liabilities mainly result from tax liabilities in the amount of EUR 3.9 million (2019: EUR 3.8 million) and liabilities from the distribution for participation capital of EUR 1.6 million (2019: EUR 1.6 million).

Other disclosures

34 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

in thousand €	2020	2019
Contingent liabilities under warranty / indemnity contracts	181,377	207,242
Loan amounts actually drawn	22,821	33,086

Warranties of approximately EUR 166,767 thousand (2019: EUR 192,632 thousand) were issued for Group companies. The Company also issued comfort letters for subsidiaries.

The financial situation of the Group companies ensures that they will meet their obligations. Consequently, there is no risk of these guarantees being called upon.

35 OTHER FINANCIAL OBLIGATIONS

Consignment warehousing agreements

As of the balance sheet date, Drägerwerk AG & Co. KGaA states activities related to consignment warehousing agreements on the balance sheet. These are reported both under inventories and trade payables in the amount of EUR 19.7 million (2019: EUR 13.9 million). The consignment stock refers to the goods stored at Drägerwerk AG & Co. KGaA; until such time as the stock is reported as having been withdrawn in the legal sense, this stock remains the property of the supplier. This provides a number of benefits: On the one hand, this offers the highest level of security and, on the other hand, reduces capital commitments, as suppliers will only invoice the Company once the stock has been withdrawn from the warehouse.

Specific contractual arrangements with these suppliers imply that both, the economic benefits and the economic risks, lie with Drägerwerk AG & Co. KGaA. These items are therefore reported with the identical value, both in inventories and liabilities.

Rental and lease agreements

As of the balance sheet date, other financial obligations from long-term rental and lease agreements come to approximately EUR 55.7 million, of which approximately EUR 6.4 million are to Group companies. The annual charge comes to approximately EUR 6.9 million, of which EUR 2.1 million are to Group companies.

Other financial obligations mainly relate to the real estate lease agreement with MOLVINA Vermietungsgesellschaft mbH & Co. Objekt Finkenstraße KG concerning the new office and development building, and to the real estate lease agreement with DRENTA Grundstücksvermietungsgesellschaft mbH & Co. Objekt Fertigung Dräger Medizintechnik KG concerning the new production building on Revalstraße, Lübeck.

Purchase obligations

In line with the usual requirements, Drägerwerk AG & Co. KGaA has also entered into purchase obligations with other service providers in order to guarantee the availability of IT services.

Other

As a result of outstanding orders, the Group had obligations to purchase intangible assets of EUR 842 thousand (2019: EUR 206 thousand) and to purchase property, plant and equipment of EUR 14.2 million (2019: EUR 15.4 million) as of December 31, 2020. The order obligations for property, plant and equipment are mainly due to building conversions and the replacement and purchase of machinery and tools. As of December 31, 2020, Drägerwerk AG & Co. KGaA was obliged to make capital payments on outstanding capital distributions in the amount of EUR 2,125 thousand (2019: EUR 2,458 thousand).

At present, no significant opportunities and risks arise from the investments in the following special purpose entities:

- MOLVINA Vermietungsgesellschaft mbH & Co. Objekt Finkenstraße KG
- FIMMUS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Lübeck KG
- FIMMUS Grundstücks-Vermietungs GmbH
- DRENITA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Fertigung Dräger-Medizintechnik KG

36 LEGAL RISKS

Drägerwerk AG & Co. KGaA is involved in certain legal disputes and claims for damages arising in the ordinary course of business. The Executive Board believes that the outcome of such litigation and claims will not have any material adverse effect on the Company's net assets, financial position, or results of operations.

Remuneration report

37 EXECUTIVE BOARD REMUNERATION

Total remuneration for active Executive Board members amounted to EUR 8,869,863 in fiscal year 2020 (2019: EUR 6,187,673). This amount is made up of non-performance-related payments of EUR 2,386,865 (2019: EUR 2,414,215) and performance-related payments of EUR 6,478,089 (2019: EUR 3,770,563), of which EUR 4,431,684 were short-term (2019: EUR 3,145,739) and EUR 2,046,404 long-term (2019: EUR 624,824), as well as share-based remuneration with long-term incentives in the amount of EUR 4,910 (2019: EUR 2,895).

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

If Executive Board remuneration is paid by Drägerwerk Verwaltungs AG, it is entitled to claim reimbursement from Drägerwerk AG & Co. KGaA monthly pursuant to Sec. 11 (1) and (3) of the articles of association of Drägerwerk AG & Co. KGaA. Pursuant to Sec. 11 (4) of the Company's articles of associate, the general partner receives a fee, independent of profit and loss, of 6% of the equity disclosed in its financial statements, payable one week after the general partner prepares its financial statements, for the management of the Company and the assumption of personal liability. For fiscal year 2020, this remuneration amounts to EUR 115,943 (2019: EUR 114,219) plus any VAT that may be incurred.

Obligations to Executive Board members under pension plans are stated in the financial statements for 2020 at EUR 8,192,170 (2019: EUR 6,950,173).

In fiscal year 2020, the Company made pension provision contributions of EUR 1,241,997 for members of the Executive Board (2019: EUR 1,213,701).

PENSION OBLIGATIONS FOR ACTIVE EXECUTIVE BOARD MEMBERS

in thousand €	Allocation	Obligation	Allocation	Obligation
	2020	31 Dec 2020	2019	31 Dec 2019
Dräger, Stefan	688,087	5,021,492	687,269	4,333,405
Lescow, Gert-Hartwig	374,792	2,048,298	353,246	1,673,506
Klug, Rainer	45,635	245,586	42,857	199,951
Piske, Dr. Reiner	48,440	224,807	44,022	176,367
Schrofner, Anton	85,043	651,987	86,307	566,944
Executive Board members in total	1,241,997	8,192,170	1,213,701	6,950,173

EUR 3,301,986 was paid to former members of the Executive Board and their surviving dependents (2019: EUR 3,272,086). Pension commitments to former members of the Executive Board and their surviving dependents amounted to EUR 37,417,463 (2019: EUR 37,719,331).

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 the 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.

38 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 2020 came to EUR 640,000 (2019: EUR 350,000).

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

Further information on the itemized remuneration of the Executive Board and the Supervisory Board can be found in the combined management report of the Annual Report 2020.

39 RELATED PARTY AND COMPANY TRANSACTIONS

Services were rendered for Stefan Dräger and companies and persons related to Stefan Dräger, the Dräger-Stiftung, and the Dräger-Familienstiftung (Dräger Foundation and Dräger Family Foundation) totaling EUR 10 thousand (2019: EUR 30 thousand) in fiscal year 2020. The Company had no receivables in this respect on December 31, 2020.

Drägerwerk AG & Co. KGaA rendered rental services and other services totaling EUR 103 thousand (2019: EUR 108 thousand) for associate MAPRA Assekuranzkontor GmbH in fiscal year 2020. The Company had no receivables in this respect on December 31, 2020 (2019: EUR 4 thousand).

The remuneration of the employee representatives on the Supervisory Board for work performed in addition to the Supervisory Board activities was also concluded at arm's length terms and conditions. Overall, remuneration is of immaterial importance for the Dräger Group.

Dräger Verwaltungs AG is the general partner of Drägerwerk AG & Co. KGaA and holds 0% of the capital. Only a few transactions are conducted with the general partner, as it only exercises administrative functions. The general partner is entitled to compensation for all expenses incurred in association with the management of Drägerwerk AG & Co. KGaA, including 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 10,324 thousand as at December 31, 2020 (2019: EUR 5,069 thousand). Expenses for Drägerwerk Verwaltungs AG services amounted to EUR 9,309 thousand in fiscal year 2020 (2019: EUR 5,489 thousand).

Services in the amount of EUR 16 thousand were rendered for Drägerwerk Verwaltungs AG in the fiscal year, resulting in receivables of EUR 9 thousand.

In fiscal year 2018, Drägerwerk Verwaltungs AG granted an Executive Board member a fixed-rate loan of EUR 600 thousand with a term until May 2, 2023, and an interest rate of 2%.

The Executive Board members were given a non-interest bearing advance on long-term variable remuneration of EUR 538 thousand in fiscal year 2020.

All transactions with related parties were conducted at arm's length terms and conditions.

40 AUDITOR'S FEE

The total fee charged by the Company's auditor in fiscal year 2020 is broken down and disclosed by services for the audit of the financial statements, other audit services, tax consultancy services, and other services in the corresponding item in the Group financial statements of Drägerwerk AG & Co. KGaA.

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.

**41 MAJOR DIRECT AND INDIRECT SHAREHOLDINGS
OF DRÄGERWERK AG & CO. KGAA**

SHARES OWNED BY DRÄGERWERK AG & CO. KGAA, AS OF DECEMBER 31, 2020

	Name and registered office	Shareholding in %		in € thousand	in € thousand
		direct	indirect	Equity	Earnings
Germany					
	Dräger Safety AG & Co. KGaA, Lübeck	100		151,872	0 ¹
	Dräger Medical Deutschland GmbH, Lübeck	100		26,047	0 ¹
	Dräger Electronics GmbH, Lübeck	100		-9,306	-74
	Dräger Digital GmbH, Lübeck	100		-55	236
	Dräger Safety Verwaltungs AG, Lübeck	100		1,120	0 ¹
	Dräger TGM GmbH, Lübeck		100	1,042	-92 ^{1,4}
	Dräger MSI GmbH, Hagen		100	1,747	0 ¹
	Dräger Medical ANSY GmbH, Lübeck	100		2,826	0 ¹
	Dräger Interservices GmbH, Lübeck	30	70	846	0 ¹
	Dräger Gebäude und Service GmbH, Lübeck	100		435	3 ^{1,4}
	Dräger Medical International GmbH, Lübeck	89.452	10.548	231,945	0 ¹
	MAPRA Assekuranzkontor GmbH, Lübeck	49		1,070	714 ^{2,3}
	Fachklinik für Anästhesie und Intensivmedizin Vahrenwald GmbH, Lübeck		100	-7,673	0 ¹
	Dräger Energie GmbH, Lübeck		100	25	0 ¹
	FIMMUS Grundstücks-Vermietungs GmbH, Lübeck	100		30	0 ¹
	FIMMUS Grundstücks-Vermietungs Gesellschaft mbH & Co. Objekt Lübeck KG, Lübeck	100		89	4
	MOLVINA Vermietungsgesellschaft mbH & Co. Objekt Finkenstraße KG, Düsseldorf	100		129	1
	DRENITA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Fertigung Dräger Medizintechnik KG, Düsseldorf	100		-15	-6
	Dräger Holding International GmbH, Lübeck	100		59,471	0 ¹
	bentekk GmbH, Hamburg		100	-673	3
Europe					
Belgium					
	Dräger Medical Belgium NV, Wemmel		100	5,602	814
	Dräger Safety Belgium NV, Wemmel		100	4,406	957
Bulgaria					
	Draeger Medical Bulgaria EOOD, Sofia		100	623	237
	Draeger Safety Bulgaria EOOD, Sofia		100	378	148
Denmark					
	Dräger Danmark A/S, Herlev		100	1,515	505
Finland					
	Dräger Suomi Oy, Helsinki		100	1,025	219
France					
	Dräger France SAS, Antony		100	36,325	4,831
	AEC SAS, Antony		100	2,086	141
	Dräger Production France SAS, Obernai		100	4,068	68
Greece					
	Draeger Hellas A.E. for Products of Medical and Safety Technology, Athens		100	2,775	466
United Kingdom					
	Draeger Safety UK Ltd., Blyth		100	49,197	11,001
	Draeger Medical UK Ltd., Hemel Hempstead	52.627	47.373	9,170	2,937
Ireland					
	Dräger Ireland Ltd., Dublin		100	968	491
Italy					
	Draeger Italia S.p.A., Corsico-Milan		100	15,186	2,384
Croatia					
	Dräger Medical Croatia d.o.o., Zagreb		100	2,472	425
	Dräger Safety d.o.o., Zagreb		100	465	58

¹ Profit and loss transfer agreement

² Associate as defined under Sec. 311, 312 HGB

³ Prior year

⁴ Recognized value corresponds to the amount restricted from distribution

SHARES OWNED BY DRÄGERWERK AG & CO. KGAA, AS OF DECEMBER 31, 2020

	Name and registered office	Shareholding in %		in € thousand	in € thousand
		direct	indirect	Equity	Earnings
Europe					
Netherlands	Dräger Nederland B.V., Zoetermeer		100	17,170	2,611
Norway	Dräger Norge AS, Oslo		100	2,448	977
	GasSecure AS, Oslo		100	6,876	128
Austria	Dräger Austria GmbH, Vienna		100	32,494	2,928
Poland	Dräger Polska sp. zo.o., Warsaw		100	2,233	2,252
Portugal	Dräger Portugal, LDA, Lisbon	0.01	99.99	2,237	377
Romania	Dräger Medical Romania SRL, Bucharest		100	2,472	846
	Dräger Safety Romania SRL, Bucharest		100	1,077	42
Russia	Draeger OOO, Moscow		100	3,054	262
Sweden	Dräger Sverige AB, Kista		100	5,205	1,802
	ACE Protection AB, Svenljunga		100	1,687	191
Switzerland	Dräger Schweiz AG, Liebefeld-Bern		100	8,414	2,253
Serbia	Draeger Tehnika d.o.o., Belgrade		100	2,520	496
Slovakia	Dräger Slovensko s.r.o., Piestany		100	1,065	279
Slovenia	Dräger Slovenija d.o.o., Ljubljana-Crnuce		100	1,089	213
Spain	Dräger Medical Hispania SA, Madrid		100	7,854	1,888
	Dräger Safety Hispania SA, Madrid		100	5,267	522
Czech Republic	Dräger Medical s.r.o., Prague		100	2,466	376
	Dräger Safety s.r.o., Prague		100	1,435	193
	Dräger Manufacturing Czech s.r.o., Klasterec nad Ohri		100	6,037	884
Turkey	Draeger Medikal Ticaret ve Servis Anonim Sirketi, Istanbul		100	3,911	1,173
	Draeger Safety Korunma Teknolojileri Anonim Sirketi, Ankara		100	4,405	612
Hungary	Dräger Safety Hungaria Kft., Budapest		100	440	186
	Dräger Medical Hungary Kft., Budapest		100	979	445
Africa					
Morocco	Draeger Maroc SARLAU, Casablanca		100	715	24
South Africa	Dräger South Africa (Pty.) Ltd., Johannesburg		69	6,155	1,745
	Dräger Safety Zenith (Pty.) Ltd., East London		100	1,661	185
Americas					
Argentina	Dräger Argentina SA, Buenos Aires	10	90	6,556	789
Brazil	Dräger do Brasil Ltda., São Paulo	99	1	848	-30
	Dräger Industria e Comércio Ltda., São Paulo	99.999929	0.000071	2,111	294
	Dräger Safety do Brasil Equipamentos de Segurança Ltda., São Paulo		100	1,610	-624
Chile	Dräger Chile Ltda., Santiago	99.99	0.01	6,686	373
	Dräger-Simsa S.A., Santiago		51	1,948	211
Canada	Draeger Safety Canada Ltd., Mississauga / Ontario		100	6,598	494
	Draeger Medical Canada Inc., Richmond Hill / Ontario		100	3,075	1,558
	Focus Field Solutions Inc., St. John's, NL		29.53	330	-641 ²
Colombia	Draeger Colombia SA, Bogota D.C.	1.5	98.5	6,389	454
Mexico	Draeger Safety S.A. de C.V., Querétaro		100	1,274	457
	Dräger Medical Mexico S.A. de C.V., Mexico D.F.D.	0.002	99.998	8,756	919

¹ Profit and loss transfer agreement² Associate as defined under Sec. 311, 312 HGB³ Prior year⁴ Recognized value corresponds to the amount restricted from distribution

SHARES OWNED BY DRÄGERWERK AG & CO. KGAA, AS OF DECEMBER 31, 2020

	Name and registered office	Shareholding in %		in € thousand	in € thousand
		direct	indirect	Equity	Earnings
Americas					
Panama	Draeger Panama S. de R.L., Panama	0.00056	99.99944	1,556	- 123
	Draeger Panama Comercial, S. de R.L., Panama	0.005	99.995	862	41
Peru	Draeger Peru S.A.C., Piso Miraflores-Lima	0.0001	99.9999	4,204	1,819
United States	Draeger, Inc., Telford		100	45,965	13,097
	Draeger Medical Systems, Inc., Telford		100	168,254	39,450
	MultiSensor Scientific Inc., Somerville		36.03	1,375	- 1,604 ²
Asia / Australia					
P.R. China	Shanghai Draeger Medical Instrument Co., Ltd., Shanghai		100	14,867	4,529
	Draeger Safety Equipment (China) Co., Ltd., Beijing		100	15,727	1,976
	Dräger Medical Equipment (Shanghai) Co., Ltd., Shanghai		100	23,760	16,176
	Draeger Hong Kong Limited, Wan Chai		100	872	330
	Draeger Medical Systems (Shanghai) Co., Ltd., Shanghai		100	9,735	- 29
India	Draeger India Private Limited, Mumbai	100		8,564	1,565
	Draeger Safety India Pvt. Ltd., Mumbai		100	1,306	- 324
Indonesia	PT Draegerindo Jaya, Jakarta		100	684	- 319
	PT Draeger Medical Indonesia, Jakarta	5	95	3,024	- 374
Japan	Draeger Japan Ltd., Tokyo		100	12,045	2,850
Malaysia	Draeger Malaysia Sdn. Bhd., Kuala Lumpur		100	3,546	49
Myanmar	Draeger Myanmar Limited, Yangon		100	54	7
Philippines	Draeger Philippines Corporation, Pasig City		100	1,256	304
Saudi Arabia	Draeger Arabia Co. Ltd., Riyadh	25.5	25.5	27,968	- 386
Singapore	Draeger Singapore Pte Ltd., Singapore		100	5,286	835
South Korea	Draeger Korea Co., Ltd., Seoul		100	4,841	507
Taiwan	Draeger Safety Taiwan Co., Ltd., Hsinchu City		100	3,005	135
	Draeger Medical Taiwan Ltd., Taipei		100	1,824	115
Thailand	Draeger Medical (Thailand) Ltd., Bangkok		100	6,864	772
	Draeger Safety (Thailand) Ltd., Bangkok		100	857	205
Vietnam	Draeger Vietnam Co., Ltd., Ho Chi Minh City		100	889	78
Australia	Draeger Safety Pacific Pty. Ltd., Notting Hill		100	0	0
	Draeger Australia Pty. Ltd., Notting Hill	100		12,392	4,397
New Zealand	Draeger New Zealand Limited, Auckland		100	1,609	486

¹ Profit and loss transfer agreement² Associate as defined under Sec. 311, 312 HGB³ Prior year⁴ Recognized value corresponds to the amount restricted from distribution

42 SUBSEQUENT EVENTS

Subsequent events

Significant business events subject to reporting requirements have not occurred since the end of the fiscal year.

Proposed distribution of net earnings

Net earnings for fiscal year 2020 amount to EUR 433,427,178.88. This includes profits brought forward of EUR 536,976,904.46. Drägerwerk Verwaltungs AG as general partner of Drägerwerk AG & Co. KGaA, together with the Supervisory Board of Drägerwerk AG & Co. KGaA, Lübeck, intends to propose to the annual shareholders' meeting that these net earnings should be distributed as follows:

PROPOSED DISTRIBUTION OF NET EARNINGS

in €

EUR 0.13 cash dividend for 10,160,000 common shares	1,320,800
EUR 0.19 cash dividend for 8,600,000 preferred shares	1,634,000

It is further proposed that the remaining net earnings for fiscal year 2020 of EUR 430,472,378.88 will be carried forward to new account.

The Company's Boards

43 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 Board (since January 1, 2020)

Vice-Chairman

Siegfried 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 the 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 the Group Works Council of Dräger, Lübeck

Supervisory Board membership

- Dräger Safety AG & Co. KGaA, Lübeck (Vice-Chairperson)

Maria Dietz

Member of the Administrative Board and shareholder of GFT Technologies SE, Stuttgart

Supervisory Board memberships

- GFT Technologies SE, Stuttgart (Member of the Administrative Board)
- Drägerwerk Verwaltungs AG, Lübeck
- Dräger Safety AG & Co. KGaA, Lübeck
- Ernst Klett Aktiengesellschaft, Stuttgart (since April 2020)

Daniel Friedrich

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

Supervisory Board memberships:

- Dräger Safety AG & Co. KGaA, Lübeck (until August 15, 2020)
- Airbus Operations GmbH, Hamburg (since September 1, 2020)

Prof. Dr. Thorsten Grenz

Managing Partner of KIMBRIA Gesellschaft für Beteiligung und Beratung mbH, Berlin
Professor of Economics and Social Sciences at Christian-Albrechts University, Kiel
Chief Financial Officer at Schaltbau Holding AG, Munich (on an interim basis since September 1, 2020, in accordance with Sec. 105 (2) AktG)

Supervisory Board memberships:

- Gpredictive GmbH, Hamburg (until December 17, 2020)
- Schaltbau Holding AG, Munich (inactive since September 1, 2020)
- 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

Memberships on comparable boards of German or foreign companies:

- Piepenbrock Unternehmensgruppe GmbH & Co. KG, Berlin, Member of the Advisory Board
- Felix Schoeller Gruppe GmbH & Co. KG, Osnabrück
- Wieland Holding GmbH, Bamberg

Stephan Kruse

Officer, Drägerwerk AG & Co. KGaA, Lübeck

Uwe Lüders

Former Chairman of the Executive Board of L. Possehl & Co. mbH, Lübeck

Supervisory Board memberships:

- Lübecker Hafen-Gesellschaft mbH (LHG), Lübeck, Chairman (until July 1, 2020)
- Drägerwerk Verwaltungs AG, Lübeck
- Dräger Safety AG & Co. KGaA, Lübeck
- Dräger Safety Verwaltungs AG, Lübeck
- L. Possehl & Co. mbH, Lübeck, Chairman (since January 1, 2021)

Thomas Rickers

Officer for Drägerwerk AG & Co. KGaA

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

Dr. Reinhard Zinkann

Managing Partner of Miele & Cie. KG, Gütersloh

Supervisory Board memberships:

- Falke KGaA, Schmallenberg (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

Chief Financial Officer and Executive Board member for IT

Vice-Chairman of the Executive Board

Member of the Executive Board of Drägerwerk Verwaltungs AG,
Lübeck (general partner of Drägerwerk AG & Co. KGaA)
Member of the Executive Board of Dräger Safety Verwaltungs AG,
Lübeck (general partner of Dräger Safety AG & Co. KGaA)

Rainer Klug

Executive Board member for the 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)

Supervisory Board memberships:

– Dräger Medical Deutschland GmbH (Chairman), Lübeck
(until March 31, 2020)

Anton Schrofner

Executive Board member for the 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)

Lübeck, February 19, 2021

Drägerwerk AG & Co. KGaA
The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Gert-Hartwig Lescow
Rainer Klug
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 single entity financial statements give a true and fair view of the net assets, financial position, and results of operations of the Company, that the combined management report of the annual report presents business performance including business results and the situation of the Company so as to give a true and fair view, and that the significant opportunities and risks relating to the Company's development have been described.

Lübeck, February 19, 2021

Drägerwerk AG & Co. KGaA
The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

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

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

Independent Auditor's Report

To Drägerwerk AG & Co. KGaA, Lübeck

Report on the audit of the annual financial statements and of the management report

AUDIT OPINIONS

We have audited the annual financial statements of Drägerwerk AG & Co. KGaA, Lübeck, which comprise the balance sheet as December 31, 2020, and the statement of profit and loss for the financial year from January 1 to December 31, 2020, the notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Drägerwerk AG & Co. KGaA, which is combined with the Group management report, for the financial year from January 1 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities, and financial position of the Company as at December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, in compliance with German Legally Required Accounting Principles; and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the parts of the management report listed in the "Other information" section of our auditors report.

Pursuant to § (article) 322 Abs. (paragraph) 3 Satz (sentence) 1 HGB ("Handelsgesetzbuch": German Commercial Code), we declare that our audit has not led to any reser-

vations relating to the legal compliance of the annual financial statements and of the management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer—IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the annual financial statements and of the management report” section of our auditor’s report. We are independent of the Company 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) (f) EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the annual 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 Measurement of shares in affiliated companies and investments
- 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 MEASUREMENT OF SHARES IN AFFILIATED COMPANIES AND INVESTMENTS

① The Company's annual financial statements report shares in affiliated companies amounting to EUR 587.4 million (24.6 percent of total assets) under the balance sheet item "Financial assets." The valuation of shares in affiliated companies and investments under commercial law is oriented toward cost and the lower fair value. The fair values are determined as the present values of the expected future cash flows using discounted cash flow models on the basis of the budget projections prepared by management. The expectations regarding future market development and assumptions about the development of macroeconomic factors are thereby also taken into account. Discounting uses the individually determined cost of capital of the respective financial asset. On the basis of the determined values and further documentation, write-downs of EUR 0.2 million and write-ups of EUR 9.5 million were required for shares in affiliated companies in financial year 2020. The result of this measurement depends to a large extent on the executives directors' estimates of future cash flows, as well as the respective discount rates and growth rates applied. The measurement is therefore subject to material uncertainties. Against this background, and due to the highly complex nature of the measurement and the materiality for the net assets and results of operations of the Company, this matter was of particular importance during our audit.

② As part of our audit, we evaluated, among other things, the measurement methods used. In particular, we evaluated whether the fair value was appropriately determined using discounted cash-flow models, taking into account relevant valuation standards. We based our assessment on a comparison with general and sector-specific market expectations, among other things, as well as the executives directors' detailed explanations regarding key planning value drivers underlying the expected cash inflows. With the knowledge that even relatively small changes in the discount rate applied can have material effects on the goodwill calculated in this way, we focused in particular on the parameters used to determine the discount rate applied and evaluated the measurement model.

Taking into consideration the information available, we believe that overall the measurement parameters and assumptions used by the executive directors are appropriate to measure shares in affiliated companies and investments.

③ Information about financial assets provided by the Company is included in note 20 in the notes to the financial statements.

② PENSION PROVISIONS

① In the annual financial statements of the Company pension provisions amounting to EUR 157.6 million (6.6 % of total assets) are recognized under the "Provisions for pensions and similar obligations" balance sheet item. The pension provisions are calculated as the balance of the settlement amount in accordance with the HGB of the

direct obligations arising from the Company's pension plans amounting to EUR 243.5 million and the fair value of the plan assets amounting to EUR 85.9 million. The pension plan obligations resulting from direct pension commitments are 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 Company's plan assets are measured at fair value, which in turn involves estimation uncertainties.

From our point of view, these matters were of particular significance in the context of our audit because the recognition and measurement of this significant item in terms of its amount are based to a large extent on estimates and assumptions made by the Company's executive directors.

- ② As part of our audit, among other things we evaluated the actuarial expert reports obtained and the professional qualifications of the external experts. 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 appropriateness, in addition to other procedures. On this basis, we checked the calculation of the provisions and their presentation in the balance sheet and the notes to the financial statements, among other things. For the purposes of our audit of the fair value of plan assets, we obtained fund confirmations.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

- ③ The Company's disclosures regarding pension provisions are contained in note 32 to the consolidated financial statements.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Declaration/Group declaration of corporate governance" of the management report;
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB.

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

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

- is materially inconsistent with the annual financial statements, with the management report, or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITY OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

The executive directors are responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law, and for ensuring that the annual financial statements give a true and fair view of the assets, liabilities, financial position, and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the legal representatives are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to the going concern assumption. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of a management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual 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) that they consider necessary to enable the preparation of a 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 management report.

The Supervisory Board is responsible for monitoring the Company's financial reporting processes for the preparation of the annual financial statements and the management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual 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 annual financial statements and on the 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 EU Audit Regulation 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 annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual financial statements and in the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control system relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the 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 of the Company.
- Evaluate the appropriateness of the 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, as to whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 annual financial statements and in the 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 Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position, and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the 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 forward-looking statements and evaluate the proper derivation of the forward-looking statements from these assumptions. We do not express a sepa-

rate audit opinion on the forward-looking statements and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the forward-looking statements.

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 annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

ASSURANCE REPORT IN ACCORDANCE WITH § 317 ABS. 3B HGB ON THE ELECTRONIC REPRODUCTION OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the management report (hereinafter the “ESEF documents”) contained in the attached electronic file Draeger_JA_LB_ESEF-2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format (“ESEF format”). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from January 1 to December 31, 2020 contained in the “Report on the Audit of the Annual Financial Statements and on the Management Report” above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the annual financial statements and the management report contained in the above mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the “Auditor’s Responsibilities for the Assurance Engagement on the ESEF Documents” section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited annual financial statements and audited management report as well as other documents to be published to the operator of the German Federal Gazette (Bundesanzeiger).

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited annual financial statements and to the audited management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on September 30, 2020. We were engaged by the supervisory board on November 3, 2020. We have been the auditor of the Drägerwerk AG & Co. KGaA, Lübeck, without interruption since the financial year 2009.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Hamburg, February 22, 2021

PricewaterhouseCoopers GmbH

Wirtschaftsprüfungsgesellschaft

Dr. Andreas Focke

Wirtschaftsprüfer

(German Public Auditor)

Marko Schipper

Wirtschaftsprüfer

(German Public Auditor)

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