Dräger

ANNUAL REPORT
2022

Dräger. Technology for Life®

Content

MARKETS

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

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

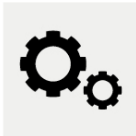

Hospital


Fire services


Oil and gas industry


Mining


Chemical industry


Application-driven markets

DRÄGER WORLDWIDE

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

Headquarters | Sales and service organizations | Development and production sites | Logistic centers

Technology for Life

Company profile

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

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

The Company has 16,219 employees worldwide and is currently represented in over 190 countries. Dräger has sales and service subsidiaries in about 50 countries. The relevant development and production sites are located in Germany, Chile, China, the Czech Republic, France, India, Lithuania, Norway, Serbia, South Africa, Sweden, Switzerland, United Kingdom, and the United States of America.

SELECTED KEY FIGURES DRÄGER GROUP

				Twelve months
		2022	2021	Change in %
Order intake	**€ million**	**3,284.7**	**3,087.8**	**+6.4**
Net sales	**€ million**	**3,045.2**	**3,328.4**	**-8.5**
Gross profit	**€ million**	**1,238.4**	**1,540.9**	**-19.6**
Gross profit / Net sales	%	40.7	46.3	
EBIT [1]	**€ million**	**-88.6**	**271.7**	**> -100**
EBIT [1] / Net sales	%	-2.9	8.2	
Net loss / net profit	**€ million**	**-63.6**	**154.3**	**> -100**
Earnings per share on full distribution [2]				
per preferred share	€	-3.41	7.19	> -100
per common share	€	-3.47	7.13	> -100
DVA [3, 4]	**€ million**	**-196.2**	**171.8**	**> -100**
Cash flow from operating activities	€ million	-144.2	384.9	> -100
Net financial debt [5] / EBITDA [3, 6]	Factor	4.64	-0.06	
Equity ratio [5]	%	42.5	39.7	
Headcount as at December 31		16,219	15,900	+2.0

[1] EBIT = Earnings before net interest result and income taxes
[2] Based on an imputed actual full distribution of earnings attributable to shareholders
[3] Value of the last twelve months
[4] Dräger Value Added = EBIT less cost of capital of average invested capital
[5] Value as at reporting date
[6] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization

Dear Shareholders, dear Employees, dear Readers,

We have overcome many challenges throughout our Company's long history, but rarely were they as serious as they are today. Nevertheless, we have good reasons to look confidently toward the future.

2022 was a historic year. The invasion of Ukraine by Russian troops marked the start of a new era. The attack shows that wars are still possible in Europe, and has caused inflation to skyrocket. Energy is expensive in Europe, while food is scarce in Africa. Climate change is making itself felt: in some parts of Pakistan, a third of the land is flooded, and this is leading to negative consequences for people all over the world. We can also feel them here at Dräger.

Our procurement costs have jumped sharply as a result of inflation. To counteract this, we went ahead with several unprecedented price rises in our markets last year, and will have to continue adjusting our prices in 2023. As far as the increased energy costs are concerned, there is a silver lining for us, at least compared to some other companies: We do not consume a lot of energy in production, so the cost increase in this area is limited for us.

The biggest challenge for Dräger lies in overcoming the ongoing disruptions to supply chains. Last year, certain electronics components required to manufacture end products and deliver them to customers were in short supply. This meant that we were only able to realize the potential net sales from our high number of orders to a limited extent. Consequently, net sales and earnings fell dramatically. Earnings were also affected by the lower gross margin – a result of higher procurement costs and the drop in demand for pandemic-related products.

The fact that we would no longer sell as many ventilators as we did at the height of the COVID-19 pandemic was to be expected and is no cause for concern. We continue to be well positioned for the future thanks to our broad range of products. This can also be seen in our order intake, which has grown in the past fiscal year despite significantly more difficult economic conditions. Our ›Technology for Life‹ is in demand!

Around the world, our products stand for quality and innovation. This is due not only to our investments in research and development, but also and in particular to the commitment of our employees. My warm thanks go to all our employees for their tremendous dedication and hard work.

We will continue to get things done in 2023. At the start of January, we redeemed all of the remaining participation certificates as planned. This simplifies our capital structure and strengthens our position on the capital market. Over the course of the year, in addition to price increases, we will continue to focus in particular on the introduction of new products and the expansion of the service business. Our aim in the medical division remains to improve acute care through therapy assistance systems and the automation of clinical and administrative processes. As part of this process, we are continuing to advance the connectivity of medical devices. In the safety division, we are focusing on the internationalization of our rental and safety services, increasing our attention on the market for light respiratory protection, as well as digitalization and data-supported services. We also intend to optimize our touch points with customers and enhance our portfolio in terms of sustainability and renewable energies.

Another focal point is the further integration of sustainability topics into our corporate strategy. We are currently expanding our Group-wide sustainability goals in order to better measure our progress in all of the key areas. This is important because sustainable action is essential to our economic success. You can find out more in our 2022 Sustainability Report.

I firmly believe that we will successfully implement our strategic measures. External factors also make me feel confident about 2023. After the supply situation eased slightly in some areas in the second half of 2022, we expect further gradual improvement in the current fiscal year. Although scarce parts will remain expensive for the time being, this situation will allow us to realize the net sales from our high number of orders much faster than last year.

Despite the challenging economic environment, we are aiming to return to profitable growth in 2023. Our high number of orders at the beginning of the year and our further price increases will help us return to profitability. Specifically, we expect a rise in net sales of between seven and eleven percent (net of currency effects) and an EBIT margin of between zero and three percent.

I would like to express my gratitude for the trust and loyalty you have shown as our shareholders. I would also like to thank the Supervisory Board for maintaining such a constructive working relationship. Let’s work together to continue ensuring that our ›Technology for Life‹ is used all around the world. Our role in society remains to protect, support, and save lives.

Yours,

Stefan Dräger

Stefan Dräger

STEFAN DRÄGER

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

»2022 was a year of many challenges. The markets for our ›Technology for Life‹ remain intact and are growing, and demand for our products is strong around the world. Nevertheless, our results are disappointing. In 2023, we aim to return to profitable growth and make sustainability even more visible as an intrinsic part of our business. This is both in the interests of our stakeholders and an important priority to me personally.«

Executive Board

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

STEFAN DRÄGER
Chairman of the Executive Board

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

RAINER KLUG
Executive Board member for Safety Division

DR. REINER PISKE
Executive Board member for Sales and Human Resources

ANTON (TONI) SCHROFNER
Executive Board member for Medical Division

GERT-HARTWIG LESCOW

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

RAINER KLUG

Rainer Klug is in charge of the safety division. He has been a member of Dräger's Executive Board since 2015, and his term runs until the end of July 2028.

»The redemption of our outstanding participation certificates in January 2023 allowed us to finish streamlining our capital structure. The resulting consolidation of our profits will benefit our shareholders. Our equity ratio has returned to the level seen before the participation certificates were terminated. In the current fiscal year, we will focus on sustainably improving profitability in order to make our shares more attractive.«

»In 2022, we continued to benefit from the increasing need for safety equipment. Our order intake was again up significantly, and we recorded growth in almost all areas. Supply chain disruptions and the global crisis on the electronics markets really put us to the test and prevented us from turning more of our orders into income. We are working hard – both in product development and with our suppliers – on substituting components so as to improve our delivery capability. That way, we will leverage our potential more effectively in 2023 and substantially increase our net sales.«

DR. REINER PISKE

Dr. Reiner Piske is Executive Board member for Sales and Human Resources. He has been with Dräger since 2015, and his term runs until the end of October 2028.

TONI SCHROFNER

Toni Schrofner is in charge of the medical division. He has been with the Company since 2010, and his term on the Executive Board runs until the end of August 2028.

»Demand for our ›Technology for Life‹ was even stronger in 2022 than in the prior year, despite the tougher economic conditions. Order intake rose significantly in Europe as well as Africa, Asia, and Australia. In addition, we further expanded our service business in every region. This is primarily due to the efforts of our employees, who always give their all and identify very strongly with our Company. The results of the latest surveys underscore our reputation as a top employer.«

»The third year of the pandemic saw a return to normal levels of demand for products that were required to a disproportionate extent in 2020 and 2021. However, almost all other product areas posted growth. Our strategic goal is and remains to further improve acute care through therapy assistance and automation. To this end, we will continue to advance the connectivity of medical devices and the development of digital solutions. In the past year, some of these solutions have already been instrumental in helping us win major equipment contracts in areas such as anesthesia.«

Report of the Supervisory Board

Dräger looks back on an unusual and difficult fiscal year – one that, despite a lot of hard work, unfortunately ended in a loss. The Supervisory Board continued its trusting working relationship with the Executive Board. It closely examined and discussed the economic situation, the changes on the global markets, the effects of the war in Europe, and the emerging prospects for the Company. The Supervisory Board was promptly involved in all key decisions and extensively informed about them.

Dear Shareholders,

2022 was another challenging year on account of the war in Ukraine, soaring inflation, and ongoing supply chain disruptions. Above all, the limited availability of electronics components required to produce and deliver end products to customers weighed on our business performance and prevented us from realizing the usual level of net sales from our consistently high number of orders. However, one positive aspect was that demand for our products rose despite the difficult overall conditions.

Following the return to normal levels of business in the second half of 2021, the Executive Board had initially anticipated a decline in net sales (net of currency effects) of between 5.0 % and 9.0 % in fiscal year 2022, as well as an EBIT margin of between 1.0 % and 4.0 %. It confirmed this outlook in April 2022, adding that Dräger would probably reach the lower end of the forecast range due to increasing difficulties with the supply of electronics components. In October, the Executive Board reported that the forecast for 2022 could no longer be achieved as a result of the delay in realizing net sales due to supply chain disruptions. Ultimately, net sales decreased by 11.5 % (net of currency effects) in fiscal year 2022, and the EBIT margin stood at -2.9 %.

From the perspective of the Supervisory Board, the Executive Board fulfilled its responsibilities once again in 2022. The price rises implemented in the past year and planned in the future help mitigate the negative effects that higher procurement costs have on earnings. In January 2023, Dräger also redeemed the last remaining participation certificates – a measure that simplifies its capital structure and strengthens its position on the capital market.

The Executive Board expects a gradual improvement in the availability of electronics components in the current fiscal year, which will enhance the Company’s delivery capability. In the Executive Board’s view, this will substantially accelerate the realization of net sales on the basis of the high number of orders and therefore enable a return to growth and profitability, despite the anticipated increases in procurement and personnel costs. The Executive Board thus forecasts net sales growth of between 5.5 % and 9.5 % for 2023 (seven to eleven percent net of currency effects) and an EBIT margin of between zero and three percent. The Supervisory Board regards these expectations as realistic.

In fiscal year 2022, the Supervisory Board carefully and regularly monitored the work of the Executive Board of the general partner in accordance with the law and the articles of association, and provided advice on the strategic development of the Company as well as all major measures. The Supervisory Board was involved in due time in all decisions of importance to the Company. The extensive written and oral reports by the Executive Board formed the basis for these decisions. The Chairman of the Supervisory Board was also regularly informed about current business developments and major transactions by the Chairman of the Executive Board and by individual members of the Executive Board outside of the Supervisory Board meetings.

MEETINGS

The Supervisory Board held four regular meetings in the reporting year, of which two took place in person and two as hybrid meetings, meaning in-person meetings with the opportunity to attend virtually. At its meetings, the Supervisory Board dealt in detail with the business and strategic development of the Dräger Group, the divisions, as well as the German and foreign subsidiaries, and intensively advised the Executive Board on such matters. At the meeting on February 23, 2022, one agenda item was addressed without the participation of the Executive Board of the general partner. Moreover, it was not deemed necessary to discuss meetings or individual items on the agenda without the Executive Board. The participation of the members of the Supervisory Board and the committees is indicated in the table ›Individual Participation Rate‹:

INDIVIDUAL PARTICIPATION RATE

	Participation / number of meetings			
Supervisory Board member	Supervisory Board plenary assembly	Joint Committee	Audit Committee	Nomination Committee
Stefan Lauer (Chairman)	4/4	4/4	7/7	0/0
Siegfrid Kasang (Vice-Chair until June 30, 2022)	2/2	2/2	1/2	
Nike Benten	2/4			
Maria Dietz	3/4	3/4		
Daniel Friedrich (Vice-Chair since September 15, 2022)	3/4		5/7	
Prof. Dr. Thorsten Grenz	4/4	4/4	7/7	
Astrid Hamker	4/4	4/4		
Stephan Kruse	4/4			
Uwe Lüders	4/4	4/4	6/7	0/0
Thomas Rickers	4/4	4/4		
Bettina van Almsick	3/4			
Dr. Reinhard Zinkann	4/4	4/4		0/0
Christian Fischer (since July 1, 2022)	2/2	2/2	3/3	

FOCAL POINTS OF THE SUPERVISORY BOARD DELIBERATIONS

In the past fiscal year, discussions focused on segment reporting on both the medical and safety divisions, the development of the product portfolio, and the Company's long-term strategic targets, as well as earnings trends and cost development. Carrying out an employee share program once again was also discussed. How to handle the approval requirements for medical devices as stipulated by the U.S. Food and Drug Administration was a topic in several meetings.

One focal point of the consultations in fiscal year 2022 was the impact of the economic situation, in particular the war in Ukraine, increasing supply shortages, rising energy costs and price hikes on the Company, which the Supervisory Board examined in close detail at every meeting. Another topic at the meeting in February 2022 was holding the annual shareholders' meeting once again as a virtual annual shareholders' meeting in line with the extended legislation in Germany. The Supervisory Board also discussed the results of the tender process for selecting the future auditor.

»Fiscal year 2022 was shaped by unique events, and can certainly be described as an unusual twelve months. Despite the war in Europe and turbulence on the global markets, Dräger recorded healthy demand and a high number of orders. However, the income we generated fell sharply because certain products could not be delivered to customers due to disrupted supply chains. Combined with price hikes for intermediate products and high logistics costs, this led to an unsatisfactory negative result for 2022, which will require a lot of hard work from the Dräger team going forward.«

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

In its meeting on December 7, 2022, the Supervisory Board determined the approach to the audit of the non-financial statement (sustainability report), which the Company prepares and publishes pursuant to Sec. 289b et seq. German Commercial Code (HGB). At the same meeting, the plan for fiscal year 2023 was also presented to the Supervisory Board, taking into account the resolution adopted in the prior year for the 2022 and 2023 planning periods. Following in-depth discussion, the plan was approved by the Joint Committee, which is responsible for resolutions concerning transactions requiring approval. In addition, the Supervisory Board concentrated on the German Corporate Governance Code at this meeting. Since submitting its most recent declaration of conformity on December 18, 2021, the Company has complied with the recommendations of the German Corporate Governance Code, apart from two deviations concerning the Executive Board's remuneration. In the period up to June 26, 2022, this compliance related to the German Corporate Governance Code as amended on December 16, 2019, and since June 27, 2022, it has related to the German Corporate Governance Code as amended on April 28, 2022. The declaration of conformity from the Supervisory Board and Executive Board pursuant to Sec. 161 German Stock Corporation Act (AktG) is permanently available on the Company website and in the declaration of corporate governance.
↗ Please refer to the ›declaration of conformity‹ on page 77.

ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee held two in-person meetings, two conference calls, and three hybrid meetings in the year under review. The CFO, the head of the Accounting department, the head of the Internal Audit department, and representatives of the auditor took part in the meetings. The Audit Committee began its sessions on February 22, 2022, and September 14, 2022, by meeting with the auditor without any other attendees from the Company.

At its meetings, the Audit Committee reviewed the single entity and Group financial statements, the quarterly results, the half-yearly report, the audit of the non-financial statement (sustainability report), and the profit appropriation proposal. In addition, the Committee audited and assessed the financial reporting process and the risk reporting system, as well as the audit activities of the Internal Audit department and the auditors. The segment reporting, the organization of Compliance and its activities, as well as the risk management system, were also discussed at the meetings. The execution of the tender process for the annual audits from fiscal year 2024 onward was another key topic. Following in-depth deliberations, in which the auditor's representatives did not participate and which examined the monitoring of the auditor's independence and qualifications, the additional services provided by the auditor, as well as the calculation of its fee, the Audit Committee recommended the Supervisory Board to propose KPMG AG Wirtschaftsprüfungsgesellschaft as the auditor to the 2024 annual shareholders' meeting. The Supervisory Board agreed with this recommendation. The

Chairman of the Audit Committee also informed the plenary Supervisory Board of the results of its deliberations.

In January and February 2023, the Internal Audit department and Legal department audited the sustainability report on behalf of the Audit Committee. The Audit Committee relied on this internal audit report in its audit of, and for its approval of, the sustainability report. According to that audit, there are no indications of failure to comply with the law, and/or that legally required content is missing.

ACTIVITIES OF THE NOMINATION COMMITTEE

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

TRAINING AND EDUCATION

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

SINGLE ENTITY AND GROUP FINANCIAL STATEMENTS

The Supervisory Board commissioned the statutory auditor elected by the annual shareholders' meeting, Frankfurt-based PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, to audit the single entity and Group financial statements for fiscal year 2022. Subject of the audit were the single entity financial statements of Drägerwerk AG & Co. KGaA, prepared in accordance with the German Commercial Code (HGB), as well as the Group financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS), and the combined management report of Drägerwerk AG & Co. KGaA and the Dräger Group. The auditor examined the single entity financial statements of Drägerwerk AG & Co. KGaA, prepared in accordance with the provisions of the German Commercial Code, the Group financial statements, prepared in accordance with IFRS, as well as the combined management report of both Drägerwerk AG & Co. KGaA and the Group, and issued an unqualified audit opinion. The auditor confirmed that the Group financial statements and the combined management report conform to IFRS as adopted by the EU.

The members of the Supervisory Board carefully examined the single entity and Group financial statements and the combined management report, as well as the audit reports. Representatives of the statutory auditor attended the Audit Committee's meeting on February 27, 2023, during which Dräger's single entity and Group financial statements were deliberated on, as well as the Supervisory Board's meeting on February 28, 2023, to discuss the financial statements. These representatives reported on the performance of the audit and were available to provide additional information. At these meetings, the Executive Board explained the single entity financial statements of Drägerwerk AG & Co. KGaA and the Group financial statements, along with the risk management system. On the basis of the audit reports on the single entity and Group financial statements and the combined management report, the Audit Committee came to the conclusion that both sets of financial statements with their respective management reports give a true and fair view of the net assets, financial position, and results of operations in accordance with the applicable financial reporting framework. To do so, the Audit Committee deliberated on material asset and liability items and their valuation, as well as the presentation of the earnings position and the development of certain key figures. The Chairman of the Audit Committee reported on the discussions to the Supervisory Board. Further questions by members of the Supervisory Board led to a more detailed discussion of the results. The Supervisory Board was convinced that the dividend proposed by the general partner was appropriate considering the net assets, financial position, and results of operations, and approved it. The liquidity of the Company and the interests of the shareholders were taken into account in equal measure. There were no reservations concerning the economic efficiency of the Executive Board's actions.

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

CHANGES IN THE EXECUTIVE BOARD

In the year under review, the Supervisory Board of Drägerwerk Verwaltungs AG adopted a resolution dated December 6, 2022, to extend the appointment of three Executive Board members by five years in each case: Rainer Klug, effective August 1, 2023, Toni Schrofner, effective September 1, 2023, and Dr. Reiner Piske, effective November 1, 2023.

CHANGES IN THE SUPERVISORY BOARD

Siegfrid Kasang left the Supervisory Board at the end of June 30, 2022. He was replaced by Christian Fischer, who was elected to the Supervisory Board on July 1, 2022. Steffen Michalzik was elected to the Supervisory Board to replace Stephan Kruse, who stepped down at the end of the year under review. There were no other personnel changes to the Supervisory Board.

CONFLICTS OF INTEREST

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

The Supervisory Board would like to recognize the Executive Board for its performance and dedicated service in the year under review. Furthermore, it thanks management and all employees, including employee representatives, for their hard work in fiscal year 2022.

Lübeck, February 28, 2023

Stefan Lauer
Chairman of the Supervisory Board

Report of the Joint Committee

Dear Shareholders,

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

With regard to the legal form of the Company as a partnership limited by shares, this Committee is responsible for transactions requiring approval (pursuant to Sec. 111 [4] Sentence 2 AktG). The Chairman of the Supervisory Board, Stefan Lauer, is the Chairman of the Joint Committee. The Joint Committee held four regular meetings in the reporting year, two of which took place in person and two as hybrid meetings, meaning in-person meetings with the opportunity to attend virtually. At its meetings, the Joint Committee dealt in detail with the business and strategic development of the Dräger Group. The Joint Committee decided on transactions requiring approval after careful consideration of the documents provided by the Executive Board. It approved all transactions.

Lübeck, February 28, 2023

Stefan Lauer
Chairman of the Joint Committee

The Dräger shares

The capital market in 2022 was dominated by fears of recession and high volatility. As a result, many shares lost value significantly. Dräger shares also reported share price losses. The preferred shares performed significantly better than the common shares and slightly better than the SDAX.

Development of the Dräger shares

The capital market environment was particularly affected by the deteriorating economic conditions in 2022. At the start of the war in Ukraine in February, stock markets around the world reported significant price losses. Rates of inflation, which were already high, rose considerably. The DAX fell below 13,000 points in March, and stock markets remained under pressure afterwards. This was due to the further rise in energy and food prices and less-optimistic growth forecasts for many countries. In addition, coronavirus-related lockdowns in China and ongoing supply chain disruption darkened the mood on the stock markets. Tighter monetary policy in relation to efforts to fight rising inflation also made for uncertainty. Several major central banks abandoned their long-standing low-interest policies. The U.S. Federal Reserve and the European Central Bank (ECB) raised their benchmark rates multiple times during the year. At the start of October, the DAX fell below 12,000 points for a while. By the end of the year, however, it was able to recover thanks to positive economic data, and temporarily exceeded the 14,000 point mark.

Dräger shares declined in value significantly in the first few trading weeks of 2022. After a brief recovery at the end of January, prices fell sharply once again as Russian troops invaded Ukraine. Dräger shares rose again in March, with preferred shares increasing back to roughly the level at which they started the year. The price of Dräger shares declined considerably once again following the publication of preliminary figures for the first quarter and the confirmation of the forecast for the year in mid-April. Common shares continued their downward trend until the end of June, whereas preferred shares began to trade laterally. In July, both types of Dräger share returned to higher price levels. From August, prices declined significantly once again. During this downward trend, Dräger shares slipped to their low for the year of EUR 34.00 (common shares) and EUR 38.80 (preferred shares) in December. They were able to recover partially before the end of the year.

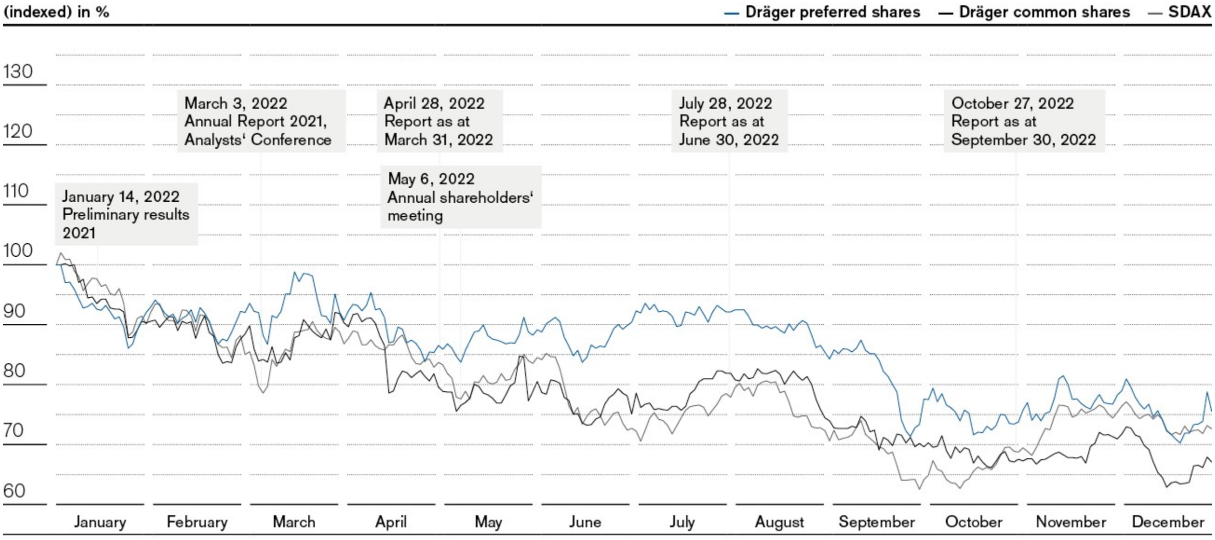
As at the balance sheet date, December 31, 2022, common shares were trading at EUR 36.30. This represented a decline of around 33 % compared to the closing price at the end of 2021. Preferred shares were trading at EUR 41.75 as at the balance sheet date. This corresponds to a decline of approximately 24 %. The SDAX fell by roughly 27 % in the same period to approximately 11,926 points. The market capitalization of the roughly 18.8 million Dräger shares stood at around EUR 728 million as at December 31, 2022, compared to approximately EUR 1,025 million at the end of 2021.

↗ Please refer to the ›Dräger share price developments 2022‹ chart on page 18.

DEVELOPMENT OF THE DRÄGER SHARES AND KEY INDICES AS AT DECEMBER 31, 2022

in %, p.a.	1 year	3 years	5 years	10 years
Dräger common shares	-33	-8	-41	-36
Dräger preferred shares	-24	-25	-42	-45
SDAX	-27	-5	0	127

SHARE PRICE DEVELOPMENTS 2022



Participation certificates entitled to dividends for the final time

Dräger terminated all outstanding participation certificates in fiscal year 2020 and partially redeemed them in 2021. The 382,289 remaining series D participation certificates were redeemed at maturity as planned on January 2, 2023, at an amount of EUR 546.20 per certificate. They remain entitled to dividends for fiscal year 2022.

Dividend policy and proposal

Due to the negative Group result in fiscal year 2022, the Executive Board intends to propose to the annual shareholders' meeting an unchanged dividend compared to the prior year of EUR 0.19 per preferred share and EUR 0.13 per common share for 2022, subject to the approval of the Supervisory Board.

↗ Please refer to note 19.

DRÄGER SHARES – BASIC FIGURES

	Common shares	Preferred shares
International Securities Identification Number (ISIN)	555060 / DE0005550602	555063 / DE0005550636
Ticker symbol / Reuters / Bloomberg	DRW / DRWG.DE / DRW8	DRW3 / DRWG_p.DE / DRW3
Main stock exchange	Frankfurt/Xetra	Frankfurt/Xetra
Market segment	Prime Standard	Prime Standard
Index	-	SDAX
Initial listing	2010	1979

DRÄGER SHARES INDICATORS

	2022	2021
Common shares		
No. of shares as at the reporting date	10,160,000	10,160,000
High (in €)	54.20	78.90
Low (in €)	34.00	49.70
Share price on the reporting date (in €)	36.30	54.10
Annual share price development	-32.9%	-9.5%
Average daily trading volume [1]	4,126	8,071
Dividend per share (in €) [2]	0.13	0.13
Dividend yield	0.4%	0.2%
Undiluted / diluted earnings per common share on full distribution (in €) [3]	-3.47	7.13
Preferred shares		
No. of shares as at the reporting date	8,600,000	8,600,000
High (in €)	55.25	82.20
Low (in €)	38.80	52.60
Share price on the reporting date (in €)	41.75	55.25
Annual share price development	-24.4%	-12.0%
Average daily trading volume [1]	22,319	46,773
Dividend per share (in €) [2]	0.19	0.19
Dividend yield	0.5%	0.3%
Undiluted / diluted earnings per preferred share on full distribution (in €) [3]	-3.41	7.19
Total distribution (in € thousand)	3,681	3,681
Distribution rate	-5.7%	2.4%
Market capitalization (in € thousand)	727,858	1,024,806

[1] All German stock exchanges (source: designated sponsors)
[2] For the reporting period approval by the annual shareholder's meeting pending
[3] Based on an imputed actual full distribution of earnings attributable to shareholders (please refer to note 19 in the Notes to the Annual Financial Statements)

Shareholder structure

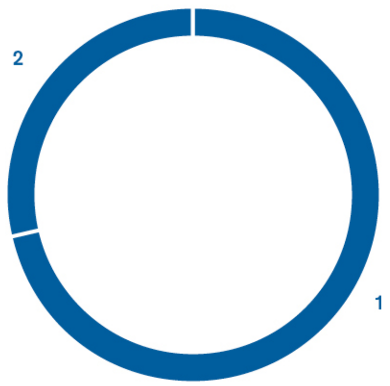
The capital stock is divided into common and preferred shares. According to the definition of Deutsche Börse AG, 71.62 % of common shares are attributable to the Dräger family: 68.67 % are held by Dr. Heinrich Dräger GmbH and a further 2.95 % are held by members of the Dräger family. A total of 28.38 % of the common shares are in free float. Of the preferred shares, which do not confer voting rights, 100 % are in free float.

An analysis of the shareholder structure (common and preferred shares) conducted in the first quarter of 2022, which excluded the Dräger family's shares, showed that institutional investors from Europe accounted for 27 % of capital stock in free float at that point in time, while institutional investors from the U.S. accounted for 34 %. Investors from Germany represented the largest portion of European shareholders. They held around seven percent of capital stock in free float. Investors from France and the U.K. were next with five percent each, followed by investors from Norway with around four percent. The proportion attributable to private investors and other unidentified investors was around 37 %.

In 2022, Dräger once again gave its employees the opportunity to invest in the Company through deferred compensation. To this end, the employee share program took place in the fourth quarter of 2022. The average number of shares acquired per participant rose significantly. Approximately 73 % of eligible employees have taken part in at least one such program in the past few years and become shareholders in the Company. This has resulted in employees acquiring almost 6 % of all available preferred shares in total across all employee share programs.

↗ Please refer to the ›Ownership of common shares‹ and ›Shareholder structure‹ charts on page 20.
↗ Please refer to note 28.

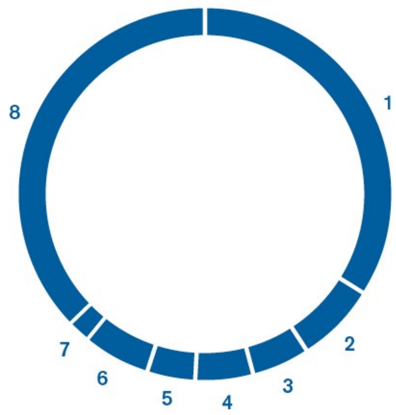
OWNERSHIP OF COMMON SHARES



in %

1. Dräger family	71.62
2. Free float	28.38

SHAREHOLDER STRUCTURE [1]



in %

1. USA	34
2. Germany	7
3. Great Britain	5
4. France	5
5. Norway	4
6. Rest of Europe	6
7. Rest of the world	2
8. Private investors and unspecified investors	37

[1] Preferred shares and common shares not including shares owned by the Dräger family; as at March 2022

Sustainability reporting and rating

Around 34 % of shares in free float held by institutional investors are in the possession of sustainability investors (2021: 32 %). Dräger is audited regularly (often every two years) by respected sustainability ratings agencies. In the EcoVadis Institute's CSR Assessment in 2022, Dräger was awarded ›Gold‹ status and counted among the best 1 % of the industry. In addition, Dräger once again received the ›Prime Label‹ within the scope of ISS' ESG Corporate Rating, which was the best rating awarded in the Health Care Equipment & Suppliers sector. U.S. financial services provider ISS gave Dräger an ESG rating of AA, on a scale of AAA (leader) to CCC (laggard). Furthermore, Dräger was chosen as the most valuable employer for the public good in Germany for the third time in succession, in a survey conducted by the magazine Wirtschaftswoche. The Dräger Sustainability Report is available here:

www.draeger.com/sustainability

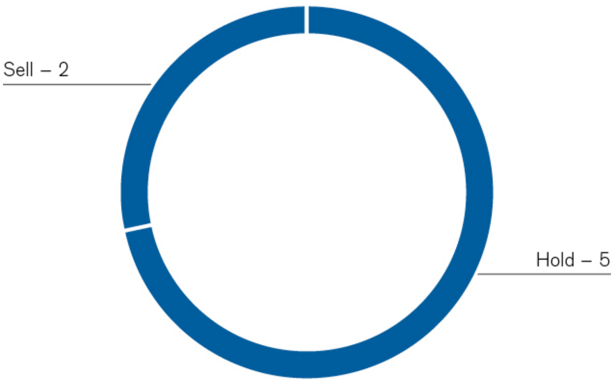
Analyst coverage

At the end of 2022, analysts from seven different institutions (2021: nine) assessed Dräger's business performance: Kepler Cheuvreux, Jefferies, Bankhaus Metzler, M.M. Warburg & Co., DZ Bank, EQUI.TS, and LBBW. A current overview of analyst recommendations can be found here:

www.draeger.com/en_corp/Investor-Relations/Share

Please refer to the ›Analyst recommendations‹ chart.

ANALYST RECOMMENDATIONS[1]



[1] At the end of 2022

02

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COMBINED MANAGEMENT REPORT

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Principles of the Group

Group structure

Drägerwerk AG & Co. KGaA is the parent company of the Dräger Group. Central functions and jointly used services are also pooled in the Company. All shareholdings that form part of global operative business are either directly or indirectly controlled by the parent company. In addition, Drägerwerk AG & Co. KGaA maintains shareholdings in some companies that are not part of the operative business of the Dräger Group.
↗ Please refer to note 44.

Dräger is represented in over 190 countries and maintains its own sales and service companies in some 50 countries. Dräger operates a total of 21 development and production sites in Germany (Lübeck, Hagen), Chile (Santiago de Chile), China (Beijing, Shanghai), the Czech Republic (Klášterec), France (Obernai), India (Vasai), Lithuania (Vilnius), Norway (Oslo), Serbia (Belgrade), Sweden (Motala, Svenljunga), Switzerland (Biel/Bienne), South Africa (East London), the U.K. (Blyth, Gateshead, Plymouth), and the U.S. (Andover, Mongomeryville, Telford).

Management, planning, and reporting

ORGANIZATIONAL AND MANAGEMENT SYSTEM

We manage our business through the medical and safety divisions.
↗ Please refer to the chart ›Executive Board responsibilities‹ on page 24.

MEDICAL DIVISION

In the medical division, we develop and produce system solutions, equipment, and services for the acute point of care. Within the division, we have introduced business responsibility according to the five business units: Therapy (anesthesia devices and ventilators, as well as thermoregulation equipment), Hospital Consumables & Accessories (consumables and accessories), Workplace Infrastructure (supply units, lights, gas management systems), Monitoring (patient monitoring), and Data Business (software applications, system products, and new services). The Research and Development, Supply Chain Management, and Production functions are integrated into the five respective business units alongside Product Management and Marketing. Quality & Regulatory Affairs manages quality-related activities and implements the regulatory requirements for medical products across all business units. Responsibility for the service function in the medical division lies with the Executive Board member responsible for Sales and Human Resources (CSO), with the service strategy coordinated by the head of the division and the CSO in close collaboration. In 2023, the Data Business business unit will be integrated into the Therapy business unit.

SAFETY DIVISION

The safety division develops and produces devices, system solutions, and services for personal protection, gas detection, and integrated hazard management. The division has three strategic business fields: Manufacturing Industries, Processing Industries, and Emergency & Rescue Services. Research and Development, Production, Supply Chain Management, and Quality are organized on a cross-divisional basis and are active for all the named strategic business fields. Responsibility for the service function in the safety division lies with the CSO, with the strategic orientation coordinated by the head of the division and the CSO in close collaboration.

EXECUTIVE BOARD RESPONSIBILITIES[1]

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

[1] Simplified presentation

SALES AND SERVICE

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

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

The responsibilities within a structure that is oriented toward cooperation are therefore clearly allocated. It is also a way of fostering customer focus and entrepreneurial activity at Dräger, and accelerating our decision-making processes.
↗ Please refer to the chart ›Executive Board responsibilities‹.

VALUE-DRIVEN MANAGEMENT

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

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

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

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

In mathematical terms, DVA is the difference between the operating result (earnings before interest and taxes—EBIT) over the preceding twelve months and calculated capital costs. Capital costs are determined using average capital employed in the past twelve months, based on the average cost of equity and borrowed capital before taxes. The weighted average cost of capital (WACC) was set unchanged at 7.0 %.

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

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

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

FINANCIAL FORECAST

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

Strategy and goals

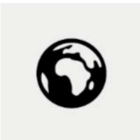
We have been devoted to developing and producing ›Technology for Life‹ for over 130 years now – it is a vital part of our corporate identity. Our products protect, support, and save lives. These are our foundations, which we will continue to build on in the future. In order to maintain and further strengthen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

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

CORPORATE ASPIRATIONS

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

We are first choice for our customers
Across all functions, we have a joint focus on our customers, who have a positive experience at all Dräger touchpoints. Customer satisfaction and loyalty is high.



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

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

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

MEDIUM-TERM COMPANY GOALS

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

Profitable growth and balanced regional distribution
Our two markets, medical and safety technology, are global growth markets. As a result, we expect these markets to contribute to growth across all regions, with the Americas and Africa, Asia, and Australia (AAA) growing more quickly than Europe. This will allow us to achieve a well-balanced global footprint.

Innovation leadership
›Technology for Life‹ is our guiding philosophy. Technology stands for technological innovation and engineering excellence, which are deeply ingrained in our DNA. We have products that are held in high regard, considered particularly innovative, and market-leading in certain aspects. These innovative products are developed in close collaboration with customers all over the world, by a top-class research and development team. The team utilizes the latest technologies and methods and is always conscious of achieving continuous improvement.

At the same time, we invest in commercial innovations to develop business models that meet the requirements of our existing and future customers. We also support local innovation and added value in different countries, particularly in services, project business, and additional software, by offering engineered solutions where they are utilized.

Competency in the fields of system business and interoperability
To offer our customers even more value, we are strengthening our system business. This means that we understand customer requirements both from a technical and a business perspective. With this system approach, we can achieve a larger share of wallet and share of mind among our customers and are integrated deeply in their value chain. We are developing our business more toward an approach based on system solutions and cash-flow orientation. One of the reasons for doing this is to counteract a price war in which some of our traditional products are becoming a commodity.

Interoperability is the ability of machines, devices, sensors, and people to connect with each other and communicate. This approach supports our customers’ decision-making process through greater transparency, by linking up data and providing recommendations. In most cases, these systems run on an infrastructure that we do not develop ourselves and that is not owned by us or the customer. We deliver and procure the components and bear responsibility for system functionality.

STRATEGIC GOALS IN OUR MARKETS

STRATEGIC GOALS IN THE MEDICAL DIVISION
With our products, system solutions, and services, we are helping hospitals around the world to achieve the best possible treatment outcomes in acute care – despite rising challenges.

Improving acute care through therapy support and automation
Higher case numbers and growing medical complexity, coupled with an increasing shortage of skilled workers, are an ever-greater burden on hospital staff. Pandemics present major challenges to healthcare systems around the world, especially in intensive care units. To ensure that all patients can continue to be treated well, solutions are needed to reduce the workload on staff and to support clinical processes. Our aim is to improve acute care through therapy assistance systems and the automation of clinical and administrative processes.

Connected medical technology
With such a wide variety of equipment and sensors attached to patients in operating rooms and intensive care units, therapy assistance systems and automation require medical technology to be connected securely and in a standardized and manufacturer-independent manner. That is why we have been closely involved in the further development and implementation of international standards for medical technology over the past few years and will continue to do so in the future. At the same time, we are seizing the opportunities of connectivity in our own portfolio. To do so, we are focusing on the following areas:

Modernization of the product portfolio

We are working continuously on the renewal of our product portfolio to prepare our medical equipment for future requirements of digitalization in hospitals. Besides connectivity, this process is also about reducing the number of hardware variations and achieving greater scalability though software functionality.

Development of cutting-edge data infrastructure

We are developing a digital ecosystem based on the ISO/IEEE 11073-SDC communication standard that will allow secure interoperability of medical equipment at clinical workstations. Relevant data is provided to support therapy decisions and automation. Through the use of international communication standards instead of proprietary interfaces, through our ecosystem we offer a future-proof, open data infrastructure in critical care.

Development of other digital solutions

Over the past two years, we have launched countless clinical decision-making and data analysis solutions. In the years ahead, we will continue to expand our range of data-driven tools aimed at clinical applications. These digital solutions help our customers access relevant information at any time or location, plan treatments, and automate administrative tasks.

STRATEGIC GOALS IN THE SAFETY DIVISION

In the safety division, our portfolio of products and solutions includes stationary and mobile gas detection systems, personal protective equipment, alcohol and drug testing devices, and a varied range of training and services.

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

In our target markets

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

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

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

Internationalization of rental and safety services

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

Increased focus on the market for light respiratory protection

We will continuously strengthen our offerings in the field of light respiratory protection going forward, particularly for occupational health and safety. Developing integrated breathing air solutions in industrial areas will have a growing importance in the future. Our marketing and sales activities in the light respiratory protection product area are focused on strengthening indirect channels.

Digitalization and data-supported services

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

Optimizing touch points on the path to the customer

We are expanding our sales approach to include digital channels and are able to provide our customers and sales partners with even better support at the many touch points in the sales process through the use of digital tools, especially in the industrial core business. In our two core strategic markets, oil and gas and the chemical industry, we are further expanding our international key account management structures in order to be close to our globally operating customers.

Developing promising fields of sustainability and renewable energies

The constantly growing significance of sustainability and renewable energy suggests that some of our current core markets will become less important in the future. Customers from oil and gas and the chemical industry, and others too, are already transitioning toward cleaner energy sources. We are supporting them on this journey. At the same time, entirely new industrial ecosystems are emerging, including electromobility and hydrogen infrastructure. In these growth areas we are preparing for new market participants, value chains, and business techniques. To this end, we are adapting our portfolio of products and services wherever possible. Wherever necessary and promising, we are also looking for and investigating new portfolio elements. Our Technology for Life helps our customers achieve their ESG goals more effectively.

Research and development

We attach a great deal of importance to our research and development (R&D) activities. In fiscal year 2022, research and development expenses rose by EUR 14.9 million year on year to EUR 343.5 million (2021: EUR 328.6 million), which equates to 11.3 % of net sales (2021: 9.9 %).

As at December 31, 2022, 1,756 employees worked in our development departments worldwide (December 31, 2021: 1,668). Over the course of the fiscal year, patent and trademark offices around the world issued 216 new patents to Dräger (2021: 200). We applied for another 82 patents at international patent and trademark offices (2021: 84). During the past year, our technology development experts analyzed 90 new technologies (2021: 104) in 22 fields (2021: 21) and evaluated their relevance to Dräger. In a number of projects, these new technologies laid the foundations for future product innovations.

RESEARCH AND DEVELOPMENT

R&D costs in € million	2022	2021	2020	2019	2018
Dräger Group	343.5	328.6	289.6	263.7	252.2
in % of Net sales	11.3	9.9	8.5	9.5	9.7
Headcount	1,756	1,668	1,514	1,482	1,417

MEDICAL DIVISION

Once again, we developed new and improved medical products in fiscal year 2022, including four new devices and device enhancements (2021: nine) and three new accessory and consumable products (2021: three). Our focus was on expanding our product portfolio in the intensive care customer area and in the operating room, with activities centered on developing system solutions.

In the past fiscal year, we launched the second release of our ›Alarm History Analytics‹ application – a data-driven solution that enables the in-depth analysis of alarms in acute care units, thereby making an important contribution to optimizing process flows, staff planning, and efficiency. The new release features an enhanced user interface and therefore offers even greater clarity. In addition, the data basis has been expanded to include several relevant key parameters. For instance, the application also records the number of alarms per minute per bed over the period of a day.

The ›OR Companion‹ is also new. This software enables users in hospitals to view the status of all networked anesthesia devices in our ›Perseus A500‹ and ›Atlan‹ product families, thereby increasing transparency and efficiency in operating-room management. The optional ›Self-Test Tracker‹ also displays the anesthesia devices that have failed their system tests, how to restore serviceability, how much gas is escaping per device, and how long a device has been connected. As a result, the upgrade helps to optimize clinical workflows, protect patients, and achieve high levels of machine availability.

Since February 2022, we have been producing 13 different breathing system filters and ›Heat and Moisture Exchangers‹ (›HMEs‹) for respiratory care and anesthesiology at a fully automated facility. This means we are now able to offer a portfolio of German-engineered breathing system filters made at our Lübeck location. Dräger's new filters and ›HMEs‹ provide protection against cross-infection and prevent the respiratory tract from drying out. They are suitable for use with different patient groups and are compatible with Dräger ventilation and anesthesia devices. They also feature a number of design elements, such as different color coding and special product labels, that make it easier to monitor change intervals, thereby increasing safety. We have received the ›Red Dot Design Award‹ for this innovative design.

The launch of the ›HI-Flow Star Kit Aquapor A‹ warmed breathing tube system has expanded our ›HI-Flow Star‹ portfolio for nasal oxygen supply. To date, this portfolio has included our nasal cannula (patient interface) and our Valve Kit, as well as the tube system for the ›MR850‹ humidifier from Fisher & Paykel Healthcare. The ›HI-Flow Star Kit Aquapor A‹ enables the application of high-flow oxygen therapy using Dräger's own ›Aquapor H300‹ humidifier. The advantage of high-flow oxygen therapy over Venturi-based systems is that it can deliver more oxygen, help patients to recover faster, and avoid the need for invasive treatment. The ›Aquapor H300‹ ensures that patients who require mechanical breathing support are supplied with optimally conditioned breathing gas.

Furthermore, we introduced the second generation of our ›MonoLead ECG‹ lead-wire set, rounding out our comprehensive ECG lead-wire portfolio. ›MonoLead‹ is a tangleproof one-wire solution that eliminates the tangled clutter that frequently occurs with traditional multilead sets. It is also compatible with all Dräger patient monitors. Thanks to the specially shielded cables, the new ›MonoLead‹ generation delivers a particularly high level of signal quality. An anti-kink sleeve ensures added durability and an optimized hygienic design. As a result, ›MonoLead‹ simplifies workflows and improves patient healthcare.

The ›Babyroo TN300‹ is another new product on the market. It is an open care warmer with innovative thermoregulation capabilities that can also be expanded into a state-of-the-art emergency resuscitation unit. The ›Babyroo‹ keeps temperatures stable while minimizing heat loss for the infant by offering two combined heat sources: a radiant warmer and an optional heated gel mattress. The device can also be equipped with an optional resuscitation module that redefines advanced resuscitation support by automatically delivering the desired levels of FiO2, flow, max pressure, rate, and PEEP. Another focal point of the ›Babyroo‹ is creating an environment that supports the infant's development. A dedicated mode minimizes alarms and enables undisturbed kangaroo care. The built-in alarm management system highlights alarms with visual indications, minimizing noise disturbance. Several options are integrated into the ›Babyroo‹ to support workflows that are typical in neonatal care areas and labor and delivery rooms. These include practical tools such as the integrated scale and an optional X-ray tray, allowing babies to be cared for with little disruption. From the labor and delivery room to the operating room, neonatal intensive care unit, and normal ward, the ›Babyroo‹ can be adjusted to a wide range of hospital environments. The device can also be expanded with a variety of Dräger products. Customers can make use of comprehensive Dräger services, such as inspection and preventive maintenance.

SAFETY DIVISION

In 2022, we launched eleven (2021: twelve) new safety technology products. All in all, we achieved significant progress when it comes to connectivity and system functionality. The focus of innovation was on expanding the Dräger product portfolio and developing systems to deliver complete solutions for customers.

In the past fiscal year, we expanded our portfolio of products in the personal protective equipment sector by launching the ›SPC 4700‹ continuously ventilated protective suit. Despite being highly resistant to chemicals, the new suit material is very soft and makes little noise. The suit is worn together with the ›CVA 0700‹ ventilation vest, which provides the wearer with a continuous supply of breathing air and a pleasant, cooling airflow. This significantly increases comfort for the wearer, especially for older workers. The combination of suit and vest is exempt in Germany from both the prescribed wearing time for respiratory protective devices and G26 occupational health check-ups. This check-up is not required if the protective equipment weighs less than three kilograms and works without breathing resistance – something that also enhances production processes by reducing the number of breaks that are needed. In addition, the system reduces the number of protective suits used. The combination can also be used in explosive hazard areas and can be easily supplemented by other Dräger systems.

A further innovation is the ›X-node‹, a wireless measurement and analysis system for continuously monitoring different gas concentrations. As a result, the equipment helps our customers protect staff, prevent future damage to production equipment, and optimize production processes. At the same time, the ›X-node‹ measures the ambient temperature, relative humidity, and air pressure. For this reason, the device is also suitable for testing the quality of indoor air. The measurement readings can be transferred in real time to a database via a LoRaWAN network and to smartphones via Bluetooth. Conversely, users can access the ›X-node‹ via smartphone and, for example, configure threshold levels or make adjustments. The ›X-node‹ is powered by a battery with a service life of up twelve months. The battery is charged via a micro-USB interface. The measuring head can be positioned flexibly in a wide range of locations. The ›X-node‹ has an IP65 enclosure rating and is therefore also suitable for use outdoors.

By launching the ›BG ProAir‹, Dräger has brought a new closed-circuit breathing apparatus to market that protects fire service rescue workers and mine rescue teams during long-duration deployments. The ›BG ProAir‹ continuously supplies the wearer with positive pressure – even as their breathing rate increases – to prevent hazardous substances in the ambient air from entering the sealed breathing system. The weight of the apparatus is evenly distributed, making it easy and comfortable to wear during longer deployments. Various cooling options and reduced breathing resistance make breathing easier. A built-in Bluetooth module makes it possible to connect the ›BG ProAir‹ with computers or other external devices to download data, perform configuration, and much more. In addition, the ›BG ProAir‹ helps monitor the respirator and absorber by using integrated data telemetry and RFID. Quick release connectors enable swift (dis)assembly and cleaning. No tools are needed for maintenance.

We also launched the next generation of our ›Quaestor‹ test equipment. The ›Quaestor 6000/8000‹ replaces the ›Quaestor 5000/7000‹ and is even easier to operate and maintain than the previous model thanks to its lighter weight, narrower width, and redesigned LED light. The basic functions remain unchanged, since the new model series also enables users to test full-face masks, chemical protection suits, and self-contained breathing apparatus for functionality and leak tightness. All static and dynamic tests of the 6000 series take place semi-automatically as a combination of personal handling and automated control. This makes the 6000 series particularly suitable for smaller respiratory protection workshops with moderate test volumes. The ›Quaestor 8000‹ enables users to carry out tests fully automatically and test closed-circuit breathing apparatus, safety valves, and diving apparatus. Both series support their users with software, enhancing the convenience and efficiency of the testing process.

The ›DrugCheck 3000 6-Panel OXY‹ is a further innovation. This rapid oral fluid-based drug test that has been designed specifically to detect oxycodone is available exclusively in Australia for the time being, where it is one of a small number of officially approved screening tests. The ›DrugCheck 3000 6-Panel OXY‹ is designed to help customers mitigate the growing abuse of oxycodone in everyday life, thereby ensuring safety in the workplace. As well as oxycodone, the device can also detect other commonly abused substances, such as cocaine, cannabis, opiates, methamphetamine, and amphetamine. As with the ›DrugCheck 3000‹ standard version already available in other countries, the ›DrugCheck 3000 6-Panel OXY‹ provides customers with straightforward, hygienic, and reliable test results. The device does not need a power supply and can therefore be used everywhere.

In the area of mobile gas detection, we launched a new generation of our multi-gas detectors in July 2022 in the form of the ›X-am 2800‹. The ›X-am 2800‹ has been optimized for personal monitoring and offers a high level of safety at a low cost of ownership. It is equipped with a brand-new CatEx sensor that can measure flammable gases and is particularly shock-resistant. The device is also supported by our ›Gas Detection Connect (GDC)‹ software, which allows users to transfer recorded data securely and efficiently to the cloud via Bluetooth and their smartphone or via the ›X-dock‹ automated test station for high-performance data analysis. During the development of the ›X-am 2800‹, great importance was placed on sustainability, for example by enabling existing accessories from the previous series to be used.

The ›X-am 2800‹ is the first multi-gas detector to feature our ›GDC‹ live monitoring system. We have also added new features to ›GDC‹. It can now initiate firmware updates for ›X-dock‹ stations from the web app, which saves users time as they do not have to operate the stations directly. Firmware updates for the latest generation of gas detection instrument like the ›X-am 2800‹ can also be distributed via ›GDC‹ and installed through the ›X-dock‹ stations. There is no longer any need to collect all the devices and install firmware in the workshop. The new reporting section is a further milestone. It allows reports to be configured flexibly and individually and created and sent automatically.

In October, we launched the ›Interlock 7500‹ breath-alcohol ignition interlock device, which is used as a preventative system in public transport, freight transport, and at the workplace. In some countries it is also used for legal measures as part of drunk-driving offender programs. Thanks to its short warm-up, the ›Interlock 7500‹ is ready for use quickly and can also be equipped with a camera, a GPS, and/or a mobile data module depending on customer requirements. Vehicle fleets can use the mobile data transfer module to integrate the ›Interlock 7500‹ via an interface into an already existing fleet management system or to realize a system-independent solution. The ›Interlock 7500‹ features a robust outer case and is simple to use thanks to its ergonomic design and easily understandable menu structure. Special encryption methods guarantee that recorded data is stored safely, from its creation to its distribution to authorized persons. Unlike its predecessors the ›Interlock 7000‹ and the ›Interlock 5000‹, the ›Interlock 7500‹ is also fitted with an interface complying with European standard 50436-4 (LIN/CAN). This standard defines the requirements for a standardized connection between alcohol interlock devices and vehicles. As a result, the ›Interlock 7500‹ can be used with vehicles featuring such an interface in the future. The ›Interlock 7500‹ is also fully service-compatible with the previous versions, simplifying maintenance.

The ›Alcotest 7000 med‹ is another product innovation in the area of alcohol detection. It is a variant of the ›Alcotest 7000‹ that is specially designed for clinical diagnosis. The device has been approved according to the latest quality and safety criteria as a Class 1m medical device according to the European Medical Device Regulation (MDR). The device can be used in rescue situations, emergency departments, and with regular testing in addiction clinics to perform quick and reliable breath alcohol measurements. An extensive test involving medical personnel confirmed that the device is particularly easy and intuitive to use. A non-return valve ensures that patients do not inhale any air emitted by the device. As a result, the ›Alcotest 7000 med‹ helps to prevent infection during hospital stays. The device has a smooth surface for easy cleaning and disinfecting.

Employees

Our employees are a key factor in the success of our company. Day in, day out, they put their hearts and souls into turning technology into ›Technology for Life‹ and have been doing so for more than 130 years.

HUMAN RESOURCES (HR) STRATEGY

As in the prior year, HR had four key areas of activity in 2022:

- competitive working conditions,
- future-oriented skills and capacities,
- leadership, partnership, and health, and
- organizational development and change management.

In the past year we were once again able to make progress in these areas of activity. For instance, Dräger further expanded its measures aimed at achieving a better work-life balance. The Executive Board re-affirmed its goal to acquire more women in management positions. The mentoring program set up in 2021 is to play a particularly important role here, giving women the opportunity to speak to Executive Board members and managers in one-to-one meetings. The Executive Board also launched an initiative to emphasize the value of diversity in an increasingly complex world and to make even more use of the resulting potentials within the Company in the future.

We also stepped up our strategic HR planning activities and applied them for the first time at a major foreign subsidiary.

Onboarding of new employees was enhanced by the rollout of the virtual tour of the campus at the headquarters in Lübeck.

We also continue to develop our occupational health and safety management system further and systematically support the international ›Vision Zero‹ initiative that aims to create a world without occupational accidents or illnesses.

Our leadership and cooperation model ›WeLEAD‹ was anchored even further within the Company. Alongside the employee survey follow-up process and the ›Coaching Competencies for Managers‹ training course, we successfully held our Executive Leadership program as an in-person event again after the peak of the COVID-19 pandemic.

Demand for internal consulting and supervision in organizational and cultural development projects increased even further from an already high level, with excellent feedback being received. Dräger has trained new change managers in Sales and Service and deployed more agile coaches and a pool of internal training staff in Lübeck to continue to meet demand in a professional manner. The effectiveness of the consulting offerings is continuously reviewed and ensured through feedback.

EMPLOYEE PARTICIPATION

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

In fiscal year 2022, our employees once again had the opportunity to acquire up to 60 preferred shares and receive a bonus share for every three preferred shares they purchased. This year, Executive Board members had the opportunity to acquire additional shares by converting part of their variable remuneration for the first time, in accordance with the terms and conditions of the employee share program. Dräger acquired both the preferred shares ordered by the workforce and the bonus shares in regular market trading (Xetra trading platform).

In fiscal year 2022, 1,823 employees (2021: 2,093 employees) purchased 81,672 preferred shares (2021: 66,981 preferred shares). Excluding the shares purchased by members of the Executive Board, employees purchased an average of 36 shares each. Including the shares purchased by Executive Board members, this figure rises to 45 shares per participant (2021: 32 shares per participant). Dräger contributed an additional 27,224 bonus shares (2021: 22,327 bonus shares).

All in all, our employees purchased 108,896 preferred shares (2021: 89,308 preferred shares) of Drägerwerk AG & Co. KGaA in the prior year as part of the employee share program.

EMPLOYEES IN NUMBERS

As at December 31, 2022, the Dräger Group employed 16,219 people worldwide, 319 more than in the prior year (December 31, 2021: 15,900); this equates to a 2.0 % rise in the workforce. In Germany, the number of people working for the Dräger Group increased by 80 years on year, while the number of people working abroad grew by 239. As at December 31, 2022, 53.7 % of employees were working outside of Germany.

In Germany, the largest increases were recorded in sales-related functions (50 employees), in Research and Development (35), and in administrative functions (35 employees), with the majority of the latter increase being due to the expansion of IT capacities. In Production, Purchasing, and Logistics, we employed 40 fewer people than in 2021.

The increase in the number of employees outside of Germany also originated from sales-related functions: In Sales, Marketing, and Service, we recruited 258 employees. More than half of this recruitment was related to our locations in Asia. With the establishment of QuaDigi UAB in Vilnius, Lithuania, in April 2022, we recruited an additional 56 staff in research and development for the development of software solutions. We reduced the headcount in Production by 123 employees year on year.

Of the 16,219 employees worldwide, 59.4 % (December 31, 2021: 58.6 %) worked in Sales, Marketing, and Service, 18.4 % (December 31, 2021: 19.7 %) in Production, Quality Assurance, Logistics, and Purchasing, 10.8 % (December 31, 2021: 10.5 %) in Research and Development, and 11.4 % (December 31, 2021: 11.1 %) in General Administration.

Personnel expenses within the Group rose by 1.4 % year on year (-0.9 % net of currency effects) to EUR 1,285.4 million. The rise in personnel costs is mainly due to exchange rate effects. Adjusted accordingly, personnel expenses declined marginally as a result of lower expenses for profit participation and interested-related lower expenses for pensions. In nominal terms, the cost per employee increased by an average of 0.5 % (net of currency effects: -1.8 %). This was also due to currency effects. The average cost per employee, excluding Executive Board remuneration, decreased slightly as a result of higher bonus payments in the prior year in Germany and abroad. The personnel cost ratio including Executive Board remuneration was 42.2 % in fiscal year 2022 (2021: 38.1 %).

↗ Please refer to ›Workforce trend‹ and ›Key workforce trend figures‹ tables on page 35.

WORKFORCE TREND

		Headcount as at the balance sheet date		Headcount (average)	
		December 31, 2022	December 31, 2021	2022	2021
Germany		7,512	7,432	7,451	7,398
Abroad		8,707	8,468	8,636	8,455
Dräger Group total		**16,219**	**15,900**	**16,087**	**15,852**
Women		4,688	4,620	4,687	4,571
Men		11,531	11,280	11,400	11,281
Dräger Group total		**16,219**	**15,900**	**16,087**	**15,852**
Personnel development costs	**€ million**	**16.3**	**15.9**		
thereof training expenses	€ million	7.2	6.9		

KEY WORKFORCE TREND FIGURES

		Headcount as at the balance sheet date	
		December 31, 2022	December 31, 2021
Number of employees		16,219	15,900
Percentage of female employees	%	28.9	29.1
Part-time employees		1,049	990
Average years with Dräger in Germany	years	13	14
Average age of employees	years	43	43
Turnover of employees	%	6.6	7.1
Sick days of work days in Germany	%	6.9	5.4
Accidents in Germany (accidents at work and while commuting to work), Time off sick > 3 days		36	52

Sustainability

Sustainability is very important at Dräger. We provide information about occupational safety, training, the supply chain, environmental matters, and other factors relating to sustainability in a separate sustainability report (non-financial statement according to the Corporate Social Responsibility (CSR) Directive 2014/95/EU) that is published on our website.

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

www.draeger.com/sustainability

Business performance

General economic conditions

GLOBAL ECONOMY UNDER PRESSURE

General economic conditions became much more challenging in 2022. According to the International Monetary Fund (IMF), the main factors weighing on the global economy are the war in Ukraine, interest rate increases to combat high inflation, the spread of coronavirus in China, and disruptions to supply chains worldwide.

In its January 2023 report, the IMF expected a significant fall in global economic growth of 2.8 percentage points to 3.4 % in 2022 (2021: 6.2 %). The IMF forecasted a further decline to 2.9 % for 2023.

TIGHTER MONETARY POLICY

In light of the high inflation, several central banks abandoned their long-standing low interest rate policies in 2022. In March, the U.S. Federal Reserve raised its interest rates for the first time since the start of the COVID-19 pandemic. From March to December, it raised the target range in several steps from 0.25 % to 0.5 % to 4.25 % to 4.5 %.

The European Central Bank ended its multibillion-euro bond-buying program in July 2022. It also raised interest rates for the first time in eleven years in the same month. Between July and December, it increased rates in several steps from 0.25 % to 2.5 %.

STRONG INFLATION – WEAK EURO

Rates of inflation climbed significantly in 2022, primarily as a result of the war in Ukraine. In December, inflation in the eurozone stood at 9.2 %, 4.2 percentage points higher than the prior-year month (December 2021: 5.0 %). In October, inflation rose as high as 10.6 %. In Germany, inflation came to 8.6 % in December 2022, an increase of 3.3 percentage points compared to the prior-year month (December 2021: 5.3 %).

The euro depreciated sharply against the U.S. dollar over the course of 2022. It developed both positively and negatively in relation to emerging market currencies and a number of other currencies.
↗ Please refer to the ›Major currency changes and their impact on Dräger’s earnings‹ table.

MAJOR CURRENCY CHANGES AND THEIR IMPACT ON DRÄGER'S EARNINGS

Average rates compared to the euro	12 months 2022	12 months 2021	Change in %	Impact on Dräger's earnings (EBIT) [1]
US dollar	1.05	1.18	-11.1	↓
Russian ruble	73.32	87.33	-16.0	↑
Chinese yuan	7.10	7.61	-6.8	↓
Saudi riyal	3.94	4.43	-11.0	↓
Peruvian sol	4.03	4.60	-12.5	↑

[1] Please refer to the comments on the earnings of the Dräger Group and the segments on pages 43 et seq. for further details on the effects of changes in exchange rates on earnings.

MARKET AND INDUSTRY PERFORMANCE

Medical technology
According to data from Germany Trade & Invest (GTAI), the European medical technology sector grew in 2022. However, according to the German Council of Economic Experts, medical technology companies were impacted by the adverse effects of the war in Ukraine and the aftershocks of the COVID-19 pandemic. In a survey conducted by German medical technology association BVMed, high energy prices, rising inflation, and supply chain disruption affected business' results.

The U.S. medical technology sector developed positively in the past year according to GTAI, despite the challenging economic environment. Demand in the United States – the sector's largest market – was up. The South American market also developed positively but was affected by political and economic uncertainty to some extent, such as in Brazil.

The Africa, Asia, and Australia region saw stable development according to GTAI data. In some countries, such as China and Japan, development was hampered by protectionist tendencies. Australia's medical technology sector expanded in particular due to the increasing demand for therapies. Market growth was also recorded in the Arabian peninsula. In South Africa, demand rose primarily on account of the modernization and expansion of medical device pools in the private hospital sector.

Safety technology
The European safety technology sector was characterized by uncertainty in 2022 according to GTAI. The chemical industry initially started to recover from the pandemic years. However, as a result of the war in Ukraine, the economic conditions deteriorated again. According to figures from the German Chemical Industry association (VCI), production in Western Europe declined. This was due to high energy prices and low demand from customers. Production was also down in Eastern Europe.

The development of the U.S. safety technology market was marginally positive. In the United States, the production of chemical products rose slightly according to the VCI. According to figures from GTAI, the business climate in the chemical industry has turned bleaker, particularly in the last few months of 2022. The VCI recorded a clearly positive trend on the South American market, with production of chemical products rising. The sector benefited from the economic recovery and falling unemployment. However, according to GTAI, rising inflation also impacted the business climate here. Profit margins declined. Oil & gas in the U.S. developed positively but was unable to deliver the increased supply requested by the government. This was partly due to a lack of investment in new technologies.

In the Africa, Asia, and Australia region, the safety technology market developed differently, depending on the sector. According to the VCI, the Asian chemical industry was less than dynamic. The Chinese government's ›zero-Covid‹ strategy hampered production and lowered demand for chemical products, including in neighboring countries. In addition, price increases also saw profit margins in China decline according to GTAI. The region's oil and gas sector developed positively. The increase in demand for gas as a transition fuel boosted investments. The mining sector also grew. In countries such as Australia, a rise in global demand for electric vehicles caused an increase in the mining of raw materials such as lithium and nickel.

The global fire services sector, which strongly features localized structures, was stable overall with little volatility according to the International Association of Fire and Rescue Services (CTIF). This applies in particular to developed markets, where market potential is determined on the basis of the number of fire fighters, fire stations, and firefighting vehicles per thousand inhabitants.

TRENDS WITH AN INFLUENCE ON OUR BUSINESS PERFORMANCE

The megatrends of globalization, health, and connectivity are at the forefront when it comes to Dräger's business.

GLOBALIZATION AND GLOBAL UNCERTAINTY

Globalization is all too often seen as a problem rather than an opportunity. As a result, nationalistic tendencies are emerging in politics and society in some industrialized nations and emerging markets. We believe that the growing global uncertainty, and how this uncertainty is dealt with, will remain a key issue in the coming years. The impression of experiencing one crisis after another – the COVID-19 pandemic, the impact of climate change, inflation, war, and energy crises – exacerbates this uncertainty. However, what is important is that the challenges associated with these crises and this complexity should not blind us to the positive effects of globalization, such as economic development and increasing prosperity in many emerging markets.

HEALTH

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

CONNECTIVITY

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

OVERALL ASSESSMENT OF THE UNDERLYING CONDITIONS

General economic conditions worsened considerably in 2022, particularly as a result of the war in Ukraine, rising inflation, and the slowdown in growth in China. The supply chain situation remained under strain.

Dräger's markets and industries were affected by these developments, albeit to different degrees. In some countries, regional political and economic factors played a particularly important role. The medical technology sector was in robust shape overall with growth in Europe and the Americas and stable development in the Africa, Asia, and Australia region. The safety technology sector was affected by declining production in Europe but saw slightly positive development in the Americas. In the Africa, Asia, and Australia region, development varied from sector to sector. The global fire services market proved stable.

Business performance of the Dräger Group

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

OVERALL MANAGEMENT ASSESSMENT OF BUSINESS PERFORMANCE

Despite our coronavirus-related business returning to normal levels, demand for our products and services rose in 2022. However, considerable disruption to global supply chains and the limited availability of certain electronics components required for final assembly meant that it was not possible to turn the high number of orders into the usual volume of sales proceeds. Dräger's net sales and earnings therefore fell sharply, with earnings also burdened by the change in the product mix and higher costs for the procurement of scarce components.

Our order intake was up by 2.9 % (net of currency effects) in fiscal year 2022 (6.4 % in nominal terms). In the fourth quarter, it fell by 1.0 % year on year (net of currency effects) but grew by 1.2 % in nominal terms.

Net sales declined by 11.5 % (net of currency effects) in fiscal year 2022 (-8.5 % in nominal terms). The decrease was thus higher than expected. In the fourth quarter, net sales climbed by 7.3 % (net of currency effects) due to a partial improvement in delivery capability (10.0 % in nominal terms).

Gross profit fell in 2022, in particular due to the lower volume of sales and the lower gross margin. The change in the product mix and higher procurement costs pushed the gross margin below the target range.

At EUR -88.6 million, our earnings before interest and taxes (EBIT) were significantly lower than the prior-year figure (2021: EUR 271.7 million). In addition to the drop in net sales and higher procurement costs, currency changes adversely affected our EBIT. The EBIT margin declined to -2.9 % (2021: 8.2 %); this negative figure fell short of our expectations.

At EUR -196.2 million, Dräger Value Added (DVA) was also well below our forecast range (2021: EUR 171.8 million), while the cost of capital was stable.

Our research and development costs were higher than the projected amount due to a number of factors, including negative currency effects.

Our net financial debt increased markedly in 2022 as a result of the negative earnings development. The expected improvement therefore did not occur.

Our investment volume in 2022 was considerably below the forecast range, due in particular to an active reduction in investment in the regions and at the Lübeck site.

Our interest result improved to a greater extent than expected, partly on account of higher interest income. In the prior year, the interest expense included payment obligations to a minority shareholder as well as payment obligations for terminated participation certificates.

The number of days working capital was higher than predicted, mainly because average inventories rose significantly while net sales declined.

For fiscal year 2022, we originally forecast a drop in net sales of 5.0 % to 9.0 % (net of currency effects), an EBIT margin of 1.0 % to 4.0 %, and DVA of EUR -70 million to EUR +25 million. We confirmed this outlook in April 2022, adding that we would probably reach the lower end of the forecast range in each case, due to increasing difficulties with the supply of electronics components. Ultimately, we disclosed in October 2022 that the delay in realizing net sales meant that we no longer expected to be able to achieve these targets for the year. As a result, our business performance in 2022 fell short of our expectations in terms of the key forecast figures.

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

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

				Twelve months
		2022	2021	Change in %
Order intake	**€ million**	**3,284.7**	**3,087.8**	**+6.4**
Net sales	**€ million**	**3,045.2**	**3,328.4**	**-8.5**
Gross profit	**€ million**	**1,238.4**	**1,540.9**	**-19.6**
Gross profit / Net sales [1]	%	40.7	46.3	-5.6 pp
EBITDA [2]	**€ million**	**55.8**	**421.0**	**-86.7**
EBIT [3]	**€ million**	**-88.6**	**271.7**	**> -100**
EBIT [3] / Net sales [1]	%	-2.9	8.2	-11.1 pp
Net loss / net profit	**€ million**	**-63.6**	**154.3**	**> -100**
Earnings per share on full distribution [4]				
per preferred share	€	-3.41	7.19	> -100
per common share	€	-3.47	7.13	> -100
DVA [5, 6]	**€ million**	**-196.2**	**171.8**	**> -100**
Research and development costs	€ million	343.5	328.6	+4.5
Equity ratio [1, 7]	%	42.5	39.7	+2.8 pp
Cash flow from operating activities	€ million	-144.2	384.9	> -100
Net financial debt [7, 8]	€ million	259.2	-24.0	> +100
Investments	€ million	130.7	194.3	-32.7
Capital employed [7, 9]	€ million	1,537.2	1,381.1	+11.3
Net working capital [7, 10]	€ million	661.2	516.6	+28.0
EBIT [3, 5] / Capital employed [7, 9] (ROCE) [1]	%	-5.8	19.7	-25.4 pp
Net financial debt [7, 8] / EBITDA [2, 5]	Factor	4.64	-0.06	
Gearing [8, 11]	Factor	0.20	-0.02	
Headcount as at December 31		16,219	15,900	+2.0

[1] pp = percentage points
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = Earnings before net interest result and income taxes
[4] Based on an imputed actual full distribution of earnings attributable to shareholders
[5] Value of the last twelve months
[6] Dräger Value Added = EBIT less cost of capital of average invested capital
[7] Value as at reporting date
[8] Including the remaining payment obligation (maturity January 2, 2023) from the termination of the series D participation certificates of EUR 208.8 million as at December 31, 2022 (December 31, 2021: EUR 203.8 million)
[9] Capital employed = Total assets less deferred tax assets, securities, cash and cash equivalents, non-interest-bearing liabilities and other non-operating items
[10] Net working capital = Trade receivables and inventories less trade payables, customer prepayments, short-term operating provisions and other short-term operating items
[11] Gearing = Net financial debt / equity

COMPARISON OF FORECAST FIGURES AND ACTUAL FIGURES

	Forecast 2022 according to Annual Report 2021	Forecast 2022 last published	Results achieved in fiscal year 2022
Net sales (net of currency effects)	-5.0 to -9.0 %	Lower end	-11.5 %
Gross margin	44.0 to 46.0 %	Lower end	40.7 %
EBIT margin	1.0 to 4.0 %	Lower end	-2.9 %
DVA	EUR -70 to +25 million	Lower end	EUR -196.2 million
Research and development costs	EUR 320 to 335 million	Confirmed	EUR 343.5 million
Net financial debt	Improvement compared to 2021 (2021: EUR -24.0 million)	Confirmed	EUR 259.2 million
Investment volume [1]	EUR 120 to 140 million	Confirmed	EUR 93.4 million
Interest result	EUR -17 to -23 million	Confirmed	EUR -13.8 million
Days working capital (DWC)	100 to 105 days	Confirmed	112.5 days

[1] Excluding acquisitions and the capitalization of right-of-use assets pursuant to IFRS 16

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

ORDER INTAKE

ORDER INTAKE

in € million	2022	2021	Change in %	Twelve months Net of currency effects in %
Medical division	1,979.3	1,916.9	+3.3	-0.5
Safety division	1,305.4	1,170.9	+11.5	+8.4
Total	**3,284.7**	**3,087.8**	**+6.4**	**+2.9**
thereof Europe	1,737.9	1,700.3	+2.2	+1.9
thereof Germany	718.4	650.1	+10.5	+10.5
thereof Americas	666.4	609.8	+9.3	-1.6
thereof Africa, Asia, and Australia	880.4	777.7	+13.2	+8.6

Following a very steep decline in the prior year as pandemic-driven demand normalized, order intake at Group level increased by 2.9 % in fiscal year 2022 (net of currency effects). The Africa, Asia, and Australia region was the primary driver of growth, recording a noticeable rise in orders. Demand was also up in the Europe region. The volume of new orders in the Americas region declined slightly. In the fourth quarter, order intake at Group level decreased by 1.0 % year on year (net of currency effects). The decline in Europe and the Americas was largely offset by a sharp increase in the Africa, Asia, and Australia region.

The medical division’s order intake in fiscal year 2022 virtually matched the prior-year level, falling by 0.5 % (net of currency effects). Demand in Europe dropped slightly, despite a big jump in Germany. The Americas region also recorded a decline, whereas the volume in Africa, Asia, and Australia rose considerably. In the fourth quarter, order intake in the medical division was 2.4 % below the high prior-year level (net of currency effects). A pronounced decrease in Europe and the Americas contrasted with a significant rise of almost one quarter in Africa, Asia, and Australia.

In fiscal year 2022, order intake in the safety division grew by 8.4 % (net of currency effects) due to markedly higher demand in all regions. The main growth driver was Europe, followed by Africa, Asia, and Australia, as well as the Americas. Order intake in the safety division was also up in the fourth quarter, rising by 1.3 % (net of currency effects). The drop recorded in Africa, Asia, and Australia was more than offset by an increase in the other regions. Order intake rose slightly in Europe. The Americas region saw growth of almost one quarter, in particular due to higher demand for services.

NET SALES

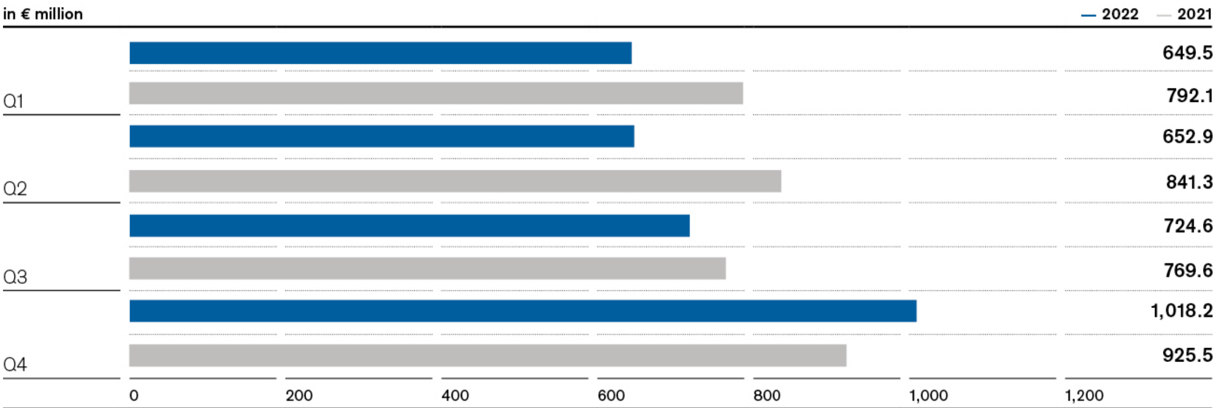
NET SALES

in € million	2022	2021	Change in %	Twelve months Net of currency effects in %
Medical division	1,821.5	2,064.2	-11.8	-15.0
Safety division	1,223.7	1,264.2	-3.2	-5.8
Total	**3,045.2**	**3,328.4**	**-8.5**	**-11.5**
thereof Europe	1,651.6	1,892.3	-12.7	-13.1
thereof Germany	669.5	766.6	-12.7	-12.7
thereof Americas	619.7	629.1	-1.5	-11.4
thereof Africa, Asia, and Australia	774.0	807.1	-4.1	-7.9

Despite strong overall demand for our products and services, Group net sales did not match the prior-year figure in 2022. This was attributable to the major disruptions to global supply chains, including those caused by coronavirus lockdowns in China, which limited the availability of certain electronics components and therefore prevented the final assembly and delivery of a number of products. As a consequence, we were unable to realize the potential net sales from the demand for these products. Group sales thus fell by 11.5 % (net of currency effects) year on year in 2022. All regions recorded a decrease.

Our delivery capability started to improve in some cases in the fourth quarter, with Group sales rising by 7.3 % (net of currency effects), in particular because of significant growth of almost one fifth in Africa, Asia, and Australia. Net sales also increased in the Europe and Americas regions.

DEVELOPMENT OF NET SALES BY QUARTER



EARNINGS

In fiscal year 2022, gross profit declined by EUR 302.5 million to EUR 1,238.4 million, in particular due to the lower net sales volume and the decrease in the gross margin. The latter fell by 5.6 percentage points year on year to 40.7 %. This development is attributable to factors such as the change in the product mix following weaker demand for pandemic-related products and higher procurement costs for scarce electronics components.

Both segments were affected by the drop in net sales and the margin – the medical division to a greater extent than the safety division due to the change in the former's product mix on account of its coronavirus-related business returning to normal.

In the fourth quarter, our gross profit climbed by EUR 39.7 million compared to the weak prior-year quarter, mainly due to higher net sales. At 41.0 %, the gross margin was just above the prior-year period (Q4 2021: 40.8 %).

Both segments posted a higher gross profit than in the fourth quarter of 2021. Despite a lower margin, gross profit in the medical division was up slightly due to net sales. By contrast, the safety division recorded considerable growth on the back of both higher net sales and an improved margin.

Functional costs rose by 2.3 % (net of currency effects) in the past fiscal year, partly due to higher expenses for travel activity, which had been heavily restricted in prior years as a result of the pandemic, as well as increased expenses for third-party services and higher depreciation and amortization. The impact of currency effects meant that functional costs rose by 4.7 % in nominal terms.

Net of currency effects, selling and marketing costs were up by 4.3 % year on year in 2022 (6.7 % in nominal terms), primarily because of higher logistics costs and expenses for travel activity.

Research and development (R&D) expenses increased by 1.4 % net of the change in exchange rates (4.5 % in nominal terms). Due to the rise in expenses coupled with the decline in net sales, the ratio of R&D costs to net sales (R&D ratio) rose to 11.3 % (2021: 9.9 %). Net of currency effects, administrative costs were down 2.6 % (0.9 % in nominal terms), essentially as a result of lower expenses for variable remuneration in personnel costs.

The other financial result improved year on year to EUR -1.5 million in 2022 (2021: EUR -2.8 million), thanks to lower overall currency-related valuation losses resulting from financial receivables and liabilities denominated in foreign currencies.

Overall, earnings in 2022 were heavily impacted by global supply chain disruptions and the related effects on net sales and costs. However, earnings in the fourth quarter were much better than in the weak prior-year quarter, especially due to the improved supply situation.

As a result of all these factors, Group earnings before interest and taxes (EBIT) decreased by EUR 360.3 million in fiscal year 2022 to EUR -88.6 million (2021: EUR 271.7 million). The EBIT margin dropped to -2.9 % (2021: 8.2 %).

The interest result improved significantly by EUR 21.2 million to EUR -13.8 million (2021: EUR -35.0 million). The interest expenses in the prior year cover the compounding of liabilities for payments to a minority shareholder in the amount of EUR 12.3 million and for terminated participation certificates in the amount of EUR 8.9 million.

The negative earnings before taxes (EBT) led to tax income in 2022, which is mainly attributable to the recognition of deferred taxes on tax losses in Germany. At 37.9 %, the tax rate was higher in 2022 compared to the prior year (2021: 34.8 %). The tax rate in the prior year was based on a tax expense in relation to positive EBT. Earnings after income taxes amounted to EUR -63.6 million (2021: EUR 154.3 million).

FUNCTIONAL EXPENSES

in € million	2022	2021	Change in %
Research and development expenses	343.5	328.6	+4.5
in % of Net sales	11.3	9.9	
Marketing and selling expenses	717.9	672.9	+6.7
in % of Net sales	23.6	20.2	
General administrative expenses	258.7	261.1	-0.9
in % of Net sales	8.5	7.8	
Selling and general administrative expenses	976.5	934.0	+4.6
in % of Net sales	32.1	28.1	
Other operating result	3.0	1.1	> +100
Total functional expenses	**1,323.0**	**1,263.7**	**+4.7**
in % of Net sales	43.4	38.0	

INVESTMENTS

In fiscal year 2022, we invested EUR 86.5 million in property, plant and equipment (2021: EUR 117.8 million), EUR 6.9 million in intangible assets (2021: EUR 29.5 million), and EUR 37.3 million in right-of-use assets from leases (2021: EUR 47.0 million). The investments in property, plant and equipment primarily comprised replacement investments and equipment for leasing. Depreciation and amortization totaled EUR 144.5 million in fiscal year 2022 (2021: EUR 149.3 million), EUR 43.8 million of which (2021: EUR 41.6 million) was attributable to depreciation and amortization on capitalized right-of-use assets. Depreciation and amortization amounted to 110.5 % of total investment, meaning that non-current assets decreased by EUR 13.8 million.

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

INVESTMENTS / DEPRECIATION AND AMORTIZATION

	2022		2021	
in € million	Investments	Depreciation/ amortization	Investments	Depreciation/ amortization
Intangible assets	6.9	-11.5	29.5	-7.7
Property, plant and equipment	86.5	-89.2	117.8	-100.0
Subtotal without Right-of-use assets	**93.4**	**-100.7**	**147.3**	**-107.7**
Right-of-use assets	37.3	-43.8	47.0	-41.6
Total	**130.7**	**-144.5**	**194.3**	**-149.3**

Cash flow statement[1]

↗ Please refer to the ›Financial Position of the Dräger Group‹ table on page 46.

In fiscal year 2022, the Dräger Group's cash outflow from operating activities amounted to EUR 144.2 million (2021: cash inflow of EUR 384.9 million), mainly due to the year-on-year reduction in profitability[2]. The cash outflow is also attributable in particular to an increase in trade receivables of EUR 74.7 million (2021: decrease of EUR 122.3 million). In addition, inventories rose by EUR 81.8 million (2021: decline of EUR 14.4 million). By contrast, the increase in trade payables of EUR 66.3 million reduced the cash outflow (2021: decrease of EUR 15.8 million).

The cash inflow from investing activities of EUR 36.8 million EUR (2021: cash outflow of EUR 109.9 million) results in particular from the sale of money market funds in which Dräger had invested available cash and cash equivalents with a short-term investment horizon. In fiscal year 2022, the net cash inflow from sales and purchases of money market funds totaled EUR 129.8 million. In the prior year, these sales and purchases had almost been equal. Furthermore, EUR 6.6 million (2021: EUR 0.0 million) was paid to associates. Of the remaining investments, EUR 79.7 million (2021: EUR 101.2 million) was attributable to property, plant and equipment, of which a total of EUR 57.1 million (2021: EUR 50.5 million) was allocated to the German subsidiaries.

The reduced cash outflow from financing activities of EUR 29.4 million (2021: EUR 334.6 million) was primarily due to repayments to the holders of the terminated participation certificates in the amount of EUR 258.0 million in the prior year. Bank loans and current account liabilities in the net amount of EUR 19.6 million (2021: net repayment of EUR 29.4 million) were also borrowed.

↗ Please refer to note 32.

Cash and cash equivalents as at December 31, 2022, exclusively comprised cash and cash equivalents, of which EUR 9.1 million (December 31, 2021: EUR 6.3 million) is subject to restrictions regarding use. In the prior year, we also held EUR 130.1 million in short-term, highly liquid money market fonds, which were not attributable to cash and cash equivalents and increased cash and cash equivalents following their full redemption in fiscal year 2022.

Unused credit lines amounted to EUR 694.4 million as at the balance sheet date (December 31, 2021: EUR 492.4 million). The credit lines are subject to standard market restrictions.

[1] Due to the elimination of exchange rate effects, the underlying changes recognized in the cash flow statement cannot be directly reconciled with the items of the published balance sheet.
[2] Earnings before net interest result, income taxes, and amortization (EBITDA)—adjusted for cash-neutral changes to provisions and other non-cash income/expenses

Financial management

BORROWING

The term of the master loan agreement for existing bilateral credit lines to secure working capital financing over the medium term of EUR 415.0 million runs until November 2026. These credit lines were utilized as sureties in Germany and abroad and as cash facilities. The master loan agreement was extended with the addition of further cash facilities of EUR 250.0 million available until September 2024 at the latest. Another bilateral surety credit line of EUR 5.0 million outside the scope of the master loan agreement was agreed with DZ Bank.

FINANCIAL POSITION OF THE DRÄGER GROUP

in € million	2022	2021	2020	2019	2018
Cash flow from operating activities	-144.2	384.9	460.0	164.4	4.1
Cash flow from investing activities	36.8	-109.9	-263.1	-62.1	-63.5
Free cash flow	-107.4	275.0	196.9	102.4	-59.4
Cash flow from financing activities	-29.4	-334.6	114.3	-87.9	-6.2
Change in liquidity (excluding exchange rate effects)	-136.8	-59.7	311.1	14.5	-65.6

Internal Group cash pools exist in several different currencies through which liquidity is balanced within the Group. On December 31, 2022, the Dräger Group’s short-term loans amounted to around EUR 83.6 million (December 31, 2021: EUR 41.1 million).

In addition to bilateral credit lines, we use promissory note loans totaling EUR 100.0 million with maturity dates in 2026 and 2028 for medium- and long-term financing. The interest rates of the promissory note loans are linked to Dräger’s EcoVadis ESG rating, which is updated every two years. In 2021, EUR 60.0 million of a EUR 110.0 million European Investment Bank (EIB) investment loan for ongoing research projects was repaid. The remaining amount of the loan (EUR 50.0 million) is due in October 2025. A further loan commitment from the EIB amounting to EUR 100.0 million with a term of five years was agreed in 2021 and disbursed in full in January 2023. In 2022, we also set up an optional factoring arrangement. At present, Dräger does not have a rating from agencies such as Standard & Poor’s, Moody’s, or Fitch.

↗ Please refer to note 23 for more information on factoring.

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

Type of credit	€ million	Intended use	Lender
Cash	250.0	Secure working capital requirements	Commerzbank, Deutsche Bank, HSBC, Helaba, SEB, BNP Paribas, Sparkasse zu Lübeck, Deutsche Apotheker- und Ärztebank
Cash	250.0	Secure working capital requirements (limited until max. September 2024)	Commerzbank, Deutsche Bank, HSBC, Helaba, SEB, Deutsche Apotheker- und Ärztebank, BNP Paribas
Sureties	165.0	Within the context of conducting business activities	Commerzbank, Deutsche Bank, HSBC, Helaba, BNP Paribas
Total	**665.0**		

LIQUIDITY FORECAST

The Dräger Group's liquidity came to EUR 311.6 million as at the end of 2022 (December 31, 2021: EUR 445.7 million). The final payment obligation from the repurchase of the terminated participation certificates totaling EUR 208.8 million was settled as planned in January 2023 using available liquidity and credit lines. On the basis of its forecast business performance, Dräger expects a satisfactory cash flow from operating activities in fiscal year 2023. The Dräger Group's short- and medium-term liquidity is secured by existing cash in hand and bank balances, as well as the existing credit lines with a term of more than one year.

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

NET ASSETS

NET ASSETS OF THE DRÄGER GROUP

		2022	2021	2020	2019	2018
Non-current assets	€ million	1,203.9	1,186.6	1,159.0	1,061.4	933.7
Current assets	€ million	1,902.6	1,991.7	2,147.0	1,509.5	1,476.5
thereof cash and cach equivalents	€ million	311.6	445.7	497.3	196.3	179.6
Equity	€ million	1,319.4	1,260.5	1,033.8	1,076.4	1,080.7
Debt	€ million	1,787.1	1,917.8	2,272.2	1,494.6	1,329.6
thereof liabilities to banks	€ million	245.8	225.9	254.1	169.6	215.2
Total asssets	€ million	3,106.6	3,178.3	3,306.0	2,570.9	2,410.2
Long-term equity-to-fixed assets ratio [1]	%	201.2	235.9	239.8	212.1	220.5

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

FINANCIAL FIGURES

in € million	December 31, 2022	December 31, 2021	Change in %
Total assets	3,106.6	3,178.3	-2.3
Equity	1,319.4	1,260.5	4.7
Equity ratio	42,5 %	39,7 %	
Capital employed [1]	1,537.2	1,381.1	+11.3
Net financial debt	259.2	-24.0	> +100

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

In fiscal year 2022, our equity was up EUR 58.9 million on the prior-year figure at EUR 1,319.4 million (2021: EUR 1,260.5 million). At 42.5 %, the equity ratio was higher as at December 31, 2022, than as at the prior-year balance sheet date (39.7 %).

The increase in equity is primarily due to the change in provisions for pensions and similar obligations. The main reason for the lower pension provisions is the adjustment to calculation parameters for German pension provisions, and in particular the rise in the discounting rate from 1.20 % to 3.70 %. The net amount of these pension adjustments of EUR 107.4 million after deferred tax liabilities increased reserves from retained earnings recognized directly in equity. In addition, the change in the market value of derivatives used as cash flow hedges (EUR +7.9 million) as well as exchange rate differences (EUR +5.9 million, excluding minority interest effects) contributed to the increase in equity. However, the net loss for the year (EUR -63.6 million) had an opposing effect.

In fiscal year 2022, total assets fell by EUR 71.7 million to EUR 3,106.6 million. On the assets side, non-current assets increased slightly by EUR 17.4 million, partly because of the rise in deferred tax assets (EUR +20.7 million). Current assets fell by EUR 89.1 million. A reduction in cash and cash equivalents (EUR -134.2 million) and the sale of money market funds (EUR -130.1 million) stood in contrast to an increase in inventories (EUR +80.2 million), trade receivables (EUR +69.7 million), and contract assets (EUR +7.9 million).

On the equity and liabilities side, non-current liabilities declined by EUR 414.2 million. This was due firstly to the reclassification of the remaining payment obligation from the termination of the discounted series D participation certificates of EUR 203.8 million to current liabilities, and secondly to the reduction in pension provisions (EUR -155.0 million) and lower non-current liabilities to banks (EUR -22.6 million) and other non-current provisions (EUR -18.8 million).

Current liabilities increased by EUR 283.6 million. Other factors alongside the reclassification of the payment obligation from the participation certificates were higher trade payables (EUR +61.6 million) as well as current liabilities to banks (EUR +42.5 million). These effects were counteracted by the decline in current provisions (EUR -33.2 million), primarily for variable remuneration.

DRÄGER VALUE ADDED

Dräger Value Added decreased by EUR 368.0 million to EUR -196.2 million in 2022 (2021: EUR 171.8 million). Our EBIT fell by EUR 360.3 million. Average capital employed climbed by EUR 109.5 million to EUR 1,537.0 million. As a consequence, our capital costs increased by EUR 7.7 million to EUR 107.6 million (2021: EUR 99.9 million). Days working capital rose by 12.9 days to 112.5 days, mainly due to the fact that average inventories increased sharply and net sales declined.

Business performance of the medical division

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		2022	2021	Change in %	Twelve months Net of currency effects in %
Order intake	**€ million**	**1,979.3**	**1,916.9**	**+3.3**	**-0.5**
thereof Germany	€ million	395.3	362.6	+9.0	+9.0
Net sales	**€ million**	**1,821.5**	**2,064.2**	**-11.8**	**-15.0**
thereof Germany	€ million	369.5	466.6	-20.8	-20.8
EBITDA [1]	**€ million**	**-17.6**	**256.4**	**> -100**	
EBIT [2]	**€ million**	**-90.4**	**191.6**	**> -100**	
EBIT [2]/ Net sales [3]	%	-5.0	9.3	-14.2 pp	
Capital employed [4, 5]	€ million	903.1	805.8	+12.1	
EBIT [2, 6]/ Capital employed [4, 5] (ROCE) [3]	%	-10.0	23.8	-33.8 pp	
DVA [6, 7]	€ million	-153.2	132.1	> -100	

[1] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[2] EBIT = Earnings before net interest result and income taxes
[3] pp = percentage points
[4] Capital Employed = Total assets less deferred tax assets, securities, cash and cash equivalents, non-interest bearing liabilities and other non-operating items
[5] Value as at reporting date
[6] Value of the last twelve months
[7] Dräger Value Added = EBIT less cost of capital of average invested capital

ORDER INTAKE

ORDER INTAKE

in € million	2022	2021	Change in %	Twelve months Net of currency effects in %
Europe	950.7	971.2	-2.1	-2.6
thereof Germany	395.3	362.6	+9.0	+9.0
Americas	435.3	419.4	+3.8	-6.7
Africa, Asia, and Australia	593.3	526.4	+12.7	+8.2
Total	**1,979.3**	**1,916.9**	**+3.3**	**-0.5**

In fiscal year 2022, order intake in the medical division was 0.5 % lower than the prior-year figure (net of currency effects). The considerable drop in demand for ventilators and the declines in patient monitoring and data management were virtually offset by a significant rise in orders in other areas. Growth was driven in particular by hospital infrastructure products and the service business. Demand for products in the fields of anesthesia, accessories, and thermoregulation was also up.

Order intake decreased in the Europe and Americas regions (net of currency effects). By contrast, demand jumped sharply in the Africa, Asia, and Australia region. In absolute terms, the biggest falls were recorded in Russia, Vietnam, the United States, Serbia, and Poland. The highest increases in orders were seen in China, followed by Germany, Kuwait, Saudi Arabia, and Egypt. In China, demand for ventilators grew more than six-fold in the fourth quarter compared to the prior-year period. This was attributable to the dramatic rise in coronavirus infections following the easing of the country's zero-Covid policy.

In the fourth quarter, order intake in the medical division declined by 2.4 % (net of currency effects). A pronounced decrease in Europe and the Americas contrasted with a rise of almost one quarter in Africa, Asia, and Australia.

NET SALES

NET SALES

in € million	2022	2021	Change in %	Twelve months Net of currency effects in %
Europe	894.3	1,069.8	-16.4	-16.9
thereof Germany	369.5	466.6	-20.8	-20.8
Americas	412.3	428.8	-3.9	-13.7
Africa, Asia, and Australia	514.9	565.6	-9.0	-12.4
Total	**1,821.5**	**2,064.2**	**-11.8**	**-15.0**

In fiscal year 2022, net sales in the medical division were 15.0 % lower year on year (net of currency effects) and decreased in all three regions. Net sales rose by 6.6 % (net of currency effects) in the fourth quarter, particularly as a result of a major increase in the Africa, Asia, and Australia region. The Americas and Europe regions also recorded higher net sales.

EARNINGS

Gross profit in the medical division was down by 24.8 % year on year in 2022. The gross margin fell by 7.0 percentage points, primarily due to a less favorable product and country mix, which is attributable to the substantial share accounted for by the higher-margin ventilator business in 2021. Higher procurement costs for items such as electronics components and the increase in production costs had an adverse effect on the gross margin.

In the fourth quarter, gross profit climbed by 3.2 % compared to the prior-year period. The gross margin fell by 2.6 percentage points. A rise in net sales and a somewhat more favorable product and country mix stood in contrast to higher procurement costs and negative currency effects.

Functional costs were up by 2.3 % year on year in 2022 (net of currency effects; 5.3 % percent in nominal terms), mainly as a result of an increase in research and development expenses and higher logistics costs. In the fourth quarter, functional costs fell by 0.2 % (net of currency effects; +0.8 % in nominal terms).

EBIT in the medical division came to EUR -90.4 million in 2022 (2021: EUR 191.6 million), with the EBIT margin decreasing from 9.3 % to -5.0 %. EBIT stood at EUR 26.4 million in the fourth quarter (fourth quarter 2021: EUR 20.5 million). The EBIT margin amounted to 4.3 % (fourth quarter 2021: 3.7 %).

Dräger Value Added declined by EUR 285.3 million year on year to EUR -153.2 million as at December 31, 2022 (12 months to December 31, 2021: EUR 132.1 million). Rolling EBIT dropped by EUR 281.6 million compared to the prior year. Capital costs increased by EUR 3.3 million.

Business performance of the safety division

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		2022	2021	Change in %	Twelve months Net of currency effects in %
Order intake	**€ million**	**1,305.4**	**1,170.9**	**+11.5**	**+8.4**
thereof Germany	€ million	323.1	287.4	+12.4	+12.4
Net sales	**€ million**	**1,223.7**	**1,264.2**	**-3.2**	**-5.8**
thereof Germany	€ million	299.9	300.1	-0.0	-0.1
EBITDA [1]	**€ million**	**73.4**	**164.5**	**-55.4**	
EBIT [2]	**€ million**	**1.8**	**80.0**	**-97.8**	
EBIT [2]/ Net sales [3]	%	0.1	6.3	-6.2 pp	
Capital employed [4, 5]	€ million	634.1	575.4	10.2	
EBIT [2, 6]/ Capital employed [4, 5] (ROCE)[3]	%	0.3	13.9	-13.6 pp	
DVA [6, 7]	€ million	-43.0	39.7	> -100	

[1] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[2] EBIT = Earnings before net interest result and income taxes
[3] pp = percentage points
[4] Capital Employed = Total assets less deferred tax assets, securities, cash and cash equivalents, non-interest bearing liabilities and other non-operating items
[5] Value as at reporting date
[6] Value of the last twelve months
[7] Dräger Value Added = EBIT less cost of capital of average invested capital

ORDER INTAKE

ORDER INTAKE

in € million	2022	2021	Change in %	Twelve months Net of currency effects in %
Europe	787.2	729.1	+8.0	+7.8
thereof Germany	323.1	287.4	+12.4	+12.4
Americas	231.1	190.5	+21.3	+9.7
Africa, Asia, and Australia	287.1	251.3	+14.2	+9.5
Total	**1,305.4**	**1,170.9**	**+11.5**	**+8.4**

In the safety division, order intake rose by 8.4 % in fiscal year 2022 (net of currency effects). The main growth drivers were gas detection devices, respiratory and personal protection products, and occupational health and safety equipment; substantial growth was also recorded in the engineered solutions and services business. Demand for alcohol and drug testing devices dropped sharply.

All three regions saw a significant increase in orders, with Europe making the largest contribution to growth, followed by Africa, Asia, and Australia and the Americas. In absolute terms, the biggest rises were posted by Germany, France, Türkiye, Ukraine, and Mexico. The highest decreases were recorded in Russia, Austria, Algeria, and Hong Kong.

In the fourth quarter, order intake in the safety division grew by 1.3 % (net of currency effects). The decline in Africa, Asia, and Australia was more than offset by an increase in the other two regions, with demand in the Americas region up by almost a quarter.

NET SALES

NET SALES

in € million	2022	2021	Twelve months Change in %	Net of currency effects in %
Europe	757.3	822.5	-7.9	-8.1
thereof Germany	299.9	300.1	-0.0	-0.1
Americas	207.4	200.3	+3.6	-6.6
Africa, Asia, and Australia	259.1	241.5	+7.3	+2.6
Total	**1,223.7**	**1,264.2**	**-3.2**	**-5.8**

In fiscal year 2022, net sales in the safety division fell by 5.8 % year on year (net of currency effects). There were declines in the Europe and Americas regions, while the Africa, Asia, and Australia region slightly increased its net sales. Net sales climbed by 8.5 % (net of currency effects) in the fourth quarter, in particular because of growth of more than one quarter in Africa, Asia, and Australia. The Europe and Americas regions also posted higher net sales.

EARNINGS

In the reporting year, gross profit in the safety division was 10.7 % lower than in the prior year. The gross margin dropped by 3.5 percentage points. The profitable net sales generated with FFP masks in 2021 could not be repeated in 2022, and this had an adverse effect on the product and country mix. Higher procurement expenses for electronics components also weighed on the gross margin.

In the fourth quarter, gross profit was up by 23.6 %. The gross margin rose by 4.4 percentage points due to higher net sales and lower production expenses.

In 2022, functional costs increased by 2.3 % year on year (net of currency effects; 3.7 % in nominal terms). This was mainly attributable to a rise in expenses in the sales regions, as well as higher logistics costs. Functional costs fell by 4.9 % (5.5 % in nominal terms) in the fourth quarter.

EBIT in the safety division came to EUR 1.8 million in 2022 (2021: EUR 80.0 million). The EBIT margin amounted to 0.1 % (2021: 6.3 %). In the fourth quarter, EBIT totaled EUR 33.3 million (fourth quarter 2021: EUR -5.8 million). The EBIT margin was 8.2 % (fourth quarter 2021: -1.6 %).

Dräger Value Added decreased by EUR 82.6 million to EUR -43.0 million year on year as at December 31, 2022 (12 months to December 31, 2021: EUR 39.7 million). Rolling EBIT dropped by EUR 78.7 million year on year. Capital costs were up by EUR 4.3 million on account of an increase in capital employed.

Potential

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

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

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

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

In the following, we discuss our RMS, our internal control system (ICS), the evaluation of risks, the material risks we face, and opportunities and opportunity management. We will end the section with a SWOT analysis.

RECOGNIZING, MANAGING, AND REPORTING RISKS

An essential element of Dräger's RMS is the early identification of strategic and operating risks, determining the scope of these risks, and assessing the potential effects on the achievement of Group targets. The basis of our risk assessment system is corporate planning: Our risk reporting process is integrated into the planning process and the financial forecast. At the planning stage, we specify potential uncertainties in our assumptions. The planning reviews of the respective business units report on both potential negative (risks) and positive (opportunities) deviations from the plan or from the financial forecast.

All operating areas of the Company report bottom-up at least twice a year on risks and opportunities using specified criteria; Group Controlling then summarizes the risks and opportunities at Group level and allocates them to a risk matrix. Since 2021, the Company has used risk management software to support the risk reporting process. Using it allows us to determine the key risks for the Group. The integrated Monte Carlo simulation makes it possible to draw up an aggregated overall risk, which acts as the basis for a reliable review of sufficient risk coverage. This risk reporting process is complemented by ad hoc reporting so that we can respond to significant risks as quickly as possible. Controlling and our Risk Management Board (RMB) support the responsible risk owners, usually the managers of the functional areas, in assessing and managing risks. Controlling in the respective functional areas mainly helps to quantify risks and opportunities and ensure that they are presented transparently in the system. In addition, the management teams from the divisions and regions discuss the respective risks and opportunities and ensure that they are correctly recorded and evaluated. The RMB is the link between the Chief Risk Officer (CFO) and the divisions, regions, and corporate units. It is tasked with improving the RMS by monitoring it across all departments. Its members are heads of departments or financial experts from the functional areas who have detailed knowledge of the departments and the Company's risk situation. The RMB invites experts who discuss relevant individual risks in detail. This information serves as a basis for subsequent discussions.

The resulting risk report prepared by the RMB is presented by the Chief Risk Officer to the Executive Board. It is also sent to the Supervisory Board and discussed in the Audit Committee.

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

Thanks to the continuous exchange of information on risks and opportunities between the respective responsible managers and the Executive Board and Supervisory Board, countermeasures can be taken at short notice when required if new risks occur or if risks become acute. The Internal Audit department reviews, on behalf of the Executive Board and in collaboration with the Audit Committee, the appropriateness and effectiveness of risk management. As our early risk identification system is an element of our accounting-related RMS, it is also subject to the annual audit by an external auditor.

RECOGNIZING AND TAKING ADVANTAGE OF OPPORTUNITIES

Dräger possesses great diversity. Diversity means that, as a rule, no single customer makes up more than one percent of net sales at Dräger, and that no single product accounts for more than three percent of the Company's net sales. No more than five percent of purchasing volume should be attributed to a single supplier. This increases our resilience and can open the door to opportunities. For example, new business opportunities arise in the event of a renewed worsening of the pandemic situation, as seen in the fourth quarter of 2022 in China. In addition, Dräger could benefit from some countries making greater investments in intensive-care equipment for their healthcare systems in the future due to their experiences during the pandemic. Dräger's solid equity base also opens up opportunities and gives us the leeway to make decisions, including counter-cyclical investments. For example, we made a decision early on to build the factory of the future. During the coronavirus crisis, it was this factory of the future that allowed us to practically quadruple production of ventilators at short notice.

Internal control and risk management system

DEFINITION AND ELEMENTS OF THE INTERNAL CONTROL SYSTEM[3]

The German Corporate Governance Code (Deutsche Corporate Governance Kodex – DCGK) provides for disclosures on the internal control and risk management system that exceed the statutory requirements for management reports and are therefore excluded from the audit of the management report by the auditor of the financial statements (management report-atypical disclosures). These disclosures are separated from the information to be audited and are designated accordingly.

The internal control system (ICS) at the Dräger Group comprises controls and monitoring activities to guarantee the effectiveness and efficiency of business processes, correct accounting, and the compliance of our activities with laws and regulations. The ICS comprises all material business processes and also covers controls beyond the accounting process.

Our ICS is designed in line with the internationally recognized framework for internal control systems of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and is continuously being enhanced. It provides for both process-integrated and process-independent measures, which include automated and manual controls using methods such as:

– separating executive and authorization functions,
– consideration of four-eyes principle,
– controlling access to sites and departments,
– IT authorization concepts and workflows, and
– downstream controls by risk owners.

In accordance with the three-lines model, the aim is to manage risks as effectively as possible by connecting the ICS, RMS, and Compliance Management System (CMS). In addition, committees such as Internal Audit and the Corporate Compliance Committee ensure that process-integrated monitoring takes place.

[3] The disclosures in this paragraph are outside the scope of the audit of the management report.

Internal Audit prepares a risk-oriented audit plan each year. It performs random checks to determine whether the internal guidelines for the Group's entire control and risk management system are being met. This monitoring function also includes reviewing the functionality and effectiveness of the defined controls. Standardized risk-control matrices and a structured self-assessment process are used to measure the level of maturity. The Executive Board and Supervisory Board, and in particular the latter's Audit Committee, are involved in the regular audit of the ICS and the RMS by Internal Audit and receive regular reports on the current status of the audit findings. The same applies to reviews conducted by Internal Audit as part of compliance audits. In this respect, the audit process takes into account the fact that a large number of checks performed during the ICS audits also relate to the CMS. The Executive Board and Supervisory Board also regularly receive the reports prepared by Internal Audit in particular. In addition, the Internal Audit department carried out audits at selected subsidiaries and Group functions in 2022 on the basis of a risk-oriented audit plan.

In addition to the regular risk reporting processes and the discussion of significant risks at RMB meetings, measures such as those set out below were taken to strengthen and enhance the RMS in 2022:

- training new staff on the risk reporting process and the risk management software,
- communicating focus issues during the processes and providing information on updates to the software,
- introducing dashboards in order to enhance transparency and support risk management at an operational level.

The CMS helps the process of continuously enhancing the ICS with regard to its requirements and of adapting the control environment accordingly. The CMS comprises certain legal risk areas and is based on a comprehensive internal framework. Appropriate management and enhancement measures, as well as training concepts, are aimed at ensuring that compliance principles are known and upheld throughout the Group and that the CMS is aligned with the Company's current risk position. Regular reports are provided to the Executive Board on this subject.

The measures and concepts mentioned above include:

- our Speak Up initiative,
- compliance risk management as well as compliance audits and reviews,
- the Sales Channel Partner Integrity Assessment (SCPIA),
- compliance advice sessions for staff, and
- the Dräger Integrity Channel—our web-based whistleblower platform available to all employees as well as third parties.

↗ For more information on the CMS, please refer to the ›Compliance‹ section on page 81 of the 2022 Annual Report and the ›Business‹ section on page 34 et seq. of the 2022 Sustainability Report.

For information on the appropriateness and effectiveness of the ICS and the RMS, including the CMS, please refer to the review and monitoring measures initiated by the Executive Board that are set out in the description of the respective systems and in the section below with regard to the ICS.

However, as a rule it should be considered that risk and control systems such as the ICS, the RMS, and the CMS – regardless of their structure – do not provide any absolute certainty that all risks that actually arise can be identified in advance or that all process violations can be prevented.

ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

The audit of the accounting-related ICS is performed by the auditor of the consolidated financial statements, in addition to the regular audit procedures of the Internal Audit department. The auditor of the consolidated financial statements also audits the financial statements of our major subsidiaries consolidated in the Group's results.

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

USE OF IT SYSTEMS IN ACCOUNTING

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

ESSENTIAL REGULATORY MEASURES AND CONTROLS

With regard to the accounting process, the main emphasis is on ensuring the effectiveness, efficiency, and correctness of accounting, as well as on compliance with the relevant statutory provisions. Using our accounting-related ICS, and with the assistance of the Internal Audit department and the auditor of the consolidated financial statements, we check whether the amounts reported in the balance sheet, income statement, and the statement of comprehensive income are recognized in the correct period and fully assigned, and whether the record contains reliable and traceable documentation regarding the business transactions. The consolidated financial statements that are prepared monthly always undergo comprehensive system checks. They are also checked by Controlling and compared with the plans and the latest financial forecast. The Dräger accounting policies are applied throughout the Group to ensure that all German and foreign subsidiaries included in the consolidated financial statements use the same standard.

Regular alignment meetings and institutionalized reporting requirements within the Finance function guarantee that Group-wide restructuring and changes are recorded promptly in our accounting system. When we acquire or found a new company, we train the new employees in the Accounting department on the preparation of the financial statements according to IFRS, which is the authoritative reporting standard at the Dräger Group, including both the reporting system and the reporting dates. Every year, we train the managers of the Accounting departments of all subsidiaries on the reporting processes, as well as on amendments to the Dräger accounting policies and all relevant IFRS, and thereby ensure the quality of our financial reporting.

The accounting processes are systematically structured in accordance with the principle of the separation of functions and include a system of checks and balances. In our accounting systems, for example, we ensure the separation of the administrative, executive, and authorization functions by issuing different access profiles. This allows us to reduce the potential for deliberately fraudulent acts against the Company by employees. Group accounting determines the scope of consolidation and the reporting packages that have to be prepared by Group companies, ensuring that the consolidated financial statements can be prepared in good time and in accordance with all applicable reporting standards and laws. Our subsidiaries enter their local financial statements into the SAP SEM-BCS consolidation system; the validation rules there guarantee a high degree of data quality.

The Treasury department is responsible for treasury management, secures the Group's liquidity, and monitors its interest risks. Together with Controlling, it monitors and hedges currency risks. The organizational structures and processes, and the Group's internal treasury policy, ensure transparency and security.

Responsibilities for trading and completing financial transactions are separated. For example, the Treasury back office reviews all financial transactions that were traded in the Treasury front office.

RISK ASSESSMENT

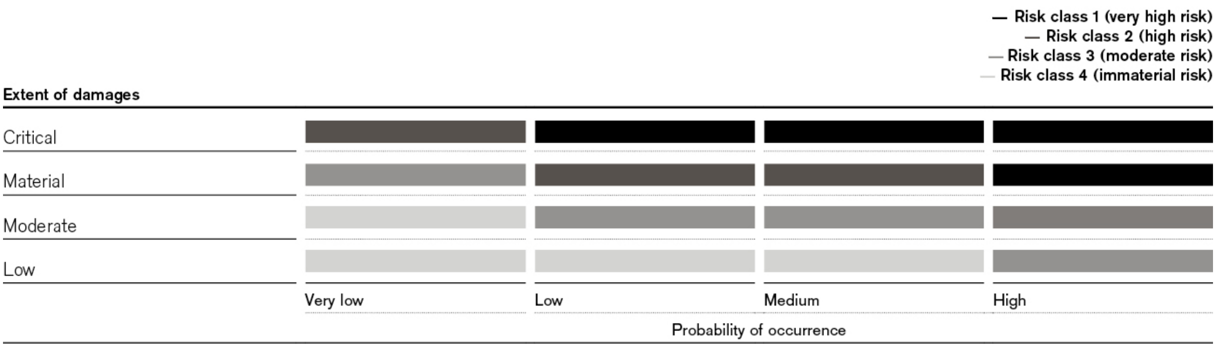
In the interest of a better overview, risks are pooled into risk categories. Within the risk categories, risk classes provide insight into the potential impact of the risks on our Company. With our risk management software, we are capable of determining an expected value for each risk category in a more systematic manner. In the following, risks in risk classes 1 and 2 are considered material risks.

The due date for reported risks is December 31, 2022; the risk assessment is based on the updated internal risk report. Although the forecast horizon for the Company's results is one year, we also examine long-term risk topics (such as risks related to research and development) as part of the risk assessment process. Accordingly, we also take the long-term impact of risks on our results into consideration when classifying risk categories.

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

↗ Please refer to the ›Risks from financial instruments‹ section on page 63.

RISK MATRIX



KEY TO PROBABILITY OF OCCURRENCE

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

KEY TO EXTENT OF DAMAGES

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

RISK CATEGORIES

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

MATERIAL RISKS

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

POLITICAL, ECONOMIC, AND SOCIAL DEVELOPMENT

General economic conditions became much more challenging in 2022. According to the International Monetary Fund (IMF), the main factors weighing on the global economy are the war in Ukraine, interest rate increases to combat high inflation, the spread of coronavirus in China, and disruptions to supply chains worldwide. In its January 2023 report, the IMF expected a significant fall in global economic growth of 2.8 percentage points to 3.4 % in 2022 (2021: 6.2 %). The IMF forecast a further decline to 2.9 % for 2023.

A variety of geopolitical developments put us at risk of not achieving our planned net sales goals. Rising energy costs, high rates of inflation, and increasing interest rates pose risks to economic development. At the same time, in some countries economic policy that could lead to the isolation of national markets and a preference for local competitors is gaining traction.

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

A number of other factors, such as regional, political, religious, or cultural conflicts, could affect macroeconomic developments or international capital markets and therefore also influence demand for our products and services. In all segments worldwide, we depend on the investment budgets of public authorities, since a large proportion of our customer base is made up of public institutions such as public hospitals, fire services, police forces, and disaster management agencies. We are meeting this challenge head-on through customer orientation, innovation, the high quality and reliability of our products and services, and – where appropriate – through cooperation agreements and acquisitions. In doing so, we intend to reinforce and expand our market position.

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

ORGANIZATION AND MANAGEMENT

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

INFORMATION SECURITY AND IT RISKS

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

To enable access to IT systems and system availability in its day-to-day business, Dräger requires a standardized infrastructure. Devices not managed centrally or subject to regular maintenance can cause security vulnerabilities. That is why Dräger uses measures such as network segmentations and uses standardized software, as well as a standard basic installation for notebooks and desktop PCs. The standardization of IT systems and their availability could be significantly restricted by geopolitical developments in the future. Today, we already face the challenge of fulfilling various different country-specific compliance guidelines, such as regulatory requirements in the fields of export controls and data security. This development is leading to the increasing localization of IT applications and their data on the basis of technologies, architectures, and contracts.

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

PROCUREMENT

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

In the case of components and modules that are no longer produced by suppliers, we have purchased the estimated number of components or modules required for the remaining product life cycle and stored these components and modules either at Dräger or with the supplier. In the medical division, we analyze potential risks relating to purchased module components across multiple functions. In some cases, we purchase these module components from a single supplier. As these module components are used in a number of our products, supply bottlenecks can cause production to be interrupted for a certain period of time. Potential interruptions to supply or the bankruptcy of suppliers could also lead to production outages and additional costs. Right now, bottlenecks are an issue, especially when it comes to the procurement of electronic components. An escalation of the conflict regarding Taiwan would further exacerbate the global shortage of electronic components and lead to disruption in the supply chain (risk class 1).

PRODUCTION AND LOGISTICS

The goal of rapid, complete, high-quality, and timely delivery of products and accessories to our customers places high demands on our supply chain. Due to the sustained growth of our business and our cooperation with various logistics service providers, the possibility of temporary disruptions in this context cannot be fundamentally ruled out.

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

Due to the sharp rise in energy prices and high rates of inflation, the cost base for many logistics companies has increased. There is a risk that these increased costs will be passed on to customers to a greater extent in the future (risk class 1).

QUALITY

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

RESEARCH AND DEVELOPMENT

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

COMPLIANCE AND LEGAL

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

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

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

↗ Please refer to the ›Compliance‹ section of the Corporate Governance Report on page 81 et seq.

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

CURRENCY RISKS

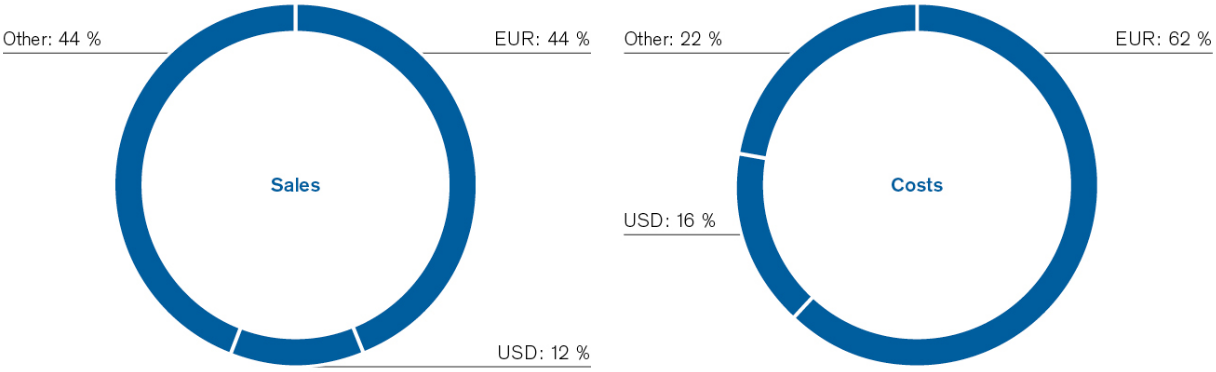
As an international company, we conduct business in a large number of different countries and currencies. As a result, assets and payment flows from these business transactions are exposed to currency risks, which can arise as a result of exchange rate fluctuations in the period between planning, accounting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

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

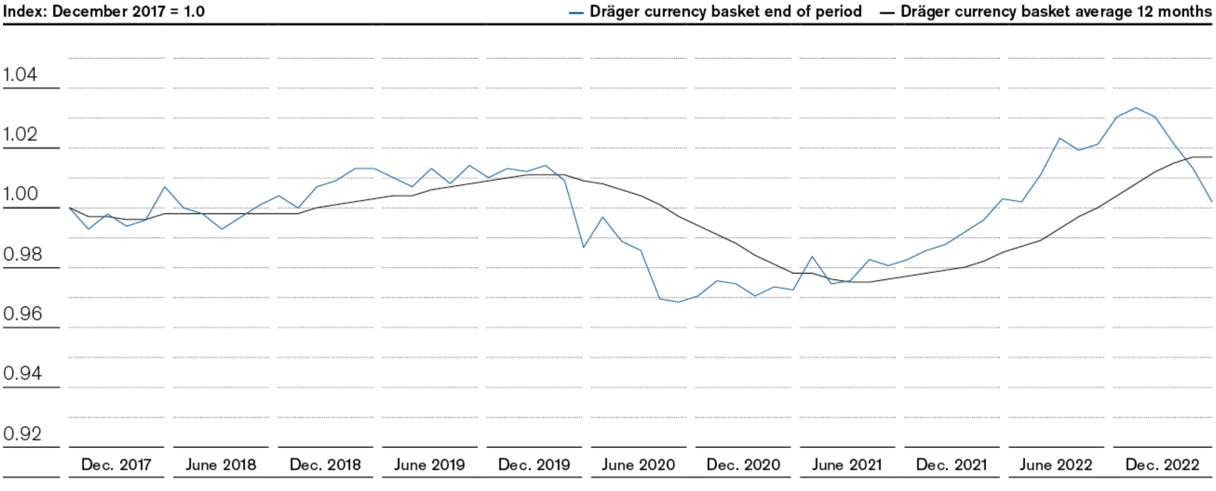
In order to minimize the currency risk from operating activities in an efficient and cost-effective manner, the currencies to be hedged for the subsequent fiscal year are determined on an annual basis using a statistical ›at-risk‹ calculation model. In this model, we use planned cash flows denominated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

Planned cash flows for currencies requiring hedging are hedged at a target hedging ratio of 75 % using 12-months currency futures. The hedging strategy is layered in a rolling cycle, with tranches hedged at one-third of the target hedging ratio in three consecutive quarters. The remaining unhedged portion of the transaction risk is ultimately also hedged using currency futures when recognizing the underlying transactions for the planned cash flows (risk class 2).

NET SALES AND COSTS BY CURRENCIES (2022)



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



The Dräger currency basket is based on the respective proportion of net sales in the functional currencies as a share of Dräger's group net sales during the past fiscal year. The curve is based on the weighted changes in the exchange rate of the foreign currency to the euro compared to the base rate at the start of a five-year observation period (currently benchmark rates as at December 2017). A rising curve should be seen as a positive currency effect on the Group's net sales, with a falling curve indicating a negative currency effect. An index value of more than 1 indicates that the exchange rates had a positive effect on the Group's net sales compared to the base rate at the start of the observation period. An index value of less than 1 indicates a negative currency effect compared to the base rate at the start of the observation period. Currencies from high-inflation countries (currently Argentine peso and Turkish lira) are excluded from the index calculation.

RISKS FROM FINANCIAL INSTRUMENTS

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

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

To secure our liquidity, we have concluded a master loan agreement with the group consisting of our core banks, maturing on November 30, 2026. As at December 31, 2022, credit lines of EUR 655.0 million were made available on this basis. Of this amount, cash and guarantee credit facilities of EUR 415.0 million have a term until November 30, 2026, and cash credit facilities of EUR 250.0 million have a term until September 30, 2023, with an optional extension of one year. The framework agreement for the bilateral credit lines stipulates a target value based on a certain financial covenant. Should Dräger not comply with this value, the banks are entitled to terminate the bilaterally agreed credit lines. In this case, there would be a right to terminate other loans due to a cross-default provision. The value has been specified for 2023 so that we would only run the risk of being unable to comply with the agreed value threshold in the event of a further significant deterioration in our results of operations and financial position compared to our business planning. The value was well below this threshold as at the end of 2022. To reduce our liquidity risk, at the Dräger Group we also use note loans of EUR 50 million with a residual term until January 5, 2026, and note loans of EUR 50 million with a residual term until January 4, 2028. We also have a loan of EUR 50 million from the European Investment Bank (EIB) with a five-year fixed-interest period, which will be repaid on October 2, 2025. An additional loan of EUR 100 million from the EIB with a five-year fixed-interest period was disbursed in January 2023. This loan will be repaid on January 26, 2028.

Dräger is exposed to interest rate risk, primarily in the eurozone. We combat these risks through a combination of fixed- and variable-rate financial liabilities. We also partially hedge against variable interest rates through standard interest rate hedging products. We invest cash and cash equivalents over the short term at commercial banks with high credit ratings and, if necessary, in euro-denominated money market funds with high credit ratings that are subject to European regulation.

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

FINANCE (FINANCIAL MARKET RISKS)

The high rate of inflation and rising interest rates are currently affecting the financial market. Monetary policy decisions will continue to cause fluctuations on the markets and have an effect on the future development of capital cost parameters. Higher capital costs may lead to the impairment of our assets, especially goodwill (risk class 1).

RISKS OF RECEIVABLE LOSSES

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

PANDEMICS

The dynamic and unpredictable development of the COVID-19 pandemic poses a risk of disruption to global supply chains. The high investments in intensive care treatment capacities could lead to a later drop in demand due to market saturation. At the present time, we are seeing a decline in demand for FFP masks, as the market is oversaturated with respiratory protection masks. This trend could continue and lead to long-term underutilization of production capacities and result in impairments. Furthermore, declines in demand could happen in other areas as a result of lower hospital income (risk class 2).

Recognizing trends and taking advantage of opportunities

We observe opportunities within the scope of our strategic planning process, which involves identifying trends, determining strategic focuses for Dräger, and defining measures. We thereby make use of our established planning tools and our sales information and customer relationship management (CRM) systems. The potential use of these market opportunities also flows into our financial forecast.
↗ Please refer to the ›Management, planning, and reporting‹ section on page 23 et seq.

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

ACTIVITIES IN GROWTH MARKETS

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

Further developments currently result in opportunities for Dräger:

PANDEMICS

At the beginning of the COVID-19 pandemic, demand for personal protective equipment and ventilators for intensive care units was high around the world. Despite the normalization of business development, investments in these fields could rise in the long term due to an increased need for safety.

GLOBAL TRENDS

GLOBALIZATION VS. PROTECTIONISM

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

HEALTH

The increase in living standards in emerging markets and industrialized countries alike is resulting in higher standards of healthcare and workplace safety. Considering these developments, the outlook for Dräger and our medical and safety divisions continues to be positive.

CONNECTIVITY

The growing extent of digital connectivity is increasing the requirements that devices must fulfill in use. Our Company must explore the potentials offered by new platform-oriented sales models, as well as new innovation and production opportunities. The digital connectivity of devices and the availability of more and more data increases the importance of information security.
↗ Please refer to the ›Trends with an influence on our business performance‹ section on page 38.

DIGITALIZATION IS OPENING UP NEW OPPORTUNITIES

Increasing digitalization and automation in industry and retail is offering potential to boost efficiency and is opening up new business models. In addition, platform-oriented sales models are also becoming increasingly important. At hospitals, connected equipment supports both medical and administrative processes. Holistic therapeutic processes and the associated focus on treatment results from both a clinical and economic perspective are important goals of our customers worldwide. Our therapeutic devices and solutions help hospitals to achieve these goals. In industrial markets, the real-time transfer of safety-related data to IT systems is becoming increasingly important. All in all, our aim is to quickly recognize the new opportunities and challenges that digitalization brings and to develop customer-centric solutions.

HIGH BARRIERS TO MARKET ENTRY FOR COMPETITORS

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

LEADING MARKET POSITIONS

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

EXPANSION OF THE SERVICE AND ACCESSORIES BUSINESS

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

PROJECT BUSINESS

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

CHANGES IN THE PRODUCT PORTFOLIO

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

SYNERGY EFFECTS AND PLATFORM STRATEGY

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

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

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

GROWING IMPORTANCE OF HEALTH AND SAFETY DEPARTMENTS AT COMPANIES

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

Vision Zero initiative with the aim of completely eradicating occupational accidents, promoting a healthy lifestyle as a preventative measure to avoid work-related illnesses, and encouraging individual well-being.

Overall assessment of risks and opportunities

From a strategic perspective, regulatory risks and resulting risks relating to research and development are the most important in the Dräger risk portfolio. The significance of risks around the topic of information security is constantly increasing, as are the general requirements for new software solutions that we develop, which can have a negative effect on project timelines.

In 2023, supply bottlenecks are the leading factor that could have a negative impact on our results. Demand may also decline as a result of recession. General economic and geopolitical developments, as well as regulatory requirements, could pose further risks. Currency risks may have a negative impact on our business. We reduce these risks by means of regional management and the diversification of our product and service offering.

Overall, we are able to appropriately address the risks facing the Dräger Group. The existence of the Company as a going concern is not at risk on the basis of currently known factors. In our view, the opportunities for the Group outweigh the risks, especially the opportunities resulting from rising health needs in connection with the pandemic, economic developments in emerging markets, and the future importance of system business. As a result, the outlook for the future is optimistic.
↗ Please refer to the ›SWOT analysis—Dräger Group‹ chart.

SWOT ANALYSIS – DRÄGER GROUP

Company-specific

Strengths	Weaknesses
– Wide range of products and services – Strong brand and long-term customer relationships – High degree of diversification – Detailed understanding of all relevant markets – Strong direct sales model with close-knit sales network – Established presence in important growth markets in Asia, Central America, and South America – High installed device basis in many markets – Wealth of experience with complex product and service offerings – Stable ownership structure – Long-term financing framework and good equity base	– High complexity through broad product portfolio – Partial dependence on sales partners – Focus on the premium segment and low diversification of the portfolio – Strong reliance on the European market, market-leading positions in markets where growth is slow – Niche provider status in some segments – Partial strong dependence on key suppliers – High cost base in euros and disproportionately high US dollar cost position

Market / sector-specific

Opportunities	Risks
– Continual increase in safety requirements for employees at hazardous workplaces – Progress in medical industry and aging society driving up spending on medical technology – Growth potential in emerging markets through the expansion of healthcare systems and supply – High market entry barriers for new competitors as a result of regulation, technologies, and patent protection – Low impact of economic fluctuations thanks to the breadth of the product portfolio and the large number of markets served – New business models made possible through digitalization – Increased appreciation for health and corresponding increase in investment in this area as a result of the coronavirus pandemic	– Increasing complexity and requirements for local licensing and the ongoing certification of products – Pressure on margins from growing local competition – Central purchasing strategy on the customer side and increased purchasing power of companies operating worldwide – Restrictions on government spending and trend towards public companies forming purchasing cooperatives – Economic risks due to increased energy costs, high inflation rates, rising interest rates and general political uncertainties caused by factors such as increased protectionism – Interruptions of supply chains due to material shortages or geopolitical crises – Market saturation / decline in demand for respiratory protection masks and ventilators – Information security and IT risks – Currency losses due to exchange rate fluctuations – New competitors entering established markets with digital business models

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

Outlook

FUTURE MARKET ENVIRONMENT

The International Monetary Fund (IMF) expects global economic growth in 2023 to fall by 0.5 percentage points compared with the prior year to 2.9 %. Although this forecast has improved by 0.2 percentage points as against the outlook published in October 2022, it is below the historical average for the period from 2000 to 2019 (3.8 %). In 2024, growth is predicted to rise to 3.1 %.

According to the IMF, the war in Ukraine and the interest rate increases implemented by central banks to combat high inflation will continue to weigh on the global economy in 2023. However, the lifting of coronavirus restrictions in China, where economic growth was held back by the rapid spread of COVID-19 in 2022, could mean that the global economy recovers more quickly than expected. The IMF believes that the global inflation rate should decrease to 6.6 % in 2023 (2022: 8.8 %) and 4.3 % in 2024, taking it closer to the average level in the pre-pandemic period from 2017 to 2019 (3.5 %). According to the IMF, the outlook is subject to a high degree of uncertainty overall.

↗ Please refer to the ›IMF January 2023 Gross domestic product (GDP) growth forecast‹ chart.

IMF JANUARY 2023 GROSS DOMESTIC PRODUCT (GDP) GROWTH FORECAST

in %	2022	2023	2024
Global economy	+3.4%	+2.9%	+3.1%
U.S.	+2.0%	+1.4%	+1.0%
Eurozone	+3.5%	+0.7%	+1.6%
Germany	+1.9%	+0.1%	+1.4%
China	+3.0%	+5.2%	+4.5%

FUTURE MARKET AND SEGMENT SITUATION

MEDICAL DIVISION

According to forecasts by Germany Trade & Invest (GTAI), the European medical technology sector will develop positively in 2023, partly as a result of rising government investment. Nevertheless, a survey by the German medical technology association BVMed suggests that inflationary cost increases are likely to continue burdening company profits. However, the digital transformation offers huge potential, with the use of digital technologies steadily growing in medical technology companies. Examples of this include big and smart data applications as well as digital health applications.

GTAI sees positive prospects for the U.S. medical technology market. According to Fitch Solutions, the market will benefit from sustained economic growth in the United States, despite the more difficult global economic environment. The key growth drivers include the aging population, the increase in chronic illnesses, demand from hospitals for innovative devices, and the rollout of new technologies with the goal of reducing high health spending. Cybersecurity also looks set to be given even higher priority going forward. The prospects for Central and South America are equally positive. The national medical technology markets in those regions are likely to benefit from government investment.

According to GTAI, the development of the medical technology sector will be mixed in the Africa, Asia, and Australia region. Countries such as China and India are continuing to tend toward protectionism. The Indian government has set itself the goal of reducing imports of medical devices in favor of local production, which will be increased. In Australia, the medical technology market should see stable growth and benefit from a growing need for treatment. GTAI also forecasts growth for the Arabian Peninsula. In South Africa, the private hospital sector in particular is expected to develop positively.

SAFETY DIVISION

The European market for safety technology is likely to be dominated by uncertainty in 2023. According to the German chemical industry association (VCI), high inflation rates, the global economic slowdown, and the energy crisis on the European chemical market will lead to a downturn. GTAI believes that the European oil and gas industry has been in a period of upheaval since the war in Ukraine, the oil embargo against Russia, and the G7 price cap. The reduction in Russian oil supplies makes it essential to find alternative sources of oil and increase the corresponding order volumes. As a result, the war will continue to have a major impact on how the sector develops.

In the Americas region, the trend on the market for safety technology is set to be mixed. The VCI predicts that the U.S. chemical market will benefit from the problems in other regions and offer good production and sales opportunities. In light of the economic slowdown around the world, the prospects for the Brazilian chemical industry are extremely modest. According to GTAI, the oil and gas sector will post a stable performance.

In the Africa, Asia, and Australia region, the market for safety technology is expected to see varied development, depending on the sector. The VCI's outlook for the chemical industry is cautious. Although the sector in China is likely to benefit from pent-up demand following the zero-Covid policy, this forecast is subject to uncertainty. In Japan, the upward trend has been halted by soaring energy and commodity prices in a difficult geopolitical environment. GTAI does not anticipate a sharp upturn in demand in 2023. The mining industry is expected to perform positively due to factors such as the rise in demand for electric vehicles worldwide. In Australia, for example, high investment in lithium production sites should result in growth, since this metal is vital for the manufacture of batteries for electric cars. The mining industry in the Gulf states will also record a positive trend. Saudi Arabia, for instance, uses the mining sector to diversify its economy and become more independent of the oil and gas industry. The oil and gas sector in the Gulf States is anticipated to perform positively, partly as a result of increased demand from western industrialized countries.

According to the Business Research Company, the global fire service market will see stable growth, although it too is affected by supply chain bottlenecks and rising inflation.

FUTURE SITUATION OF THE COMPANY

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

↗ Please refer to the ›Expectations for fiscal year 2023‹ table.

EXPECTATIONS FOR FISCAL YEAR 2023

	Results achieved for fiscal year 2022	Forecast for fiscal year 2023
Net sales (net of currency effects)	-11.5 %	7.0 to 11.0 %
Gross margin	40.7 %	43.0 to 45.0 %
EBIT margin	-2.9 %	0.0 bis 3.0 %
DVA	EUR -196.2 million	EUR -110 to 0 million
Research and development costs	EUR 343.5 million	EUR 335 to 350 million
Net financial debt	EUR 259.2 million	Improvement
Investment volume [1]	EUR 93.4 million	EUR 80 to 100 million
Net interest result	EUR -13.8 million	EUR -20 to -26 million
Days Working Capital (DWC)	112.5 days	103 to 108 days

[1] Excluding acquisitions and the capitalization of right-of-use assets pursuant to IFRS 16

Following a significant decline in net sales and earnings in the past fiscal year, we expect business to pick up in 2023 and net sales to increase by 5.5 % to 9.5 % (7.0 % to 11.0 % net of currency effects), and the EBIT margin to be between 0.0 % and 3.0 %. This reason for this assumption is our belief that the availability of electronics components will gradually improve, thereby enhancing our delivery capability. This will substantially accelerate the realization of net sales on the basis of the high number of orders and therefore enable a return to growth and profitability, despite the anticipated increases in procurement and personnel costs. Additional price increases in the current fiscal year are expected to help curb the negative effects of high inflation on our earnings.

For Dräger Value Added (DVA), we forecast a range of EUR -110 million to EUR 0 million in 2023, assuming the cost of capital remains unchanged at 7 % and capital employed decreases slightly.

As a consequence of the aforementioned factors, we anticipate a gross margin of between 43.0 % and 45.0 % in 2023.

We plan to continue investing more in the future sustainability of our company in 2023. In relative terms, our expenditure on research and development will therefore be on a par with the prior year. In the medical division, we intend to bring twelve new products and developments to market. In the safety division, we aim to launch eleven new products and developments.

Assuming interest rates rise, our interest result should decline year on year in 2023.

In terms of days working capital (DWC), we expect the increase in net sales to result in a figure of between 103 and 108 days for fiscal year 2023.

We expect our investment volume to stand at between EUR 80 million and EUR 100 million in 2023. Our focus will be on replacement investments.

Net financial debt should improve in 2023 if cash inflow remains positive.

DRÄGER MANAGEMENT ESTIMATE

We expect our disappointing overall business performance in the past year to be followed by a recovery in 2023. Although our outlook remains subject to uncertainty due to ongoing risk factors such as the Ukraine war, high inflation, and global supply chain disruptions, we are confident that we can return to growth and profitability. This assumption is based in particular on our expectation that our delivery capability will gradually improve, thus enabling us to realize the net sales from our high number of orders more quickly. By implementing our strategic measures, we also aim to leverage the potential of our growth markets for medical and safety technologies, which remain intact.

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

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

Composition of subscribed capital stock

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

Restrictions related to voting rights or the transfer of shares

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

Direct or indirect shareholdings exceeding 10 %

A total of 68.67 % of the common shares of Drägerwerk AG & Co. KGaA, equivalent to 37.19 % of the total capital stock, belong to Dr. Heinrich Dräger GmbH, Lübeck. Its shares are mainly owned by members and companies of the Dräger family, so that the voting rights associated with the common shares are held by the Dräger family. A total of 59.72 % of Dr. Heinrich Dräger GmbH, Lübeck, is held by Stefan Dräger GmbH. Stefan Dräger GmbH is wholly owned by Stefan Dräger, Lübeck. The voting rights of Stefan Dräger GmbH are to be allocated to its partner, Stefan Dräger, pursuant to Sec. 22 of the German Securities Trading Act (WpHG). Through Stefan Dräger GmbH, Stefan Dräger also holds all shares in Drägerwerk Verwaltungs AG, Lübeck, the general partner of Drägerwerk AG & Co. KGaA. This means that Stefan Dräger is a shareholder in the general partner as well as a common shareholder of Drägerwerk AG & Co. KGaA. In cases covered by Sec. 285 (1) Sentence 2 AktG, he would therefore not be entitled to vote. The legal structure of Dr. Heinrich Dräger GmbH ensures that, for such resolutions, Stefan Dräger cannot exert any influence on the exercise of the voting rights of common shares held by Dr. Heinrich Dräger GmbH.

Shares with special rights conferring control

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

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

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

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

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

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

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

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

Power of the general partner to issue or buy back shares

In accordance with the resolution agreed upon at the annual shareholders' meeting on May 7, 2021, the general partner is entitled to increase the Company's capital until May 6, 2026, with the approval of the Supervisory Board, by up to EUR 12,006,400.00 (approved capital) by issuing new bearer common and/or preferred shares (no-par value shares) in return for cash and/or contributions in kind, in either one or several tranches. The authorization includes the approval to issue new common shares and/or non-voting preferred shares, which carry the same status as the previously issued non-voting preferred shares with regard to the distribution of profits and/or company assets. The statutory maximum capital as stipulated in Sec. 139 (2) AktG is to be taken into account: No more than half of the capital stock may be issued as non-voting preferred shares. Shareholders are principally given a subscription right in the case of a capital increase – unless the Company excludes subscription rights with the approval of the Supervisory Board. In the case of common and preferred shares being issued together, the right of holders of one share type to subscribe to the other type of shares (crossed exclusion of subscription rights) can be excluded.

In accordance with the resolution agreed upon at the annual shareholders' meeting on May 7, 2021, the general partner is entitled to issue option and/or convertible bonds with or without maturity limitations with a total nominal value of up to EUR 650,000,000.00 on one or several occasions until May 6, 2026, and to grant the holders and/or creditors option rights or conversion rights on up to 4,690,000 no-par bearer shares. This authorization includes the right to grant and/or enforce conversion or option rights and/or obligations that alternatively provide for the purchase of new common shares and/or new preferred shares without voting rights that are equivalent to the previously issued preferred shares without voting rights in the event of a distribution of profits and/or of the Company's assets. The statutory maximum capital as stipulated in Sec. 139 (2) AktG is to be taken into account: No more than half of the capital stock may be issued as non-voting preferred shares.

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

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

In accordance with the resolution agreed upon at the annual shareholders' meeting on May 7, 2021, the general partner is entitled, until May 6, 2026, and with the approval of the Supervisory Board, to acquire own shares of up to 10 % of capital stock, regardless of type (common and/or preferred shares) and to use them for all legally permissible purposes.

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

As borrowers, the Company and six subsidiaries have entered into an agreement on the conditions for the granting of credit lines totaling EUR 665 million. Under the agreement, the lender has the right to terminate the agreement and/or any individual loan agreement entered into under the agreement, and/or to request repayment of the credit lines drawn down under the individual loan agreement, in the event that a third party either (i) holds or can exercise at least 50 % of the voting rights of the general partner, (ii) can at least partially provide or replace members of the management of the general partner, or (iii) can issue instructions on operational or financial matters to the management of the general partner.

Compensation agreements made by the Company with members of the Executive Board of the general partner or employees in the event of a takeover bid

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

Business performance of Drägerwerk AG & Co. KGaA

Drägerwerk AG & Co. KGaA is the parent company of the Dräger Group. The following comments relate to this company's financial statements, prepared in accordance with the German Commercial Code (HGB). The net profit or loss for the year and equity are the key performance indicators that are relevant for management purposes.
↗ Please refer to the ›Principles of the Group‹ section on page 23 et seq.

In fiscal year 2022, Drägerwerk AG & Co. KGaA recorded a net loss of EUR 195.1 million (2021: net profit of EUR 123.4 million). The prior-year earnings were primarily due to coronavirus-related demand for ventilation technology. Over the course of the year, the Company had 3,093 employees on average (2021: 3,030 employees), of which 660 worked in Production (2021: 714 employees) and 2,433 in other areas (2021: 2,316 employees).

EARNINGS EFFECTS FROM OPERATING ACTIVITIES

In fiscal year 2022, Drägerwerk AG & Co. KGaA posted a loss from operating activities – excluding income from investments, interest result, and taxes – of EUR 196.6 million (2021: profit of EUR 287.5 million).

Net sales from medical business fell to EUR 1,130.6 million (2021: EUR 1,263.0 million). This was due in particular to global supply chain disruptions that limited the availability of certain electronics components required for the final assembly and delivery of a number of products. As a consequence, it was not possible to turn the high number of orders into the usual volume of sales proceeds.

In fiscal year 2022, the cost of materials rose to EUR 663.1 million (2021: EUR 643.1 million), primarily because of increased purchase prices amid the shortage of parts, as well as higher logistics costs. Personnel expenses fell slightly year on year from EUR 319.6 million to EUR 316.4 million. Other operating expenses amounted to EUR 452.7 million (2021: EUR 396.7 million). Operating foreign exchange gains and write-ups on financial assets reduced the Company's negative operating result.

The main reasons for the rise in other operating expenses were sales expenses and foreign currency effects.

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

RESULTS OF SUBSIDIARIES

The fall in earnings from profit and loss transfer agreements was mainly attributable to the assumption of the loss of Dräger Safety AG & Co. KGaA (EUR -129.0 million) and the lower profit of Dräger Medical Deutschland GmbH (EUR -82.0 million). This contrasted with a slight increase at Dräger Medical International GmbH (EUR +5.9 million) and Dräger Holding International GmbH (EUR +5.3 million).

PAYMENT OBLIGATION FROM THE TERMINATION OF THE PARTICIPATION CERTIFICATES

A payment obligation of EUR 208.8 million existed as at the balance sheet date for the already terminated series D participation certificates. On January 2, 2023, the remaining 382,289 series D participation certificates were redeemed for EUR 208.8 million, with the credit lines being partially utilized for this purpose. Based on the proposed dividend for preferred shares of EUR 0.19 (2021: EUR 0.19), the distribution for participation capital amounts to EUR 1.90 per participation certificate for fiscal year 2022 (2021: EUR 1.90). In January 2021, Dräger redeemed the series A and K participation certificates in the amount of EUR 158.0 million. In March, the Company repurchased 184,530 series D participation certificates early for EUR 100.0 million.

INVESTMENTS

In fiscal year 2022, the Company invested EUR 3.3 million (2021: EUR 6.7 million) in software and other intangible assets. Investments in property, plant and equipment came to EUR 26.7 million (2021: EUR 34.3 million). Investments were primarily focused in connection with the redevelopment of buildings, the construction of production facilities, office equipment and machinery, and the production of various tools.

NET ASSETS AND FINANCIAL POSITION

After deducting cash and cash equivalents, net financial liabilities to banks amounted to EUR 24.8 million as at December 31, 2022 (2021: net financial receivables of EUR 215.4 million, including the investment in short-term, highly liquid money market funds). Group financing of subsidiaries came to EUR 239.5 million (2021: EUR 125.5 million). Drägerwerk AG & Co. KGaA's equity stood at EUR 914.2 million and declined by a total of EUR 198.0 million year on year. The net loss of EUR 195.1 million had a material influence on the equity ratio. The decline in total assets and the decrease in equity gave Drägerwerk AG & Co. KGaA an equity ratio of 44.2 % as at the balance sheet date (2021: 48.5 %).

COMPARISON OF FORECAST FIGURES AND ACTUAL FIGURES

The significant disruptions to global supply chains meant that some of our products could not be completely manufactured and delivered to our customers. This drop in net sales, combined with a lower gross margin due to a change in the product mix and higher procurement costs for scarce electronics components, weighed heavily on Drägerwerk AG & Co. KGaA's earnings, including net sales in Germany and abroad. This decline was not offset by income from services, investments, and profit and loss transfers included in Drägerwerk AG & Co. KGaA's earnings. At EUR 195.1 million, the net loss was well below the low net profit forecast. Dividends in the amount of EUR 3.0 million were paid on common and preferred shares. Net financial liabilities came to EUR 24.8 million in fiscal year 2022. The equity ratio amounted to 44.2 %. On account of the high net loss, it was not possible to achieve the slight increase in the equity ratio forecast in the prior year.

FORECAST FOR FISCAL YEAR 2023

We expect a gradual improvement in the availability of electronics components in 2023, which will enhance the Company's delivery capability. This will substantially accelerate the realization of net sales on the basis of the high number of orders and therefore enable a return to growth and profitability, despite the anticipated increases in procurement and personnel costs. Additional price increases in the current fiscal year are expected to help curb the negative effects of high inflation on our earnings. That is why we expect to generate a slightly positive net profit. In the reporting year, we recorded a net loss of EUR 195.1 million. This high net loss had a significant effect on the equity ratio in the reporting year (December 31, 2022: 44.2 %). We expect to see a slight rise in this figure in 2023.

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

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

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

REPORT ON CORPORATE GOVERNANCE

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

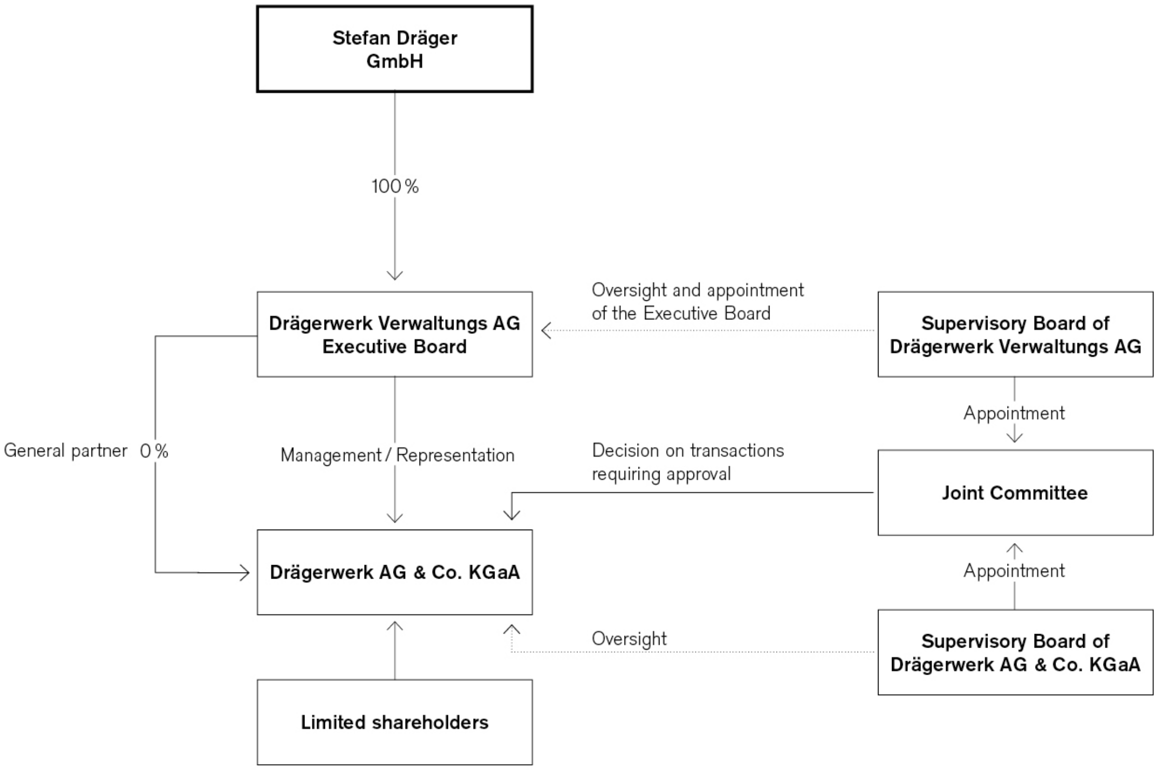
PARTNERSHIP LIMITED BY SHARES

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

At a stock corporation, the executive board is appointed by the supervisory board. At a KGaA, however, it does not appoint the general partners (or their management bodies) and does not determine their contractual conditions. It is also not authorized to adopt rules of procedure for management or to define a catalog of management transactions requiring approval. There are also differences relating to the annual shareholders' meeting: Certain resolutions must be approved by the general partner (Sec. 285 [2] AktG), in particular the resolution to approve the financial statements (Sec. 286 [1] AktG). Many of the recommendations of the German Corporate Governance Code (hereinafter also referred to as the ›Code‹), which is designed for stock corporations, can therefore only be applied to a limited extent to a partnership limited by shares.

The sole general partner of Drägerwerk AG & Co. KGaA is Drägerwerk Verwaltungs AG, which is a wholly owned company of Stefan Dräger GmbH. Drägerwerk Verwaltungs AG manages the operations of Drägerwerk AG & Co. KGaA and represents it, acting through its Executive Board. Drägerwerk Verwaltungs AG does not hold an equity interest in Drägerwerk AG & Co. KGaA.
↗ Please refer to the ›Drägerwerk AG & Co. KGaA‹ chart on page 77.

DRÄGERWERK AG & CO. KGAA



DECLARATION OF CONFORMITY

The joint declaration of conformity by the general partner and the Supervisory Board of Drägerwerk AG & Co. KGaA was discussed and approved in the meeting of the Supervisory Board on December 07, 2022. It states that the Company applied the recommendations of the Government Commission of the German Corporate Governance Code in most areas.

The declaration was published on December 20, 2022, with the following wording:

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

The general partner, represented by its Executive Board, and the Supervisory Board declare that Drägerwerk AG & Co. KGaA has complied with the recommendations of the Government Commission on the German Corporate Governance Code in the version dated December 16, 2019, since issuing its last declaration of conformity on December 20, 2021, until June 26, 2022, and, as amended on April 28, 2022, has complied and will comply with them since June 27, 2022, with the following exceptions:

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

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

OVERSIGHT BODIES

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

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

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

– professional and personal qualifications,
– business management experience at German and foreign companies with a worldwide presence in various cultural regions,
– experience as a representative of family-owned as well as listed companies,
– a proven track record in finance and accounting as well as in financing and capital market communication,
– experience in marketing and sales in diversified technology companies,
– intellectually and financially independent persons with a high degree of personal integrity who do not have a conflict of interest with the Company,
– expertise in sustainability issues that are significant to the Company,
– the majority of shareholder representatives are independent members, and
– must be under 72 years of age for new election or re-election.

The most recent elections for shareholder representatives took place at the annual shareholders' meeting on May 4, 2018. The criteria described above were taken into account and fulfilled without exception. It was ensured that a high proportion of Supervisory Board members have experience in representing family-run companies and listed companies, as well as in marketing and sales at technology-led companies. It is the view of the Supervisory Board that, in its current composition, it possesses the requirements included in the competency profile:

QUALIFICATION MATRIX

	Intellectually and financially independent personality of high personal integrity	International management experience with presence in various cultural regions	Experience in family-owned and/or listed companies	Proven track record in finance and accounting as well as in financing and capital market communication
Members	12	8	12	7

QUALIFICATION MATRIX

	Experience in marketing and sales at diversified technology companies	Expertise in sustainability issues and organisation of ESG concerns	Independent of the Company and free of conflicts of interest	Under 71 years of age for new election or re-election
Members	8	9	8	12

According to the assessment of the Supervisory Board, the shareholder representatives Stefan Lauer, Maria Dietz, Professor Dr. Thorsten Grenz, Astrid Hamker, Uwe Lüders, and Dr. Reinhard Zinkann are independent as defined by recommendation C.6 of the German Corporate Governance Code. The indicators to be taken into consideration under recommendation C.7 of the Code when assessing independence have been fulfilled without exception for all of the aforementioned Supervisory Board members, with the exception of the indicator relating to the duration of Supervisory Board membership in the cases of Professor Dr. Thorsten Grenz, Uwe Lüders, and Dr. Reinhard Zinkann. All three of these members have served on the Supervisory Board since 2008 and have since then continued discharging their duties with outstanding commitment and tremendous care. As a result, the Supervisory Board believes their independence is not impaired. Stefan Lauer has been a member of the Supervisory Board since 2013. Maria Dietz and Astrid Hamker have been members since 2018. On the employee side, Thomas Rickers has been a member of the Supervisory Board since 2000, and Daniel Friedrich since 2006. Nike Benten and Bettina van Almsick were elected to the Supervisory Board in 2016. Christian Fischer was elected to the Supervisory Board on July 1, 2022, to replace Siegfrid Kasang, who stepped down at the end of June 30, 2022. Steffen Michalzik was elected to the Supervisory Board on January 1, 2023, to replace Stephan Kruse, who stepped down at the end of December 31, 2022.

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

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

In an effort to improve its effectiveness and efficiency, the Supervisory Board of Drägerwerk AG & Co. KGaA has established an audit committee pursuant to Sec. 107 (4) Sentence 1 in conjunction with (3) Sentence 2 AktG and a nomination committee in accordance with recommendation D.4 of the Code. The Audit Committee consists of Stefan Lauer, Chairman of the Supervisory Board, as well as four further members, of which two are shareholder representatives (Professor Dr. Thorsten Grenz, who is Chairman of the Audit Committee, and Uwe Lüders) and two are employee representatives (Siegfrid Kasang until June 30, 2022, Christian Fischer since September 15, 2022, and Daniel Friedrich). The Supervisory Board ensures that the Committee members are independent and places great emphasis on their particular knowledge and experience in applying accounting standards and internal control processes. The Audit Committee monitors the adequacy and functionality of the

Company's external and internal financial reporting system. Together with the auditor of the consolidated financial statements, the Audit Committee discusses the reports drawn up by the Executive Board during the year, the Company's financial statements, and the audit reports. On this basis, the Audit Committee draws up recommendations for the approval of the financial statements by the annual shareholders' meeting. It deals with the Company's internal control system and with the procedure for recording risks, for risk control, and risk management as well as compliance. The Internal Audit department reports regularly to the Audit Committee and is engaged by this Committee to carry out audits as is deemed necessary. Reference is also made to the report of the Supervisory Board.

The majority of the Audit Committee members possess the knowledge and skills necessary for this position and fulfill the requirements to be considered ›financial experts‹. Due to his years of service as CFO of companies listed on the stock exchange, his role as an active and former member and financial expert in multiple supervisory boards, his leading position at a professional association of financial experts and honorary professor of business administration, Prof. Dr. Thorsten Grenz is considered to have particularly expert knowledge in the area of accounting as the Chairman of the Audit Committee. Due to his long-standing position as executive board and supervisory board member at a variety of companies, where he was responsible for multiple audits of annual financial statements and various other audit activities, Uwe Lüders is considered to have particularly expert knowledge in the area of auditing financial statements as a member of the Audit Committee.

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

The Supervisory Board regularly deals with the application and enhancement of corporate governance principles within the Dräger Group. The Supervisory Board evaluates its activities and conducts an internal efficiency audit at regular intervals, most recently in 2021 for the period 2020/2021.

MANAGEMENT

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

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

The Supervisory Board of Drägerwerk Verwaltungs AG approved the rules of procedure and its allocation of responsibilities for the Executive Board at its meeting on September 15, 2022. As an age limit within the meaning of recommendation B.5 of the German Corporate Governance Code, the Supervisory Board of Drägerwerk Verwaltungs AG has stipulated that the age of an Executive Board member should, as a rule, not exceed 67 during the member's term in office.

RELATIONSHIP TO SHAREHOLDERS

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

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

COMPLIANCE

The internal control system (ICS) and the risk management system (RMS) are supplemented by the compliance management system (CMS), which is oriented in line with the Company's risk position. For more than 130 years, Dräger has stood for ›Technology for Life‹. The highest degree of professionalism and reliability and acting according to the principles of honorable business determine our conduct. ›Lever Schaden as Schimp‹ – better a loss than a disgrace – was the Dräger family motto even before the founding of the Company and underscores the fact that Dräger stands for honest business only. We would rather lose money than risk the Company's good reputation and the trust of customers and employees alike. Our CMS makes sure that we meet this standard.

The CMS presented here is based on three pillars: prevent, identify, and respond. It encompasses the legal risk areas of anti-corruption, antitrust law, conflicts of interest, and preventing fraud (known as the ›aspects of compliance‹). The system is based on a comprehensive internal framework – our Principles of Business and Conduct – that describe our system of values. They are a compass that every one of us can use as guidance for their own actions. These principles are completed by business-specific rules in the handbook for employees and managers, which determine how these values are to be reflected in our everyday work.
www.draeger.com/en-us_us/About-Draeger/Company-Principles

Appropriate management and further development measures, as well as training concepts, aim to ensure that compliance principles are known and upheld throughout the Group and that the CMS is always aligned with the Company's risk position.

Our ›Speak Up‹ initiative, compliance risk management and compliance audits and reviews as an element of the CMS are all aimed at identifying compliance risks at an early stage and taking appropriate, effective measures to avoid or minimize risks.

Another measure for managing identified sales-related risks – the process for assessing sales and distribution partners (Sales Channel Partner Integrity Assessment – SCPIA) – is gradually being rolled out. The application, which has been developed in-house, provides guidance through all phases of the assessment process and ensure that, when assessing sales and distribution partners, we meet our requirements concerning transparency and documentation.

We encourage our employees to engage in discussions with their managers and colleagues on the subject of compliance and integrity, and to voice any concerns they might have with regard to a business transaction. Employees also have the opportunity to discuss their concerns with Dräger's compliance experts in special advisory meetings. Moreover, the Dräger Integrity Channel, a web-based whistleblower channel, is available to all employees and to third parties worldwide. As a result, it also meets the requirements of the German Corporate Governance Code (DCGK) and the German Supply Chain Due Diligence Act (LkSG).

The activities of the compliance function in fiscal year 2022 included providing advice and guidance on the aforementioned aspects of compliance, focusing above all on the following subjects:

- establishing compliance resources at the Corporate Compliance Office headquarters and worldwide: setting up a regional compliance role for the AAA region based in Singapore and establishing and intensifying collaboration with the compliance officers in the AAA region,
- multiple compliance communication measures in internal and external media,
- organizing three-day Global Compliance Days with the active involvement of three Executive Board members as a sign of the tone from the top,
- complete reorganization of online compliance training and organization of various virtual training courses to familiarize employees with issues relating to antitrust law,

– improving target-group-specific allocation of compliance training and training reporting,
– continuing with the digitalization of compliance reporting processes,
– monitoring the further development of compliance issues at the Group, in particular preparing for the implementation of the German Supply Chain Due Diligence Act (LkSG) and requirements concerning the protection of whistleblowers,
– performing ad hoc investigations due to reports filed by whistleblowers and assessing ad hoc compliance audits.

The Head of the Corporate Compliance Office (CCO) reports to the Executive Board once per quarter in an ordinary Executive Board meeting and, if required, also on an ad hoc basis. Within this reporting cycle, the designated Executive Board member is informed on material topics relating to the compliance function in regular feedback meetings with the General Counsel (Chairman of the Corporate Compliance Committee (CCC)).

The Executive Board receives a comprehensive Compliance Report once per year. In this annual report, the Executive Board receives an overview of the Company-wide compliance risk situation and the development of the compliance aspects in relation to the three basic compliance functions (prevent, identify, and respond).

In the final meeting of each year, the compliance function reports to the Audit Committee of the Drägerwerk AG & Co. KGaA Supervisory Board on behalf of the Executive Board.

The entire CMS is continually adjusted in line with business-specific risks and various local regulatory requirements. As part of this process, the findings of internal consultations and investigations, dialog with the global compliance organization, and the compliance and business standard audits are used, among other things, to determine measures to develop the CMS further.

Further information is provided in the Dräger Sustainability Report 2022.

DECLARATION PURSUANT TO SEC. 161 AKTG

Our declaration of conformity is available to the public on the company website www.draeger.com in the ›Investor Relations/Corporate Governance‹ section
and is also printed in this annual report on page 77 et seq.

REMUNERATION REPORT AND REMUNERATION SYSTEM ON THE COMPANY WEBSITE

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

Our remuneration report is available to the public on the company website www.draeger.com in the ›Investor Relations/Calendar and publications‹ section.

Our remuneration system is also available to the public at www.draeger.com in the ›About Dräger/Executive Board‹ section.

DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

The Executive Board has implemented effective internal control systems and relevant employee training measures to ensure that the Group's financial reporting system is correct and complies with legal requirements. The Company's principles are based on integrity and social responsibility in all areas such as environmental protection, quality, product and process safety, and compliance with local laws and regulations. The Internal Audit department continuously monitors the implementation of these principles as well as the reliability and functionality of the control systems. The Executive Board of Drägerwerk Verwaltungs AG governs the Group in the interest of its shareholders and is aware of its responsibility to employees, society, and the environment. We have made it our goal to use the resources entrusted to us in a manner that increases the value of the Dräger Group. According to the resolution passed by the annual shareholders' meeting on May 6, 2022, the Supervisory Board appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft as the independent auditor of the single entity financial statements of Drägerwerk AG & Co. KGaA for fiscal year 2022.

The auditing firm also examined the existing risk management system with regard to the Control and Transparency in Business Act (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich—KonTraG). Representatives of the statutory auditor attend the Audit Committee's meeting as well as the Supervisory Board's meeting to discuss the financial statements, during which the management report and auditor's report are deliberated on. The Supervisory Board has issued a separate report on this subject in the report of the Supervisory Board in the Annual Report 2022.

WORKING METHODS OF THE EXECUTIVE AND SUPERVISORY BOARDS

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

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

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

In its meeting on November 27, 2017, the Executive Board of the general partner defined a target of 12 % in relation to female participation in the first level of management below the Executive Board and a target of 23 % for the second level of management below the Executive Board. These quotas must be achieved by June 30, 2022. As at June 30, 2022, female participation in the first and second levels below the Executive Board was 19.4 % and 18.1 % respectively. The reasons for non-compliance with defined target indicators for the second management level below the Executive Board include various organizational changes in past years and the associated restructuring. In its meeting on July 4, 2022, the Executive Board of the general partner defined a target indicator for female participation at the first management level below the Executive Board of 20 % and a target indicator of 23 % at the second management level below the Executive Board. The deadline for the achievement of these two targets was set at June 30, 2027. The quotas, targets, and reasons provided above fulfill the legal reporting requirements. Please refer to the Sustainability Report for more information about the topic of women in management positions.
www.draeger.com/sustainability

MINIMUM QUOTAS FOR THE COMPOSITION OF THE SUPERVISORY BOARD

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

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

In its goals, the Supervisory Board has established a number of criteria for its composition that take diversity into account. These are printed in the Corporate Governance Report in this annual report on page 76 et seq. In the view of the Supervisory Board its current composition fully meets all goals. The composition of the Supervisory Board continues to meet the minimum quotas set by Sec. 96 (2) AktG. No diversity concept beyond these criteria has been determined for the Supervisory Board.

The composition of the general partner's Executive Board is based on the regulations of Sec. 76 AktG for large stock corporations and the recommendations of the German Corporate Governance Code. The Executive Board is made up of five individuals selected for their responsibilities only by the respective necessary qualifications. No diversity concept beyond these criteria has been determined for the Executive Board. The Company does not comply with the minimum requirements concerning the Executive Board of the general partner as the provisions of Sec. 76 (3a) AktG do not apply to the general partner.

FORWARD-LOOKING STATEMENTS

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

Lübeck, February 20, 2023

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

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

Report on gender equality and equal pay pursuant to Sec. 21 German Transparency in Wage Structures Act [Entgelttransparenzgesetz—EntgTranspG]

MEASURES IMPLEMENTED BY DRÄGERWERK AG & CO. KGAA TO PROMOTE EQUALITY BETWEEN WOMEN AND MEN IN THE REPORTING PERIOD 2017–2022

Numerous projects and measures have been initiated at Dräger in the past few years to organize the conditions of working at Dräger in such a way that they are as flexible as possible for all employees and their personal circumstances, and therefore promote equality.

In order to facilitate flexible working conditions that create a more positive work-life balance, Dräger offers the opportunity for employees to structure their working hours flexibly as they desire (flexitime) and to arrange mobile working for certain periods of time. The characteristics of these instruments are defined in the corresponding Mobile Working and Flexible Working Hours company agreements. Employees also have the opportunity to work from home on a case-by-case basis.

Promoting a positive work-life balance, the need for competitiveness and providing flexibility, and new workplace design formats and modern working and communication materials have an increasing influence on how work is structured at Dräger. Mobile working and the associated opportunity for employees to choose their place of work and spread working hours across various different workplaces are aimed at taking these changes into greater consideration. This is leading to greater self-determination and can have a positive effect on the health and job satisfaction of employees. At the same time, productivity both of individual employees but also teams is to be boosted by improving the use of resources and increasing team availability. Mobile working can also be a success factor in raising Dräger attractiveness as an employer.

BALANCING CAREER AND LIFE PHASES PROGRAM

As explained in the 2016 report on gender equality and equal pay, the management created a cross-functional working group in 2016 to address this topic. The group initially consisted of around 15 interested employees, who were tasked with developing targeted measures to improve the work-life balance. This working group has initiated a number of different activities and measures in close collaboration with the Executive Board. Comprehensive information on the Balancing Career and Life Phases program at Dräger and related opportunities is available transparently at a central location on the intranet. We have also anchored the topic of ›balance‹ into our global corporate principles, at the instigation of the working group.

Dräger has a number of measures in place in Germany to help our employees to be there for their families and balance their home life with their career. Flexible working hours, part-time work, mobile working, and telecommuting are possible, depending on the job and in consultation with managers. Dräger also works closely with an independent family service provider that is available 24 hours a day. Employees can turn to the service provider for information and advice on childcare and looking after family members in need of care, as well as advice in difficult situations in life.

In 2021, we trained three internal company care guides, who support employees to manage their care responsibilities and their working lives and develop sustainable solutions for such challenges.

In 2018, Dräger became the first company in Schleswig-Holstein, Germany, to join the external ›Unternehmen vernetzen Väter‹ network, and also set up its own internal Dräger fathers' network. Through these networks, fathers at Dräger gain access to special events, presentations, webinars, and a comprehensive knowledge database, plus it provides them with an opportunity to communicate with fathers at Dräger and at other member companies. Above all, the fathers' network primarily helps fathers to achieve a positive work-life balance. In 2019, the then minister for family affairs presented the Dräger fathers' network with the ›Fathers Award‹ for the most committed fathers' network.

The same year, we set up child-friendly offices at our Lübeck location. If employees' childcare falls through at short notice and unexpectedly, they can reserve a desk in the child-friendly office and take their children to work in exceptional cases.

Since 2018, children of Dräger employees between the ages of 6 and 12 have been able to join the Dräger school vacation program and receive childcare while school is out. The fees for the program are subsidized by Dräger.

Since 2019, certain groups of employees at Dräger in Germany have the option of skipping the bonus to which they are entitled in July of each year under their collective agreements in favor of eight additional days' off work to care for an immediate family member or a child (up to the age of eight). Since 2022, Dräger has also expanded this service – where possible according to operating requirements – to all employee groups in Germany, regardless of the aforementioned conditions.

WOMEN IN MANAGEMENT POSITIONS

To advance the cause of women in management as an aspect of diversity, the Executive Board already called on the organization in 2018 to make a conscious effort to take suitable female candidates into greater consideration when filling management positions and promoting talent with the aim of discovering and leveraging the talent of women for management tasks. The goal is to raise the percentage of female managers in the long term.

In the reporting period, activities relating to advancing the cause of women in management in Germany were successfully expanded through the Balancing Career and Life Phases program.

Friendly advisory sessions have been offered to women interested in taking on a management role since 2018. That year we also launched an internal digital network on the topic of women in management and had successfully increased membership to over 300 by the end of 2022. We have also set up a network for female employees who are already in a management role, facilitating regular in-person and virtual meetings where female managers can share ideas and experiences on relevant topics.

In 2020, we also launched a pilot project of the ›top sharing‹ model, where two female part-time employees share one management position. Through this modern working model, Dräger is stepping up and taking account of the necessity for social change toward greater work-life compatibility. This top sharing model also contributes to more equal opportunities in management positions through enabling part-time management. The pilot project was subject to an evaluation in the reporting period, which involved all participants and was rated a success. Further tandem projects – including those with no bearing on gender – are planned in the future.

At the instigation of the Executive Board and in collaboration with the AllBright Foundation, we conducted a survey in 2021 to gather information on the structural obstacles in the organization that stand in the way of increasing the share of women in management positions at Dräger. The findings were presented by the AllBright Foundation at an Executive Board meeting and discussed with the Executive Board. The Executive Board reinforced its desire and willingness to increase the share of women in management positions in the years ahead.

A mentoring program was also launched in 2021 with the aim of increasing the visibility of women in the company, exploring opportunities and prospects, as well as encouraging and supporting more women to take on management roles. More than 30 women in Germany have made use of this offer to date.

An additional, temporary mentoring scheme was added in 2022, in which all members of the Executive Board made themselves available to interested women for a mentoring session. This offering was also well received, with around 20 women taking the opportunity to discuss their career aspirations face-to-face with a member of the Executive Board.

In addition, we also organized a Lunch & Learn event for the first time in December 2022 aimed at women who are not necessarily interested in a management position but are looking to further their own personal development. The first event addressed the topic of networking among women. The series is set to be continued in 2023.

As a general initiative, we created additional informal points of contact in 2020 – alongside existing formal counseling centers – where employees can go if they feel that they have been discriminated against. The colleagues at the informal points of contact can provide confidential and objective advice and guidance on how to proceed.

Dräger received the TOTAL E-QUALITY award for equal opportunities in 2020. In its bid for the award, Dräger was able to successfully demonstrate how equal opportunities and gender equality are anchored and embraced within the organization.

CONCLUSION

The many different measures and activities listed above show how committed the Executive Board is to continuously improving the balance between home life and career among employees, promoting diversity both in general and in the composition of working groups and teams, and further raising the share of women in management positions. At Dräger, we see broad diversity and incorporating all of the available perspectives at the company as something of great importance that adds value. At the same time, we are aware that the journey to achieving some of the goals we have cited is a long one and it will require an ongoing, concerted effort until women achieve satisfactory representation at all management levels at Dräger.

MEASURES IMPLEMENTED BY DRÄGERWERK AG & CO. KGAA TO ENSURE EQUAL PAY BETWEEN WOMEN AND MEN IN THE REPORTING PERIOD 2017–2022

It is Dräger's aim to reach financially viable, socially acceptable, and sustainable agreements on working conditions together with our collective bargaining and company partners. Achieving greater flexibility in terms of working hours and working conditions, as well as the place of work and opportunities for mobile working, is becoming an increasingly important factor. This includes, among other things, options already described in more detail in the previous section for part-time work and initiatives governed by collective bargaining agreements for a temporary reduction in working hours (›reduced full-time employment‹) and converting remuneration into additional leave, for childcare purposes or in order to care for a relative.

The collective bargaining agreement of the metal and electrical industries (Entgeltrahmentarifvertrag der Metall- und Elektroindustrie – ERA) applies to the Dräger companies in Germany covered by the agreement. The ERA defines gender-neutral, task- and position-specific criteria for employee appraisal and classification, creating a transparent basis for equal pay among all employees covered by the agreement, regardless of their gender.

In 2018, the remuneration structure for employees not covered by the collective bargaining agreement was reconfigured, with the addition of transparent, gender-neutral criteria for the classification of these employees. Like those defined in the ERA, these criteria are based on the requirements of the respective position and are described in a company agreement.

Our employees are selected for the position in question, recruited, developed further, and remunerated on the basis of their qualifications and skills, across all organizational levels. We carefully review our current remuneration structures to ensure proper gender distribution. No noticeable gender-specific distortion of remuneration levels was determined for any of the remuneration groups in the reporting period.

Remuneration for employees not paid according to collective bargaining agreements is governed by individual contractual terms. Imbalances may occur due to the broad range of pay in the remuneration structure outside of collective bargaining agreements. We carefully review such disparities and are committed to guaranteeing fair remuneration for all roles through external market salary comparisons.

We keep employees and managers up to speed on the principles and requirements of the German Transparency in Wage Structures Act (Entgelttransparenzgesetz), as well as the information available through it, in detail and transparently on the intranet.

INFORMATION ON THE NUMBER OF EMPLOYEES IN THE LAST CALENDAR YEAR (2022) OF THE REPORTING PERIOD FOR DRÄGER COMPANIES IN GERMANY AND THEIR CHANGE COMPARED TO THE LAST REPORTING YEAR 2016

Number of employees

Calendar year 2022 (compared to reporting year 2016)	Women	Men
Average total number of employees	2,089 (+295 / +16.4%)	5,362 (+846 / +18.7%)
Proportion	28.0%	72.0%
Average number of full-time employees	1,486 (+207 / +16.2%)	5,206 (+867 / +20.0%)
Average number of part-time employees [1]	2,603 (+88 / +17.1%)	156 (-21 / -11.9%)

[1] Part-time employee is defined as an employee with working hours less than 35 h/week.

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ANNUAL FINANCIAL STATEMENTS

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Annual Financial Statements 2022 of the Dräger Group

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

in € thousand	Notes	2022	2021
Net sales	8	3,045,227	3,328,419
Cost of sales	9	-1,806,841	-1,787,507
Gross profit		**1,238,385**	**1,540,912**
Research and development costs	10	-343,482	-328,578
Marketing and selling expenses	11	-717,882	-672,923
General administrative costs	12	-258,659	-261,114
Impairment losses on financial assets and contract assets	13	-5,631	-3,800
Other operating income	14	4,956	4,131
Other operating expenses	14	-2,280	-1,435
Functional expenses		**-1,322,978**	**-1,263,721**
Result from net exposure from monetary items	6	-544	-2,167
Result from investments in associates		-2,608	-720
Result from other investments		667	142
Other financial result		-1,529	-2,764
Financial result (before interest result)	**15**	**-4,015**	**-5,509**
EBIT		**-88,608**	**271,682**
Interest result	15	-13,801	-35,032
Earnings before income taxes		**-102,409**	**236,650**
Income taxes	16	38,772	-82,377
Net loss / Net profit		**-63,637**	**154,274**
Net loss / Net profit		**-63,637**	**154,274**
Earnings to non-controlling interests		925	42
Earnings attributable to shareholders and holders of participation certificates	19	-64,562	154,231
Undiluted earnings per share on full distribution	**19**		
per preferred share (in €)		-3.41	7.19
per common share (in €)		-3.47	7.13
Diluted earnings per share on full distribution	**19**		
per preferred share (in €)		-3.41	7.19
per common share (in €)		-3.47	7.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

in € thousand	2022	2021
Net loss / Net profit	**-63,637**	**154,274**
Items that cannot be reclassified into the income statement		
Remeasurements of defined benefit pension plans	156,473	68,830
Deferred taxes on remeasurements of defined benefit pension plans	-49,110	-20,585
Items that may be reclassified into the income statement in the future		
Currency translation adjustment for foreign subsidiaries	5,937	25,658
Changes in the fair value of the cash flow hedge reserve recognized directly in equity	11,562	-10,605
Deferred taxes on changes in the fair value of the cash flow hedge reserve recognized directly in equity	-3,642	3,349
Other comprehensive income (after taxes)	**121,220**	**66,647**
Total comprehensive income	**57,583**	**220,920**
of which attributable to non-controlling interests	980	-65
thereof earnings attributable to shareholders and holders of participation certificates	56,603	220,986

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

in € thousand	Notes	December 31, 2022	December 31, 2021
Assets			
Intangible assets	20	350,641	354,136
Property, plant and equipment	21	478,376	481,554
Right-of-use assets	36	109,517	115,435
Investments in associates	22	16,036	6,321
Non-current trade receivables	23	2,214	2,604
Other non-current financial assets	24	24,224	26,104
Deferred tax assets	16	215,900	195,202
Other non-current assets	27	7,036	5,203
Non-current assets		**1,203,945**	**1,186,560**
Inventories	25	696,983	616,761
Trade receivables	23	678,608	608,943
Contract assets	23	56,328	48,384
Other current financial assets	24	41,045	163,804
Cash and cash equivalents	26	311,554	445,746
Current income tax refund claims		41,794	38,446
Other current assets	27	76,318	69,619
Current assets		**1,902,631**	**1,991,703**
Total assets		**3,106,576**	**3,178,263**

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

in € thousand	Notes	December 31, 2022	December 31, 2021
Equity and liabilities			
Capital stock		48,026	48,026
Capital reserves		307,035	307,035
Reserves retained from earnings, including group result		969,303	924,970
Other comprehensive income		-6,317	-20,120
Non-controlling interests	29	1,384	584
Equity	**28**	**1,319,430**	**1,260,494**
Provisions for pensions and similar obligations	30	202,886	357,884
Non-current personnel provisions	31	34,721	37,092
Other non-current provisions	31	22,362	38,748
Non-current note loans	32	100,000	100,000
Non-current liabilities to banks	32	62,212	84,841
Other non-current financial liabilities	33	93,702	302,511
Non-current income tax liabilities		5,526	9,016
Deferred tax liabilities	16	2,452	5,431
Other non-current liabilities	34	44,763	47,339
Non-current liabilities		**568,625**	**982,862**
Current personnel provisions	31	105,076	135,882
Other current provisions	31	144,131	146,544
Current liabilities to banks	32	83,575	41,058
Trade payables	33	285,608	223,979
Other current financial liabilities	33	324,466	110,961
Current income tax liabilities		48,024	56,805
Other current liabilities	34	227,641	219,678
Current liabilities		**1,218,521**	**934,907**
Total equity and liabilities		**3,106,576**	**3,178,263**

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

	in € thousand	2022	2021
	Operating activities		
	Earnings after income taxes	-63,637	154,274
+	Write-down / Write-up of non-current assets	141,935	148,338
+	Interest result	13,801	35,031
+/-	Income taxes	-38,772	82,377
+/-	Increase / Decrease in provisions	-57,653	12,654
+	Other non-cash expenses	5,803	4,484
+/-	Loss / Gain from the disposal of non-current assets	1,082	-1,370
+/-	Decrease / Increase in inventories	-81,776	14,393
-	Increase in leased equipment	-9,220	-9,850
+/-	Decrease / Increase in trade receivables	-74,694	122,297
-	Increase in other assets	-879	-20,843
+/-	Increase / Decrease in trade payables	66,270	-15,838
+/-	Increase / Decrease in other liabilities	7,343	-65,540
+	Dividends received	1,041	449
-	Cash outflow for income taxes	-49,505	-44,781
-	Cash outflow for interest	-12,607	-35,473
+	Cash inflow from interest	7,239	4,284
	Cash outflow / inflow from operating activities	**-144,228**	**384,886**
	Investing activities		
-	Cash outflow for investments in intangible assets	-7,145	-9,113
+	Cash inflow from the disposal of intangible assets	0	14
-	Cash outflow for investments in property, plant and equipment	-79,714	-101,229
+	Cash inflow from disposals of property, plant and equipment	1,625	3,376
-	Cash outflow for investments in financial assets [1]	-57,414	-136,436
+	Cash inflow from the disposal of financial assets [1]	179,474	139,475
-	Cash outflow for the acquisition of subsidiaries	-	-6,004
	Cash inflow / outflow from investing activities	**36,826**	**-109,919**
	Financing activities		
-	Distribution of dividends (including payments to participation certificates holders)	-3,681	-4,048
-	Cash outflow from the repurchase of participation certificates	-	-258,034
-	Cash outflow from the acquisition of treasury shares for the employee share program	-4,549	-5,952
+	Cash inflow from the transfer of treasury shares from the employee share program	3,328	4,464
+	Cash provided by raising loans	1	108,815
-	Cash used to redeem loans	-17,035	-133,539
+/-	Net balance of other liabilities to banks	36,676	-4,626
-	Repayment of lease liabilities	-43,941	-41,461
-	Profit distributed to non-controlling interests	-180	-262
	Cash outflow from financing activities	**-29,381**	**-334,644**
	Change in cash and cash equivalents in the fiscal year	**-136,782**	**-59,676**
+	Effect of exchange rates on cash and cash equivalents	2,591	8,092
+	Cash and cash equivalents at the beginning of the reporting period	445,746	497,330
	Cash and cash equivalents on reporting date	**311,554**	**445,746**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

in € thousand	Capital stock	Capital reserves	Reserves retained from earnings incl. group result	Treasury shares	Other comprehensive income	Total equity of shareholders of Drägerwerk AG & Co. KGaA	Non-controlling interests	Equity
January 1, 2021	**48,026**	**307,035**	**716,468**	**0**	**-38,629**	**1,032,899**	**911**	**1,033,810**
Net profit	-	-	154,231	-	-	154,231	42	154,274
Other comprehensive income	-	-	48,245	-	18,510	66,755	-108	66,647
Total comprehensive income	**0**	**0**	**202,476**	**0**	**18,510**	**220,986**	**-65**	**220,920**
Distributions (including payments to participation certificates holders)	-	-	-4,048	-	-	-4,048	-262	-4,310
Acquisition of treasury shares	-	-	-	-5,952	-	-5,952	-	-5,952
Employee share program	-	-	-	5,952	-	5,952	-	5,952
Miscellaneous [1]	-	-	10,074	-	-	10,074	0	10,074
December 31, 2021 / January 1, 2022	**48,026**	**307,035**	**924,970**	**0**	**-20,120**	**1,259,910**	**584**	**1,260,494**
Net profit	-	-	-64,562	-	-	-64,562	925	-63,637
Other comprehensive income	-	-	107,363	-	13,803	121,165	54	121,220
Total comprehensive income	**0**	**0**	**42,801**	**0**	**13,803**	**56,603**	**980**	**57,583**
Distributions (including payments to participation certificates holders)	-	-	-3,681	-	-	-3,681	-180	-3,861
Acquisition of treasury shares	-	-	-	-4,549	-	-4,549	-	-4,549
Employee share program	-	-	-	4,549	-	4,549	-	4,549
Miscellaneous [1]	-	-	5,214	-	-	5,214	0	5,214
December 31, 2022	**48,026**	**307,035**	**969,303**	**0**	**-6,317**	**1,318,047**	**1,384**	**1,319,430**

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

Notes of the Dräger Group for 2022

1 GENERAL

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

On February 28, 2023, the Executive Board is approving the publication of the Group financial statements of Drägerwerk AG & Co. KGaA for fiscal year 2022. The Group financial statements are published in the electronic version of the Federal Gazette.

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

2 BASIS OF PREPARATION OF THE GROUP FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA prepared its Group financial statements for fiscal year 2022 in accordance with the International Financial Reporting Standards (IFRS) as defined by the International Accounting Standards Boards (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). Drägerwerk AG & Co. KGaA applied all the IFRSs adopted by the IASB as at December 31, 2022, to its 2022 Group financial statements, provided that these standards had been endorsed by the European Commission and published in the Official Journal of the European Union by the date of publication of the Group financial statements and that application of such standards is mandatory for fiscal year 2022.

In particular, Dräger applied the following revised standards issued by the IASB for the first time in fiscal year 2022 on their effective dates:

- The IASB has made minor changes to the following standards that did not have a material influence on Dräger's Group financial statements:
  - IFRS 3 ›Business Combinations‹: The amendments to IFRS 3 update the standard to refer to the changed conceptual framework.
  - IAS 16 ›Property, Plant and Equipment‹: As a result of the amendment to IAS 16, it is no longer permissible to deduct from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
  - IAS 37 ›Provisions, Contingent Liabilities and Contingent Assets‹: The amendments to IAS 37 specify that the ›cost of fulfilling a contract‹ comprises only the costs that relate directly to the contract (e.g., direct labor, materials, or the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- Annual Improvements 2018–2020: The amendments result in minor improvements to IFRS 1, IFRS 9, IFRS 16, and IAS 41.

The following accounting requirements are to be applied to fiscal years beginning on January 1, 2023, and have been voluntarily applied prematurely since fiscal year 2021.

- According to IAS 12, companies are exempted, under certain circumstances, from the requirement to recognize deferred tax liabilities if they are recognizing assets or liabilities for the first time (initial recognition exemption). Under ›Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued May 2021)‹, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendment primarily affects the recognition of leases (recognition of a right-of-use asset and the corresponding liability) and decommissioning obligations (recognition of an obligation for decommissioning costs with deduction of the capitalized costs of the asset in question). This has no impact Dräger's Group financial statements.

The following accounting requirements are to be applied to fiscal years beginning on or after January 1, 2023, and, in some cases, have already been adopted into European law by the EU. Dräger did not voluntarily apply these requirements prematurely.

– The new IFRS 17 ›Insurance Contracts‹ (issued May 2017) governs the recognition, measurement, and disclosure of insurance contracts, reinsurance contracts, and capital investment contracts with discretionary participation features. Due to the deferral of the effective date of IFRS 17 to fiscal years beginning on or after January 1, 2023, IFRS 4 ›Extension of the Temporary Exemption from Applying IFRS 9‹ (issued June 2020) was also amended to postpone the fixed expiration date of the temporary exemption from applying IFRS 9 to such fiscal years as well under IFRS 4. The analysis on the application of IFRS 17 has not been fully completed. Currently, it is not expected to have a material impact on Dräger's Group financial statements.
– The ›Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued January 2020)‹ clarify that the classification of liabilities as current or non-current must be based on the contractual arrangements in place at the balance sheet date. This does not materially impact Dräger's Group financial statements.
– In ›Amendments to IAS 8: Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued February 2021),‹ the IASB has defined the differences between accounting methods and accounting-related estimates. In particular, the amendment has an impact on changes made prospectively (as in the case of accounting-related estimates) and retrospectively (largely, as in the case of accounting methods). This does not materially impact Dräger's Group financial statements.
– The IASB's ›Disclosure Initiative‹ aims to improve and simplify IFRS financial statements. According to ›Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued February 2021)‹, immaterial disclosures on accounting methods are to be omitted from IFRS financial statements. It also defines when an accounting method is to be seen as material and therefore must be disclosed. This does not materially impact Dräger's Group financial statements.
– The ›Amendments to IFRS 16: Lease Liability in a Sale and Leaseback‹ clarifies how a seller-lessee subsequently measures sale and leaseback transactions that are recognized as sales in accordance with IFRS 15. The amendment aims to ensure that the retained right-of-use asset has no effect on earnings in the subsequent measurement of the lease liability. This does not materially impact Dräger's Group financial statements.

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

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

The Group financial statements were prepared in euros. Unless stated otherwise, all figures were disclosed in thousands of euros (EUR thousand); rounding differences may arise as a result. The balance sheet is classified according to the current/non-current distinction; the income statement was prepared according to the cost of sales method. Where certain items of the financial statements have been grouped with a view to enhancing the transparency of presentation, they are disclosed separately in the notes. The annual financial statements of the companies included in the Group financial statements have been prepared on the reporting date of the Group financial statements - with the exception of two subsidiaries whose fiscal year ends on March 31 - and are based on uniform accounting and valuation policies.

3 SCOPE OF CONSOLIDATION

As at December 31, 2022, the consolidated group of Drägerwerk AG & Co. KGaA was composed of 106 fully consolidated entities (2021: 104 entities) and four associated entities (2021: three associate entities).

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

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

As in the prior year, the consolidated group includes three real estate companies and a further special purpose entity as structured companies. The activities of these companies are limited because they were each only founded for a specific purpose. Dräger controls these structured companies not exclusively through voting rights or comparable rights, but partially only through other contractual agreements (please refer to our comments on the use of assumptions and estimates in ↗ note 7). Dräger does not provide these companies with any financing or guarantees, nor does it intend to do so in the future.

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

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

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

Joint ventures, on the other hand, occur when the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Dräger remains contractually involved in three joint ventures in the form of working groups. These companies are not presented in the notes, as their business in and of itself and when taken as a whole is not material, their shares have no costs, and the companies - as in the prior year - do not generate any earnings of their own.

Drägerwerk AG & Co. KGaA directly and indirectly exerts a significant influence on associates. In compliance with IAS 28, the associates are accounted for according to the equity method.

The consolidated companies of the Dräger Group as at December 31, 2022, are listed under ↗ note 44.

4 EFFECTS OF THE CHANGES IN THE SCOPE OF CONSOLIDATION

The scope of consolidation of Drägerwerk AG & Co. KGaA developed as follows in fiscal year 2022:

SCOPE OF CONSOLIDATION

	Germany	Abroad	Total
Drägerwerk AG & Co. KGaA and fully consolidated companies			
January 1, 2022	20	84	104
Start-ups	-	3	3
Mergers	-	1	1
December 31, 2022	**20**	**86**	**106**
Associates			
January 1, 2022	1	2	3
Additions	1	-	1
December 31, 2022	**2**	**2**	**4**
Total	**22**	**88**	**110**

Dräger acquired 24.01 % of the shares in GWA Hygiene GmbH, Stralsund, Germany, in January 2022. GWA Hygiene GmbH develops and produces tools and software for the automated collection and analysis of data in the industrial and healthcare sectors, with the aim of improving hygiene standards and optimizing workflows. The company is included in the Group financial statements as an associate using the equity method.

In April 2022, Dräger set up a company in Vilnius, Lithuania, called QuaDigi UAB, which develops software solutions that are used in Dräger products. The company's fully paid-up capital amounts to EUR 10 thousand.

In June 2022, Dräger founded Draeger Ghana Ltd in Accra, Ghana, a sales and service company. The company's fully paid-up capital amounts to USD 1.0 million.

In June 2022, Dräger acquired additional shares in MultiSensor Scientific Inc., Somerville, USA, increasing the stake from 36.03 % to 50.25 %. Some of those new shares were issued as non-voting shares. Dräger holds 45.88 % of the company's voting rights and exerts a considerable influence on the company but still does not control it. Accordingly, the company continues to be included in the Group financial statements as an associate using the equity method.

In November 2022, Dräger Safety Hispania S.A.U., Madrid, Spain, was merged with Dräger Medical Hispania S.A.U., Madrid, Spain (now: Dräger Hispania S.A.U.).

In November 2022, Dräger founded Dräger Kenya Ltd in Nairobi, Kenya, a sales and service company. The company's fully paid-up capital amounts to KES 62.5 million.

5 CONSOLIDATION PRINCIPLES

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

Any excess of the Group's share in equity over the cost of the investment is recognized in profit or loss at the date of acquisition.

Successively acquired shares that do not affect the controlled status of an entity are treated as transactions between providers of equity capital (›entity concept‹). The carrying amounts of assets and liabilities remain the same. The value shift between Dräger and the non-controlling interests is recorded directly in equity. Any non-controlling interests in equity are shown in the consolidated balance sheet (↗note 29).

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

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

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

6 CURRENCY TRANSLATION

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

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

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

The financial statements and comparative figures of economically independent foreign entities operating in a hyperinflationary environment and reporting in a currency of a hyperinflationary economy are to be remeasured. The remeasurement must take place at the measuring unit applying on the balance sheet date by indexing these financial statements using a general price index for the respective country. Since fiscal year 2018, Argentina has been considered a hyperinflationary economy, meaning that the subsidiary in Argentina is affected by remeasurement. The applied price index of the Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) stood at 1,144.04 as at December 31, 2022 (December 31, 2021: 580.55). Türkiye exceeded the criteria required for a hyperinflationary economy for the first time in fiscal year 2022, and so the two sales and service companies operating in the country are affected by remeasurement. The applied price index TürkiYe iStatistik Kurumu (TÜiK) stood at 686.95 as at January 1, 2022, and 1,128.45 as at December 31, 2022. The effect of inflation totaled EUR 5,591 thousand (2021: EUR 2,530 thousand) and was recognized as an increase in equity within currency translation differences. The loss from the net exposure of monetary items totaled EUR -544 thousand (2021: EUR -2,167 thousand). Previously presented comparative amounts denominated in stable currency have not been adjusted. The financial statements of these subsidiaries are based on the concept of historical cost.

The exchange gains/losses on operating foreign currency items included in cost of sales gave rise to a total loss of EUR -16,052 thousand (2021: loss of EUR -9,957 thousand).

The exchange gains/losses on foreign currency items disclosed in the financial result led to total losses of EUR -886 thousand (2021: loss of EUR -2,329 thousand).

Currency translation for foreign subsidiaries resulted in an increase in other comprehensive income of EUR 5,883 thousand as at the balance sheet date (2021: increase of EUR 25,766 thousand).

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

CURRENCIES / EXCHANGE RATES

		Closing rate		Average rate	
	1 € =	December 31, 2022	December 31, 2021	2022	2021
U.S.	USD	1.07	1.13	1.05	1.18
People's Republic of China	CNY	7.40	7.21	7.10	7.61
United Kingdom	GBP	0.89	0.84	0.85	0.86
Australia	AUD	1.57	1.56	1.52	1.58

7 ACCOUNTING POLICIES

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

GENERAL

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

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

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

Net sales recognition (including contract assets and contract liabilities)

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

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

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

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

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

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

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

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

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

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

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

Intangible assets

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

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

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

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

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

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

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

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

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

Intangible assets are generally assumed to have a useful life of four years. Patents and trademarks are amortized over their term (11 years on average) using the straight-line method.

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

Property, plant and equipment

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

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

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

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

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

Land is not depreciated.

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

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

Assets under construction are stated at cost.

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

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

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

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

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

Financial instruments

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

The Dräger Group holds the following financial assets:

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

The Dräger Group reports the following financial liabilities:

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

Financial assets

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

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

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

These assets are classified on the basis of:

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

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

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

Derivatives that are not part of a hedge and have a positive market value are measured at fair value through profit or loss. The same applies for equity instruments, as they are held for trading. The option to designate equity instruments for fair value measurement through other comprehensive income is not exercised.

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

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

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

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

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

For the majority of the volume of financial assets measured at amortized cost (excluding cash and cash equivalents), Dräger exercises its option to apply the simplified method whereby risk provisions are measured in the amount of the expected losses from default for the entire term both at initial recognition and on all subsequent reporting dates.

These financial assets measured at amortized cost are structured according to credit risk portfolios in order to calculate expected losses. The risk portfolios are based on the customer regions. The payment and past due structure is determined for each risk portfolio using a default matrix. The historical default rates are calculated by allocating average defaults on receivables over the past three years to payment structures. These default rates are then applied to the individual past due structures in order to calculate the risk provisions. In addition to historical defaults, a prospective forward-looking element is also taken into consideration.

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

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

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

Financial liabilities

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

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

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

Dräger does not exercise its option to voluntarily measure a financial liability at fair value through profit or loss.
Financial assets and liabilities are offset and reported at net amounts if there is a right at the present time to set off the reported amounts against each other and the intention is to settle on a net basis or to settle the associated liability simultaneously with the realization of the asset.

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

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

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

Derivative financial instruments

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

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

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

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

Dräger applies the accounting and measurement methods defined in IFRS 9 for hedge accounting. As a result, currency futures are designated as spot-to-spot components. Therefore, the spot component is recognized in the cash flow hedge reserve (OCI I) and the forward component in the cost of hedging reserve (OCI II).

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

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

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

We refer to ↗ note 35 for details of the nature and scope of the Dräger Group's existing financial instruments.

Inventories

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

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

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

Cash and cash equivalents

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

Dividends

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

Provisions for pensions and similar obligations

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

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

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

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

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

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

Other provisions

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

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

Other provisions include long-term employee benefits (other than provisions for pension obligations and similar obligations). These are measured at the present value of the obligation at the balance sheet date. The present value of the obligation is determined in the same way as provisions for pensions and similar obligations.

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

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

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

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

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

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

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

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

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

Share-based payment

In fiscal year 2022, Dräger offered all Dräger employees in Germany share-based compensation in the form of an employee share program. The intent is to increase employees' identification with the Company and Dräger's attractiveness as an employer.

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

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

Leases

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

A) DRÄGER GROUP AS A LESSEE

The lessee is required to recognize assets and liabilities for the right-of-use assets and obligations arising under all existing leases.

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

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

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

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

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

The initial measurement of the lease liabilities takes place at the present value of future lease payments, which are fundamentally discounted using the incremental borrowing rate, if the implicit interest rate of the contract cannot be determined. Lease payments include:

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

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

B) DRÄGER GROUP AS A LESSOR

Finance leases

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

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

Operating leases

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

Use of estimates and assumptions and changes in method

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

No changes in method were applied in either the fiscal year or the prior year.

The estimates pertain to the following areas in particular:

- Beside Dräger's voting rights, other matters and circumstances need to be taken into account when determining whether a special purpose entity or a company is controlled to such an extent that it should be included as a subsidiary in the Group financial statements. Assumptions need to be taken into account, in particular in those cases in which other contractual rights or constructive circumstances exist, so as to determine whether Dräger can use its power over the company to influence the company's variable returns. Changes to contractual agreements or facts or circumstances are monitored with regard to their potential impact on the assumptions made.
- In the case of two real estate companies, many corporate measures are predetermined on account of their narrow business purposes, meaning that they do not need to be consolidated on the basis of voting rights. However, Dräger has contractual purchasing options for these properties, which are integrated in Dräger's premises. As a result, by managing the residual values of these properties Dräger exercises control over the variable returns of these companies and therefore over its own returns from the investments. As in the prior year, these property management companies therefore need to be included in Dräger's scope of consolidation

as subsidiaries. Rational expectations as to the development of real estate prices were used when assessing the management of the residual values.
– As part of the annual assessment of the recoverable amount of capitalized goodwill, Dräger's management uses estimates to arrive at its conclusions. With regard to anticipated earnings trends, the data management uses is based on internal analyses and forecasts.
– On the date of provision, and in the subsequent period, Dräger as a lessee assesses whether it is sufficiently certain that Dräger will exercise a renewal option or a purchase option for the underlying asset or will not exercise a termination option. The entity considers all relevant facts and circumstances that could provide an economic incentive for the lessee to exercise or not exercise the option, including any changes in those facts and circumstances that are expected to occur between the date of provision and the option exercise date.

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

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

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

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

Defined benefit pension plans and similar obligations are recognized in accordance with actuarial methods. These methods are based on actuarial assumptions such as the discount rate, wage and salary trends, increases in pensions, and employee turnover. The discount factors used are calculated on the basis of the effective market return on high-quality corporate bonds. Deviations of actuarial assumptions from actual developments could have serious implications for the measurement of defined benefit pension plans and similar obligations. The results of sensitivity analyses for the discount rate, future increases in pensions, and life expectancy as stated in ↗ note 30 provide indications of these effects.

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

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

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

Notes to the income statement

8 NET SALES

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

NET SALES

in € thousand	2022	2021	Change in %
Net sales from the sale of products and goods [1,2]	1,564,826	1,804,015	-13.3
Net sales from the sale of services and accessories (including replacement parts) [1]	1,331,292	1,376,435	-3.3
Net sales from operating leases of products and goods [2]	48,571	52,817	-8.0
Net sales from projects	100,538	95,151	5.7
Net sales	**3,045,227**	**3,328,419**	**-8.5**

[1] Some products are reallocated to new product groups. The prior year's figures have been adjusted accordingly.
[2] Net sales from operating leases are shown separately for the first time. The prior year's figures have been adjusted accordingly.

A detailed segment report, including net sales by region, is provided in ↗note 38.

Net sales of EUR 669.5 million were generated in Germany during the reporting year (2021: EUR 766.6 million). Net sales of EUR 1,821.5 million (2021: EUR 2,064.2 million) were generated with medical products and services in fiscal year 2022, and net sales of EUR 1,223.7 million (2021: EUR 1,264.2 million) were generated with safety products and services.

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

Recognized net sales of EUR 117,970 thousand (2021: EUR 201,750 thousand) were still included under contract liabilities at the start of the reporting period, which included deferred net sales and prepayments received.

FUTURE NET SALES FROM LONG-TERM SERVICE AND CONSTRUCTION CONTRACTS

in € thousand	2022	2021
Expected net sales in year 1	79,327	73,702
Expected net sales in year 2	63,441	68,960
Expected net sales from year 3 on	87,945	84,858
	230,713	**227,519**

The reporting period included net sales of EUR 245 thousand (2021: EUR 69 thousand) that we fulfilled either in full or in part in prior fiscal years.

9 COST OF SALES

Cost of sales include the following:

COST OF SALES

in € thousand	2022	2021
Direct materials	861,208	919,962
Direct labour	350,483	344,724
Direct costs	**1,211,692**	**1,264,686**
Material overheads	83,783	76,172
Production overheads	327,565	345,072
Other indirect costs	183,801	101,577
Indirect costs	**595,150**	**522,821**
Cost of sales	**1,806,841**	**1,787,507**

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

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

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

Please refer to our comments in ↗note 6 for information on the effects from currency translation included in the cost of sales.

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

10 RESEARCH AND DEVELOPMENT COSTS

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

11 MARKETING AND SELLING EXPENSES

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

12 GENERAL ADMINISTRATIVE EXPENSES

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

13 IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS

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

IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS

in € thousand	2022	2021
Release of risk provisions	2,986	6,048
Allocations to risk provisions	-8,274	-9,392
Direct derecognition	-344	-457
	-5,631	**-3,800**

14 OTHER OPERATING INCOME / EXPENSES

OTHER OPERATING INCOME / EXPENSES

in € thousand	2022	2021
Gains on the disposal of intangible assets and property plant and equipment	493	2,069
Rental income	1,894	1,931
Income from the derecognition of liabilities	2,569	131
Other operating income	**4,956**	**4,131**
Expenses for leased assets	-694	-750
Losses on the disposal of intangible assets and property, plant and equipment	-1,586	-685
Other operating expenses	**-2,280**	**-1,435**

15 FINANCIAL RESULT

FINANCIAL RESULT (BEFORE INTEREST RESULT)

in € thousand	2022	2021
Result from net exposure from monetary items	**-544**	**-2,167**
Share in the profits from investments in associates	374	343
Other expenses from investments in associates	-3,014	-1,097
Other income from investments in associates	32	34
Result from investments in associates	**-2,608**	**-720**
Net result from the measurement of financial assets measured at fair value through profit and loss	667	142
Result from other investments	**667**	**142**
Net result from foreign exchange transactions	-886	-2,329
Other financial expenses	-643	-435
Other financial result	**-1,529**	**-2,764**
Financial result (before interest result)	**-4,015**	**-5,509**

INTEREST RESULT

in € thousand	2022	2021
Income from financial assets measured at amortized cost	8,683	4,587
Income from financial assets measured at fair value through profit and loss	9	13
Interest income contained in lease payments	94	163
Interest and similar income	**8,819**	**4,763**
Expenses from financial liabilities measured at amortized cost	-12,229	-30,562
Interest portion contained in pension provisions	-4,184	-3,334
Interest expenses contained in lease payments	-4,883	-4,707
Expenses from interest rate hedges	-461	-479
Other interest and similar expenses	-863	-713
Interest and similar expenses	**-22,620**	**-39,795**
Interest result	**-13,801**	**-35,032**

Expenses from financial liabilities measured at amortized cost mainly comprised the compounding of the payment obligation of the terminated series D participation certificates of EUR 4,981 thousand (2021: EUR 8,855 thousand, the compounding of the payment obligation of the termination of series D participation certificates, and from the premature repayment of a tranche of this series D). In the prior year, this item also included interest expenses from the adjustment of the repayment obligation to the minority shareholder of Draeger Arabia Co. Ltd., Riyadh, Saudi Arabia, of EUR 12,315 thousand.

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

16 INCOME TAXES

COMPOSITION OF INCOME TAXES

Income (+) / Expense (-) in € thousand	2022	2021
Germany	**-142**	**-21,628**
Abroad	**-32,172**	**-35,144**
Current taxes	**-32,314**	**-56,773**
Germany		
Deferred taxes from temporary differences	-4,020	3,730
Deferred taxes from loss carryforwards	64,559	-36,949
Deferred taxes Germany	**60,539**	**-33,219**
Abroad		
Deferred taxes from temporary differences	6,660	4,911
Deferred taxes from loss carryforwards	3,887	2,704
Deferred taxes abroad	**10,547**	**7,615**
Deferred taxes	**71,086**	**-25,604**
Income taxes	**38,772**	**-82,377**

The deferred tax income in Germany in fiscal year 2022 was predominantly the result of the recognition of deferred tax income on tax losses in the income tax fiscal unit of Drägerwerk AG & Co. KGaA. In fiscal year 2021, the utilization of tax loss carryforwards in the income tax fiscal unit of Drägerwerk AG & Co. KGaA resulted in a corresponding deferred tax expense.

Deferred tax income includes a tax expense of EUR 1,412 thousand (2021: EUR 894 thousand) from the change in tax rates.

A deferred tax liability of EUR 2,345 thousand (2021: EUR 2,896 thousand) was recognized for temporary differences in connection with retained profits of foreign subsidiaries. No deferred tax liabilities are recognized for temporary differences associated with investments in subsidiaries in the amount of EUR 19,333 thousand (2021: EUR 13,438 thousand) as the sale of these companies or a distribution of retained profits is unlikely in the foreseeable future.

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

RECONCILIATION OF EXPECTED INCOME TAXES TO RECOGNIZED INCOME TAXES

Income (+) / Expense (-) in € thousand	2022	2021
Earnings before income taxes	**-102,409**	**236,650**
Expected income taxes (tax rate: 31.5 %; 2021: 31.5 %)	**32,259**	**-74,545**
Reconciliation		
Effects from other periods and non-deductible withholding tax	3,043	979
Effect from changes in tax rates	-1,412	894
Effect from different tax rates	10,300	6,360
Tax effect of non-deductible expenses and tax-free income	-4,305	-9,509
Recognition and measurement of deferred tax assets	-425	-7,311
Other tax effects	-689	755
Recognized income taxes	**38,772**	**-82,377**
Tax rate (%) overall	**37.9**	**34.8**

The parent company's tax rate of 31.5 % (2021: 31.5 %) was used as the expected tax rate. The expected tax rate is composed of a corporate income tax component of 15.83 % (2021: 15.83 %), including the 5.5 % solidarity surcharge, and a trade tax component of 15.67 % (2021: 15.67 %). Domestic deferred taxes are determined on the basis of a 31.5 % tax rate (2021: 31.5 %).

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

DEFERRED TAX ASSETS / DEFERRED TAX LIABILITIES

	Deferred tax assets		Deferred tax liabilities	
in € thousand	**2022**	**2021**	**2022**	**2021**
Intangible assets	851	1,295	7,076	7,053
Property, plant and equipment	9,419	8,640	10,826	8,618
Right-of-use assets	-	-	18,769	19,397
Other non-current financial assets	140	215	4,618	4,103
Other non-current assets	-	-	-	-
Non-current assets	**10,410**	**10,150**	**41,289**	**39,171**
Inventories [1]	25,762	19,223	1,166	844
Trade receivables	5,688	4,312	489	417
Contract assets	-	-	9,032	8,126
Other current financial assets [1]	2	162	1,416	3,492
Other current assets [1]	477	693	1,240	1,481
Current assets [1]	**31,929**	**24,390**	**13,343**	**14,360**
Provisions for pensions and similar obligations	38,004	93,947	-	-
Non-current personnel provisions [1]	4,917	5,936	-	-
Other non-current provisions [1]	828	2,148	-	-
Non-current liabilitites to banks	-	-	-	-
Other non-current financial liabilities	464	934	4,413	2,039
Non-current lease liabilities	12,676	13,130	-	-
Other non-current liabilities [1]	4,064	4,258	-	-
Non-current liabilities [1]	**60,953**	**120,353**	**4,413**	**2,039**
Current personnel provisions [1]	7,058	11,243	-	-
Other current provisions [1]	12,358	15,337	-	-
Current liabilities to banks	-	-	-	-
Trade payables	534	1,225	-	-
Other current financial liabilities [1]	4,161	1,241	373	164
Current lease liabilities	6,571	6,707	-	-
Other current liabilities [1]	11,760	9,665	563	296
Current liabilities [1]	**42,442**	**45,418**	**936**	**460**
Gross amount temporary differences [1]	**145,734**	**200,311**	**59,981**	**56,030**
Valuation allowance on temporary differences	-6,818	-7,451	-	-
Capitalized tax loss carryforwards and tax credits (net incl. valuation allowances)	82,753	8,774	-	-
Deferred taxes from consolidation entries	78,764	70,197	27,004	26,030
Offset	-84,533	-76,629	-84,533	-76,629
Carrying amount	**215,900**	**195,202**	**2,452**	**5,431**

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

The recoverable amount of the recognized deferred tax assets on tax loss carryforwards and temporary differences at the consolidated companies is tested for valuation allowances once a year on the basis of the future taxable profit, which was determined on the basis of an operating budget plan. An impairment loss is recognized where a realization of the deferred tax assets is unlikely. Deductible temporary differences of EUR 22,085 thousand (2021: EUR 26,639 thousand) are not accounted for as these are not expected to be utilized during the planning period.

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

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

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

CAPITALIZED TAX LOSS CARRYFORWARDS

in € thousand	2022	2021
Corporate income tax	269,320	16,702
Trade tax and U.S. state tax	213,463	8,360
	482,783	**25,062**

NON-CAPITALIZED TAX LOSS CARRYFORWARDS

in € thousand	2022	2021
Corporate income tax	58,606	81,221
of which does not expire	57,388	79,409
Trade tax and U.S. state tax	35,420	40,315
of which does not expire	35,420	40,315
	94,026	**121,536**

The increase in capitalized loss carryforwards was mainly due to a tax loss in the income tax fiscal unit of Drägerwerk AG & Co. KGaA. The decline in non-capitalized loss carryforwards was primarily the result of additional recoverable amounts in Germany.

Deferred tax assets are recognized on unclaimed tax credits in the amount of EUR 3,738 thousand (2021: EUR 4,799 thousand).

Theoretically, deferred taxes of EUR 16,511 thousand (2021: EUR 20,627 thousand) would have been recognized for non-capitalized corporate income and trade tax losses. However, these deferred taxes were not recognized as it was not assumed that these loss carryforwards were recoverable. Forfeitable corporate income tax loss carryforwards will expire within five years.

Despite tax losses in the current and/or prior year, deferred tax assets of EUR 127,666 thousand (2021: EUR 111,606 thousand) were recognized for loss carryforwards and temporary differences. The amounts are recognized on the basis of the tax planning. Management assumes that the companies in question will generate sufficient taxable profits in the future. This high value was primarily due to deferred tax assets of EUR 120,115 thousand (2021: EUR 106,055 thousand) on temporary differences and tax loss carryforwards of the income tax fiscal unit of Drägerwerk AG & Co. KGaA.

The expense from the valuation allowance on deferred tax assets amounted to EUR 3,412 thousand (2021: EUR 7,311 thousand). The income from the reversal of a previous valuation adjustment on deferred tax assets amounted to EUR 2,987 thousand in fiscal year 2022 (2021: EUR 0 thousand).

The change in deferred tax assets in connection with the termination of participation certificates in fiscal year 2020 increased equity in fiscal year 2022 outside of other comprehensive income in retained earnings by EUR 5,214 thousand (2021: EUR 10,074 thousand). The change was the result of the additional recoverable amounts from deferred tax assets on tax loss carryforwards in Germany.

The initial consolidation of subsidiaries in fiscal year 2022 did not result in any deferred taxes (2021: deferred tax liabilities of EUR 3,939 thousand from the initial consolidation of two subsidiaries).

The deferred tax assets recognized in other comprehensive income decreased by EUR 52,752 thousand (2021: reduction by EUR 17,236 thousand) during the period and mainly concerned the recognition of the effects from the remeasurement of pension plans directly in equity.

17 PERSONNEL EXPENSES / HEADCOUNT

Personnel expenses include the remuneration of the members of the Executive Board of the general partner Drägerwerk Verwaltungs AG, Lübeck, Germany. Please refer to our statements concerning the remuneration of the Executive Board and the Supervisory Board (↗ note 40).

PERSONNEL EXPENSES

in € thousand	2022	2021
Wages and salaries	1,052,759	1,039,606
Social security	197,134	189,705
Pension expenses and related employee benefits	35,491	37,921
	1,285,384	**1,267,232**

Depending on function, personnel expenses are taken into account in the cost of sales, research and development costs, marketing and selling expenses, as well as administrative expenses.

Personnel expenses include severance payments of EUR 3,055 thousand (2021: EUR 1,971 thousand).

HEADCOUNT AS AT THE BALANCE SHEET DATE

	2022	2021
Germany	7,512	7,432
Abroad	8,707	8,468
Total headcount	**16,219**	**15,900**
Production	2,136	2,296
Other	14,083	13,604
Total headcount	**16,219**	**15,900**

HEADCOUNT (AVERAGE)

	2022	2021
Germany	7,451	7,398
Abroad	8,636	8,455
Total headcount	**16,087**	**15,852**
Production	2,205	2,384
Other	13,882	13,469
Total headcount	**16,087**	**15,852**

For more information on the development of headcount, please see the comments in the management report.

18 AMORTIZATION OF INTANGIBLE ASSETS, RIGHT-OF-USE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

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

DISTRIBUTION OF DEPRECIATION / AMORTIZATION ON THE FUNCTIONAL AREAS

in € thousand	2022	2021
Cost of sales	63,485	76,544
Research and development costs	9,178	4,976
Marketing and selling expenses	13,801	13,054
General administrative costs	57,987	54,734
	144,451	**149,307**

Pursuant to IAS 36, checks were performed as at the reporting date to establish whether there are any indications that assets may be impaired. Given that market capitalization as at the balance sheet date fell below the carrying amount of the equity and a small number of countries remain in a challenging competitive situation, asset impairment tests were carried out for all cash-generating units. For this purpose, the individual companies are regarded as the cash-generating units, broken down into medical business and safety business where applicable.

The following impairments and reversals of impairments were recognized in fiscal years 2022 and 2021:

RECOGNIZED NEED FOR IMPAIRMENT 2022

Cash Generating Unit in € thousand		Discount rate	Value in use	Recognized need for impairment loss	Recognized reversal of impairment loss
Draeger Tehnika d.o.o., Beograd	Medical division	10.4 %	2,361	301	-
Dräger-Simsa S.A., Santiago	Safety division	10.4 %	6,278	158	-
AB Ulax, Motala	Medical division	6.7 %	12	571	-
Draeger Medical Systems, Inc., Telford	Safety division	7.8 %	7,542	1,684	-
Dräger Chile Ltda., Santiago	Medical division	8.6 %	3,166	-	524
Draeger Medikal Ticaret ve Servis Anonim Sirketi, Istanbul	Medical division	12.1 %	5,571	-	380
Draeger Arabia Co. Ltd., Riyadh	Medical division	7.0 %	40,918	-	1,145
			65,849	**2,713**	**2,049**

RECOGNIZED NEED FOR IMPAIRMENT 2021

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

Mid-year triggering events that resulted in impairments determined in asset impairment tests for individual cash-generating units took place for the first time in fiscal year 2022. An impairment of EUR 702 thousand was recognized for Dräger Manufacturing Czech s.r.o., Klášterec nad Ohrí, Czech Republic, as at June 30, 2022. Due to an improved forecast of the company development as at the end of 2022, this need for impairment no longer applied and is therefore not shown in the table. An impairment of EUR 889 thousand was recognized for Draeger Medical Systems, Inc., Telford, U.S., as at June 30, 2022, which is included in the impairment of EUR 1,684 thousand presented in the table. The impairment of EUR 158 thousand reported for Dräger-Simsa S.A., Santiago, Chile, also originates from the asset impairment test as at June 30, 2022.

Of the impairments of cash-generating units amounting to EUR 2,713 thousand (2021: EUR 16,327 thousand), EUR 871 thousand was attributable to the medical division (2021: EUR 942 thousand) and EUR 1,842 thousand was attributable to the safety division (2021: EUR 15,385 thousand). In regional terms, EUR 871 thousand was attributable to the Europe region (2021: EUR 13,624 thousand), EUR 1,842 thousand to the Americas region (2021: EUR 1,772 thousand), and EUR 0 thousand to the Africa, Asia, and Australia region (2021: EUR 931 thousand).

The increased depreciation of the prior year in the safety division was largely due to the impairment losses in the mask production customer area caused by significant overcapacity on the global market for FFP masks and the associated decline in demand.

Of the reversals of impairments of cash-generating units amounting to EUR 2,049 thousand (2021: EUR 900 thousand), EUR 2,049 thousand was attributable to the medical division (2021: EUR 186 thousand) and EUR 0 thousand was attributable to the safety division (2021: EUR 714 thousand). In regional terms, EUR 380 thousand was attributable to the Europe region (2021: EUR 0 thousand), EUR 524 thousand to the Americas region (2021: EUR 476 thousand), and EUR 1,145 thousand to the Africa, Asia, and Australia region (2021: EUR 425 thousand). In addition, an impairment loss of EUR 721 thousand was reversed in the safety division.

Impairments and reversals of impairments were recognized on property, plant and equipment, in particular factory and office equipment. The value in use was calculated on the basis of a future performance indicator, which is based on the discounting of future surpluses taken from the operational five-year plan for the respective cash-generating unit. The assessment corresponds to level 3 of the measurement hierarchy.

In view of IAS 36.105, the recoverable amount of Dräger assets is based on the assumption of resale, with the result that the calculated impairment requirement in the current and previous fiscal years was not recognized in full.

19 EARNINGS / DIVIDEND PER SHARE

Dräger determines and reports earnings per share in the case of a full dividend distribution. The method used for calculating earnings per share in the case of a full distribution assumes an actual full distribution of net profit less the share in net profit of non-controlling interests to common and preferred shareholders as well as to holders of participation certificates. Here, the future tax benefits, which would result in the case of a hypothetical full distribution on participating equity instruments (which include in particular instruments in the form of participation certificates at Dräger), are to be taken into account when calculating earnings per share and distributed to shareholders and holders of participating equity instruments. If an actual full distribution of net profit is assumed, earnings per share are calculated as follows in the case of a full distribution due to the effects on earnings attributable to participation certificates with an unchanged average number of shares outstanding:

EARNINGS PER SHARE ON FULL DISTRIBUTION

		2022	2021
Net loss / Net profit	in € thousand	-63,637	154,274
less the share of earnings attributable to non-controlling interests	in € thousand	925	42
Earnings attributable to shareholders and holders of participation certificates	**in € thousand**	**-64,562**	**154,231**
plus future tax benefits resulting from the hypothetical case of a full distribution on participating equity instruments	in € thousand	-	7,583
Earnings attributable to shareholders and holders of participation certificates including the tax benefit	**in € thousand**	**-64,562**	**161,814**
less earnings attributable to holders of participation certificates	in € thousand	-	27,495
Earnings attributable to shareholders	**in € thousand**	**-64,562**	**134,318**
Weighted average of outstanding preferred shares	piece	8,600,000	8,600,000
Weighted average of outstanding common shares	piece	10,160,000	10,160,000
Undiluted earnings per common share	**in €**	**-3.47**	**7.13**
Preference per preferred share	in €	0.06	0.06
Undiluted earnings per preferred share	**in €**	**-3.41**	**7.19**
Diluted earnings per common share	**in €**	**-3.47**	**7.13**
Preference per preferred share	in €	0.06	0.06
Diluted earnings per preferred share	**in €**	**-3.41**	**7.19**

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

CALCULATION OF PROPOSED DISTRIBUTION

	Number of shares (piece)	Dividend per share in €	Dividends in €
Common shares	10,160,000	0.13	1,320,800.00
Preferred shares	8,600,000	0.19	1,634,000.00
Participation certificates	382,289	1.90	726,349.10
			3,681,149.10

Taking into account the tax advantage and the minimum dividend for participation certificates, the proposed effective distribution rate is -5.70 % (2021: 2.39 %).

In the current fiscal year, EUR 0.13 per common share, EUR 0.19 per preferred share, and EUR 1.90 per participation certificate was distributed.

In March 2020, Dräger had canceled all 566,819 series D participation certificates with 24 months' notice to the end of the 2022 calendar year. A total of 184,530 of these participation certificates were repaid early, in March 2021. The purchase price of the remaining 382,289 series D participation certificates was paid on January 2, 2023. The remaining participation certificates are entitled to dividends for the final time in 2022.

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

Notes to the consolidated balance sheet

20 INTANGIBLE ASSETS

INTANGIBLE ASSETS AS AT DECEMBER 31, 2022

in € thousand	Goodwill	Patents, trademarks and licenses	Purchased software	Internally generated intangible assets	Prepayments made	2022 Total
Costs						
January 1, 2022	315,812	54,913	138,308	12,572	1,269	522,874
Additions	-	188	3,888	-	2,828	6,904
Disposals	-	-22	-24,894	-	-	-24,915
Reclassifications	-	-	1,167	-	-1,167	0
Currency translation effects	830	1,167	685	50	-1	2,731
December 31, 2022	**316,643**	**56,246**	**119,154**	**12,621**	**2,929**	**507,594**
Accumulated amortization and impairment losses						
January 1, 2022	4,828	27,077	124,262	12,572	-	168,739
Additions	-	2,352	9,122	-	-	11,474
Disposals	-	-22	-24,880	-	-	-24,902
Currency translation effects	2	1,150	440	50	-	1,642
December 31, 2022	**4,830**	**30,558**	**108,944**	**12,621**	**0**	**156,953**
Net carrying value	**311,813**	**25,688**	**10,211**	**0**	**2,929**	**350,641**

INTANGIBLE ASSETS AS AT DECEMBER 31, 2021

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

Goodwill mainly resulted from the transfer in fiscal year 2003 of the Electromedical Systems business unit of Siemens Medical Solutions to Dräger Medical GmbH (now: Drägerwerk AG & Co. KGaA). Goodwill increased further on account of the buyback of Siemens' 35 % share in Dräger Medical GmbH (now: Drägerwerk AG & Co. KGaA) in fiscal years 2007 and 2009. Restructuring in prior years resulted in goodwill being reallocated to existing cash-generating units.

Amortization is contained in the cost of sales and the other functional costs.

Goodwill impairment

The medical division and the safety division form the cash-generating units in terms of the goodwill impairment test. The value in use of the cash-generating units is calculated using the discounted cash flow method on the basis of the operational five-year plan. This calculation is assigned to level 3 (see ↗ note 35), as there are unobservable input factors that significantly influence the measurement. A reconciliation of goodwill can be found in the statement of changes for intangible assets.

Goodwill totaled EUR 311.8 million as at December 31, 2022 (2021: EUR 311.0 million), of which EUR 158.7 million was attributable to the medical division (2021: EUR 158.3 million) and EUR 153.1 million to the safety division (2021: EUR 152.7 million).

The main planning assumptions are market growth, development of market shares, and market price trends in the individual markets. Using these assumptions, net sales growth is planned for each division, broken down into regions and selected focus countries. For the period from 2023 to 2027, the planning assumptions indicate net sales growth of 5.4 % for the medical division and 6.3 % for the safety division, resulting in total growth for the Group in this period of 5.8 %. In the prior year, total growth of 6.7 % was indicated for the period from 2022 to 2026, based on net sales growth of 6.4 % in the medical division and net sales growth of 7.2 % in the safety division. At the same time, the consolidated gross margins of the regions for each division and the regional and central functional costs are also planned. The average EBIT margin resulting from these figures amounts to 4.7 % (2021: 4.1 %) for the medical division and 7.4 % (2021: 8.2 %) for the safety division.

The calculation was also based on discount rate assumptions: A discount rate of 7.6 % after taxes (10.5 % before taxes) and a growth rate of 1.0 % were taken into account in the current planning for perpetual annuity of the medical division. In the prior year, a discount rate of 6.8 % after taxes (9.3 % before taxes) and a growth rate of 1.0 % were taken into account for perpetual annuity of the medical division. For the safety division, a discount rate of 9.2 % after taxes (13.0 % before taxes) and a growth rate of 1.0 % were taken into account in planning for perpetual annuity. In the prior year, however, a discount rate of 8.3 % after taxes (11.5 % before taxes) and a growth rate of 1.0 % were taken into account for perpetual annuity. The underlying planning assumptions are validated by external sources of information on market development. The multi-year plan did not provide any grounds for an impairment loss. Even if the perpetual annuity was to grow by 0 % and the discount rate were to increase by a further 2 percentage points, there would still be no grounds for an impairment loss on goodwill in the medical division. In terms of the goodwill in the safety division, a reduction in the average EBIT margin by 1.85 % would reduce the value in use of the safety division by EUR 270.4 million. A further reduction in the EBIT margin would lead to goodwill impairment in the safety division.

21 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT AS AT DECEMBER 31, 2022

in € thousand	Land, equivalent titles and buildings	Production plant and machinery	Other plant, factory and office equipment	Leased equipment	Prepayments made and assets under construction	2022 Total
Costs						
January 1, 2022	506,821	157,722	541,050	63,475	80,751	1,349,819
Additions	8,910	4,160	24,324	977	39,393	77,765
Disposals	-7,572	-4,713	-30,229	-2,091	-682	-45,287
Reclassifications	11,612	15,366	21,475	374	-48,828	0
Reclassification of rental and demo equipment	-	-	2,219	8,643	-	10,862
Currency translation effects	592	-768	2,222	643	-719	1,969
December 31, 2022	**520,363**	**171,767**	**561,061**	**72,022**	**69,915**	**1,395,128**
Accumulated depreciation and impairment losses						
January 1, 2022	282,663	113,145	424,957	47,490	10	868,264
Additions	16,466	12,009	50,448	10,273	-	89,196
Write-ups	-	-	-2,770	-	-	-2,770
Disposals	-7,487	-4,317	-28,718	-1,711	-11	-42,245
Reclassifications	358	-1,833	1,474	0	-	0
Reclassification of rental and demo equipment	-	-	1,641	533	-	2,174
Currency translation effects	855	-828	1,351	753	1	2,132
December 31, 2022	**292,855**	**118,177**	**448,383**	**57,337**	**0**	**916,752**
Net carrying value	**227,508**	**53,590**	**112,678**	**14,685**	**69,915**	**478,376**

PROPERTY, PLANT AND EQUIPMENT AS AT DECEMBER 31, 2021

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

In fiscal year 2022, Dräger did not receive any government investment grants (2021: EUR 1,047 thousand) that decreased additions to property, plant and equipment.

Prepayments made and assets under construction include prepayments of EUR 19,132 thousand (2021: EUR 18,149 thousand).

Rental and demo equipment is generally attributed to leased equipment under property, plant and equipment as its long-term purpose is to be made available for use by different customers. By contrast, rental and demo equipment intended for sale in the short term to a customer is reported as part of inventories under finished goods. As a result, finished goods that are added to leased equipment stocks are reclassified from inventories to property, plant and equipment. By the same token, leased equipment is reclassified from property, plant and equipment to inventories if it is available for sale.

Depreciation and impairment losses are included in the cost of sales and other functional costs (see also ↗ note 18).

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

As in the prior year, no borrowing costs for additions for new buildings were recognized in fiscal year 2022.

22 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Dräger holds shares in four associates (2021: three associates). MAPRA Assekuranzkontor GmbH, Lübeck, is an insurance broker, in which Dräger holds 49 % of the shares and over which Dräger exercises significant influence. The fiscal year of this associate ends as at December 31. The software developer Focus Field Solutions Inc., St. John's, Canada, is a leading provider of industrial safety solutions for the digitalization of critical employee and system workflow data, in which Dräger holds a 29.53 % stake. The fiscal year of this associate ends as at December 31. Dräger also holds 50.25 % of the shares (but only 45.88 % of the voting rights) in MultiSensor Scientific Inc., Somerville, USA, which develops technical solutions to detect and quantify emissions from leaks along the oil and natural gas supply chain. The fiscal year of this associate ends as at December 31. Dräger also acquired 24.01 % of the shares in GWA Hygiene GmbH, Stralsund, Germany, in fiscal year 2022. GWA Hygiene GmbH develops and produces tools and software for the automated collection and analysis of data in the industrial and healthcare sectors, with the aim of improving hygiene standards and optimizing workflows. The fiscal year of this associate ends as at December 31.

All four companies are included in the Group financial statements according to the equity method. There are no quoted market prices for these companies.

As in the previous year, no impairment losses on associated companies were recognized in fiscal year 2022.

As these companies are not material individually or in aggregate, Dräger has opted for simplified aggregated presentation.

The following disclosures are provided on the basis of information available at the time of writing, namely, in the case of MAPRA Assekuranzkontor GmbH, the most recently published annual financial statements and, in the case of Focus Field Solutions Inc., the preliminary annual financial statements as at December 31. The available basis of information for MultiSensor Scientific Inc. and GWA Hygiene GmbH is the most recent quarterly statement as at September.

FINANCIAL INFORMATION ON ASSOCIATES

in € thousand	2022	2021
Carrying value of the Group shares of associates	16,036	6,321
Share in the results from continued operations / Total results of the associates [1]	-2,983	-1,063
Distributions received	374	343

[1] Distributions received are not included in total profits of the associates. The prior-year figure was adjusted accordingly.

The most recently published annual financial statements of MAPRA Assekuranzkontor GmbH reported equity of EUR 1,204 thousand and earnings of EUR 765 thousand. The equity of GWA Hygiene GmbH as at December 31, 2021, amounted to EUR 5,810 thousand and included earnings of EUR -465 thousand. Neither Focus Field Solutions Inc. nor MultiSensor Scientific Inc. are subject to mandatory disclosure obligations.

In its engineered solutions business, Dräger works together with partners in working groups to offer fire training facilities for firefighters. As at the balance sheet date, Dräger continues to be involved in three working groups, which are accounted for as joint ventures using the equity method. As in the prior year, the interests in these working groups amount to between 40 % and 77.11 %. These working groups do not generate any income of their own and their shares were not purchased. As a result, these do not need to be presented in the consolidated balance sheet nor does any financial information need to be presented. As their business in and of itself and when taken as a whole is not material, Dräger exercises the option of simplified aggregated presentation.

There are no obligations to associates and joint ventures to provide financing or resources that are not accounted for; nor are there any contingent liabilities.

23 TRADE RECEIVABLES AND CONTRACT ASSETS

TRADE RECEIVABLES

			2022			2021
in € thousand	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Trade receivables	721,830	2,214	724,043	650,224	2,604	652,828
less risk provisions	-43,221	-	-43,221	-41,281	-	-41,281
	678,608	**2,214**	**680,822**	**608,943**	**2,604**	**611,547**

CONTRACT ASSETS

			2022			2021
in € thousand	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Contract assets	56,450	-	56,450	48,440	-	48,440
less risk provisions	-122	-	-122	-56	-	-56
	56,328	**0**	**56,328**	**48,384**	**0**	**48,384**

The risks associated with trade receivables and contract assets are adequately accounted for by risk provisions. Please refer to ↗ note 35 for our comments on calculating risk provisions.

Contract assets include all claims for payment from project business, which are recognized over time, and from services rendered, provided the claims are not linked to the time period alone.

On December 27, 2022, Dräger sold trade receivables of EUR 29,067 thousand to a purchaser. These receivables were transferred and derecognized in full. The payment by the purchaser was made in full prior to the balance sheet date. The continuing involvement in the derecognized receivables after this transaction results from the purchaser's entitlement to request interest for the period between the actual maturity of the sold receivables and the actual receipt of the payment or rather the default on the receivable, but only for a maximum of 90 days. The resulting risk for Dräger amounts to EUR 223 thousand. Costs of EUR 48 thousand were recognized at the point at which the trade receivables were transferred.

24 OTHER FINANCIAL ASSETS

OTHER FINANCIAL ASSETS

			2022			2021
in € thousand	Current	Non-current	Total	Current	Non-current	Total
Money market funds	-	-	0	130,066	-	130,066
Positive fair values of derivatives	7,942	93	8,035	4,276	888	5,165
Notes receivable	9,537	-	9,537	11,649	-	11,649
Security deposits paid	3,648	5,445	9,093	3,911	5,510	9,421
Other loans	-	125	125	-	7,304	7,304
Creditors with debit balances	8,709	-	8,709	5,216	-	5,216
Finance lease receivables (lessor)	780	1,344	2,124	863	1,944	2,807
Other investments	-	15,203	15,203	-	7,170	7,170
Receivables from employees	996	-	996	1,079	-	1,079
Receivables from associates	3	1,730	1,733	3	2,615	2,618
Receivables from commission agents	5,225	-	5,225	4,086	-	4,086
Sundry financial assets	4,205	284	4,489	2,655	674	3,329
	41,045	**24,224**	**65,269**	**163,804**	**26,104**	**189,909**

Other financial assets of EUR 10,281 thousand (2021: EUR 9,899 thousand) are impaired (please refer to our comments in ↗ note 35).

Notes receivable continue to chiefly stem from the Chinese and Japanese subsidiaries where the bill of exchange is a common method of payment.

Sundry non-current financial assets include other non-current securities of EUR 284 thousand (2021: EUR 606 thousand).

For further details of the positive fair values of derivative financial instruments, please refer to the table of derivative financial instruments in the Dräger Group (↗ note 35).

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

25 INVENTORIES

INVENTORIES

in € thousand	2022	2021
Finished goods and merchandise	372,395	339,408
Work in progress	85,367	69,741
Raw materials, consumables and supplies	228,707	200,781
Prepayments made	10,513	6,832
	696,983	**616,761**

The carrying amount of inventories written down to their net realizable value as at December 31, 2022 is EUR 351,475 thousand (2021: EUR 280,454 thousand).

Impairment losses of EUR 51,766 thousand (2021: EUR 36,443 thousand) were recognized on inventories in the fiscal year; these impairment losses are recognized in cost of sales. By contrast, EUR 17,573 thousand (2021:

EUR 12,736 thousand) of impairment losses recognized in prior years were reversed through profit or loss, as the reasons for the impairment losses no longer applied.

Finished goods and merchandise comprise rental and demo equipment lent to customers in the short term and amount to EUR 9,468 thousand (2021: EUR 9,933 thousand). Loan and demo equipment is usually taken over by the customers after a short period of time and is therefore recognized in inventories. Appropriate allowances have been made for wear and tear over the useful lives of loan and demo equipment.

In fiscal year 2022, inventories with a carrying amount of EUR 1,204,071 thousand (2020: EUR 1,182,150 thousand) were recognized in cost of sales.

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

26 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and balances at various banks in different currencies. Cash and cash equivalents which were subject to restrictions as at the balance sheet date amount to EUR 9,088 thousand (2021: EUR 6,308 thousand). These restrictions primarily concerned currency export restrictions and other contractual and legal limitations.

27 OTHER ASSETS

OTHER ASSETS

			2022			2021
in € thousand	Current	Non-current	Total	Current	Non-current	Total
Prepaid expenses	34,018	-	34,018	32,605	-	32,605
Other tax refund claims	41,000	-	41,000	34,890	-	34,890
Receivables from investment grants	-	-	0	1,048	-	1,048
Sundry	1,299	7,036	8,335	1,077	5,203	6,281
	76,318	**7,036**	**83,354**	**69,619**	**5,203**	**74,822**

Individual impairments of EUR 10 thousand exist for other current assets (2021: EUR 10 thousand).

Other tax refund claims largely consist of VAT claims.

As in the prior year, sundry non-current assets include non-current receivables from taxes of three foreign subsidiaries of EUR 6,912 thousand (2021: EUR 5,061 thousand).

28 EQUITY

For the breakdown and changes in equity in fiscal years 2022 and 2021, please see the ›Consolidated statement of changes in equity of the Dräger Group.‹

Capital stock

The subscribed capital stock of Drägerwerk AG & Co. KGaA amounts to EUR 48,026 thousand (2021: EUR 48,026 thousand).

The capital stock continues to consist of 10,160,000 limited no-par bearer common shares and 8,600,000 non-voting limited no-par preferred shares.

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

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

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

If sufficient remaining net earnings are available, a dividend of EUR 0.13 per common share is then paid. Any net earnings in excess of this amount, if distributed, are allocated so that holders of preferred shares receive a dividend that is EUR 0.06 higher than the dividend on common shares.

If profit is not sufficient for an advance dividend for preferred shares in one or more fiscal years, the amounts are paid from the profits of subsequent fiscal years before a dividend is paid on common shares.

If amounts in arrears are not paid in the next year, along with the full preferred dividend for the current year, the preferred shareholders have voting rights until the arrears have been paid.

In the event of liquidation, the preferred shareholders receive 25 % of net liquidation proceeds in advance. The remaining liquidation proceeds are distributed evenly among all shares.

By resolution agreed upon at the annual shareholders' meeting on May 7, 2021, the general partner is entitled to increase the Company's capital until May 6, 2026, with the approval of the Supervisory Board, by up to EUR 12,006,400.00 (approved capital) by issuing new bearer common and/or preferred shares (no-par value shares) in return for cash and/or contributions in kind, in either one or several tranches. The authorization to issue preferred shares without voting rights may only be exercised to the extent that the proportion of preferred shares without voting rights does not exceed half of the capital stock (Sec. 139 (2) German Stock Corporation Act (Aktiengesetz - AktG)).

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

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

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

The proportion of the capital stock attributed in total to new shares for which the subscription right is excluded on the basis of this authorization may, together with the proportion of the capital stock that is attributed to treasury shares or to new shares from other approved capital or that relates to the option or conversion rights or obligations arising from options, warrant and/or convertible bonds, and/or participation rights that have been sold or issued during the term of this authorization subject to the exclusion of subscription rights, not exceed 10 % of capital stock. Shares issued under a crossed exclusion of subscription rights are excluded from the limitation to 10 % of capital stock. The key factor for calculating the 10 % limit is the existing capital stock at the time that this authorization comes into effect or is exercised, on whichever of these dates the capital stock is at its lowest.

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

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

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

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

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

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

Reports regarding voting rights

Sec. 160 (1) No. 8 AktG requires disclosure of the existence of investments that have been notified to the Company in accordance with Sec. 33 (1) or (2) German Securities Trading Act (Wertpapierhandelsgesetz—WpHG).

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

EXISTING REPORTABLE INVESTMENTS

Reporter	Date of notification of voting rights	Reporting threshold	Investment	Investment in voting rights
Dr. Heinrich Dräger GmbH, Lübeck	November 12, 2013	50 % [1]	67.31 %	6,838,408

[1] Disclosure as a result of changes to directly or indirectly held voting rights

Capital reserves

The capital reserves were formed using share premiums from the 25 option rights exercised in the period from 2013 to 2015, Drägerwerk AG & Co. KGaA's establishment (transformation) in 1970, and from capital increases in 1979, 1981, 1991, 2010, and 2020.

Retained earnings

Retained earnings comprise the earnings generated until fiscal year 2022 by the companies included in the Group financial statements, where they were not attributed to minority interests or paid as a dividend by Drägerwerk AG & Co. KGaA. Effects from the remeasurements of the pension provisions, including deferred taxes, are also included in retained earnings.

Other effects that had a positive impact on retained earnings in fiscal year 2022 were an amount of EUR 5,214 thousand (2021: EUR 10,074 thousand) from the subsequent recognition of deferred tax assets that were not considered recoverable in fiscal year 2020 in relation to the termination of participation certificates ↗ note 16. The distributions to shareholders and payments to holders of participation certificates had the opposite effect in the amount of EUR 3,681 thousand (2021: EUR 4,048 thousand).

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

RETAINED EARNINGS, INCLUDING GROUP RESULT

in € thousand	2022	2021
Reserves retained from earnings, including Group result as at January 1	924,970	716,468
Changes from remeasurements of pension plans (after taxes)	107,363	48,245
Net result for the year (excluding non-controlling interests)	-64,562	154,231
Other effects	1,533	6,025
Reserves retained from earnings, including Group result as at December 31	**969,303**	**924,970**

Treasury shares within the scope of the employee share program

In fiscal year 2022, the Executive Board once again resolved to enable Dräger employees in Germany to participate in the Company through an employee share program. The intent is to increase employees' identification with the Company and Dräger's attractiveness as an employer.

As in the prior year, one bonus share was issued for every three investment shares bought by the employee. The final purchase price per investment share for the employees amounted to EUR 42.10 (lowest price on the day the shares were handed over to participants for tax purposes) (2021: EUR 55.55) and was therefore higher than the maximum purchase price set before the program was launched of EUR 40.75 per preferred share (closing price of the preferred shares in XETRA trading on October 31, 2022, the last trading day before the start of the acquisition period) (2021: lower than the maximum purchase price of EUR 68.10). The shares are subject to a two-year holding period and may not be sold or otherwise transferred during this period. Employees do not have to continue their employment with the Company during the holding period.

The participation period, during which employees could acquire the share parcels, started on November 1, 2022, and ended on November 10, 2022. During this agreed period, 27,224 bonus shares (2021: 22,327 bonus shares) resulted from the shares acquired by employees, including Executive Board members. An account was opened with Deutsche Bank AG (paying agent), Frankfurt am Main, Germany, for the entry and custody of bonus shares for participating employees.

The 27,224 bonus shares (2021: 22,327 bonus shares) were acquired for Dräger on the stock exchange in the period from November 1 to November 10, 2022, by the paying agent on a commission basis in the form of a share buyback at a total cost of EUR 1,137 thousand (2021: EUR 1,488 thousand). The price on the stock exchange amounted to an average of EUR 41.77 (2021: EUR 66.64). The total price for investment and bonus shares, acquired for and on behalf of Dräger, totals EUR 4,549 thousand (2021: EUR 5,952 thousand). Of this amount, EUR 3,328 thousand (2021: EUR 3,721 thousand) was passed on to the employee. The shares were transferred directly to the respective employee's securities accounts. The contractually agreed benefits for the employees arising from this program consist of the lower average price compared to the maximum purchase price plus the values of the bonus shares. This benefit was recognized in personnel expenses in the amount of EUR 1,221 thousand (2021: EUR 2,231 thousand). Aside from the price paid on the stock exchange, no other expectations for future dividends or other characteristics were included in the fair value of the bonus shares.

The acquisition of treasury shares to pass on to participating employees in the form of bonus shares is covered by resolution of the annual shareholders' meeting on May 7, 2021, according to which the general partner was authorized to acquire until May 7, 2026 up to 10 % in treasury shares of both types (common and/or preferred shares) of the Company's capital stock as at the date of resolution or—if this value is lower—as at the date on which the authorization is exercised. Exercising the authorization is subject to the approval of the Supervisory Board. Treasury shares must be acquired on the stock market, on the basis of a public purchase offer, or on the basis of a public invitation to submit offers for sale. The principle of equal treatment under stock corporation law must be complied with.

If the shares are acquired through a public purchase offer submitted to all shareholders of a class of share or through a public invitation to submit offers for sale, the volume of the offer or invitation to submit offers for sale can be limited. It may be the case that the volume of shares in the Company offered by shareholders exceeds the Company's demand for treasury shares. In this case, allocation must take place proportionately.

The offered price or the upper limit on the purchase price range determined by the Company for each class and type of share (excluding incidental acquisition costs) may not be more than 10 % higher or lower than the volume-weighted average of the closing auction prices for the same class and type of share in Xetra trading (or on a functionally comparable successor system replacing the Xetra system) on the Frankfurt Stock Exchange during the last five stock exchange trading days before the date that the public offer or the public invitation to submit offers for sale is publicly announced.

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

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

Total other comprehensive income

CHANGES IN OTHER COMPREHENSIVE INCOME

in € thousand	Currency translation adjustment	Cash flow hedge reserve	Total
January 1, 2021	**-37,598**	**-1,031**	**-38,629**
Currency translation differences	25,766	-	25,766
Change from the remeasurement of cash flow hedge instruments	-	-23,846	-23,846
Reclassification to the income statement	-	13,241	13,241
Deferred taxes recognized directly in equity	-	3,349	3,349
December 31, 2021 / January 1, 2022	**-11,833**	**-8,287**	**-20,120**
Currency translation differences	5,883	-	5,883
Change from the remeasurement of cash flow hedge instruments	-	-5,309	-5,309
Reclassification to the income statement	-	16,871	16,871
Deferred taxes recognized directly in equity	-	-3,642	-3,642
December 31, 2022	**-5,950**	**-367**	**-6,317**

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

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

Please see↗ note 35 for further explanations on the cash flow hedge reserve and the distribution of currency and interest rate hedging.

Capital management

One of Dräger's most important goals is to increase the business's value. The key function of capital management in this respect is to minimize the cost of capital while ensuring solvency at all times by coordinating the due dates of financial liabilities with the expected free cash flow and creating sufficient liquidity reserves.

Capital is monitored regularly using various key metrics, which include gearing and the equity ratio.

The Dräger Group’s equity and liabilities were as follows as at the balance sheet date:

EQUITY AND LIABILITIES

in € million	2022	2021
Equity interest held by shareholders of Drägerwerk AG & Co. KGaA	1,318.0	1,259.9
+ Non-controlling interests	1.4	0.6
Equity of the Dräger Group	**1,319.4**	**1,260.5**
Share of total equity and liabilities	42.5 %	39.7 %
Non-current liabilities	568.6	982.9
Current liabilities	1,218.5	934.9
Total liabilities	**1,787.1**	**1,917.8**
Share of total equity and liabilities	57.5 %	60.3 %
Total equity and liabilities	**3,106.6**	**3,178.3**

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

GEARING

in € million	2022	2021
Non-current interest-bearing loans	162.2	184.8
+ Current interest-bearing loans and liabilities to banks	83.6	41.1
+ Non-current and current liabilities from finance lease	116.2	122.1
+ Liability from the termination of participation certificates	208.8	203.8
- Current money market funds	-	-130.1
- Cash and cash equivalents	-311.6	-445.7
Net financial debt	**259.2**	**-24.0**
Equity	1,319.4	1,260.5
Gearing (= net financial debt / equity)	**0.20**	**-0.02**

The Dräger Group has concluded a master loan agreement with bilateral credit lines of EUR 250.0 million due on November 30, 2026. The agreement concerning guarantee and letter of credit facilities with no effect on liquidity of EUR 165.0 million continues to apply. The master loan agreement was extended in fiscal year 2022 with the addition of further cash facilities of EUR 250.0 million available until September 2024 at the latest. The master loan agreement and an additional amendment agreement regarding these bilateral credit lines stipulate a target value based on a defined financial covenant. Should the Dräger Group not comply with the covenant, the banks are entitled to terminate the bilateral credit lines. The value has been specified so that the Dräger Group would only run the risk of being unable to meet the covenant if its financial position were to deteriorate drastically. It is also possible for the Dräger Group to obtain the banks’ approval to exceed the value in advance. The financial covenant is monitored continuously. Another bilateral surety credit line of EUR 5.0 million outside the scope of the master loan agreement was agreed with DZ Bank.

There is also a loan of EUR 50.0 million from the European Investment Bank with a five-year fixed-interest period, which runs until 2025. A further loan commitment from the European Investment Bank in the amount of EUR 100.0 with a term of five years was disbursed in full in January 2023.

In addition, there are promissory note loans for a total of EUR 100.0 million, half of which is due in fiscal year 2026 and half in fiscal year 2028, which serve the purpose of medium- and long-term financing.

29 NON- CONTROLLING INTERESTS

Non-controlling interests are as follows:

NON-CONTROLLING INTERESTS

in € thousand	2022 Non-controlling interests	2022 thereof net profit	2021 Non-controlling interests	2021 thereof net profit
Dräger-Simsa S.A., Santiago	1,245	272	912	73
Dräger South Africa (Pty.) Ltd., Johannesburg	139	654	-329	-30
	1,384	**925**	**584**	**42**

Non-controlling interests are of minor importance for the Group.

In the statement of changes in equity, other comprehensive income from non-controlling interests of EUR 54 thousand (2021: EUR -108 thousand) only include exchange rate differences.

30 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

As at December 31, 2022, the Dräger Group mainly had defined benefit pension plans and similar obligations in addition to defined contribution pension plans.

Defined benefit pension plans and similar obligations

Under the Group's defined benefit pension plans, provisions for pensions and similar obligations have been accrued for benefits payable in the form of old-age, disability, and surviving dependents' pensions. The amount of the obligations is determined using the projected unit credit method. The obligations are partly funded by plan assets.

The defined benefit pension plans of the German companies, which use the 2018G mortality tables published by Dr. Klaus Heubeck as a basis of calculation, account for some 89.3 % (2021: 93.2 %) of the provisions for pensions and similar obligations disclosed as at the balance sheet date. As at January 1, 2005, the new Company pension plans ›Rentenplan 2005‹ and ›Führungskrafteversorgung 2005‹ came into effect for almost all employees of the Dräger Group's German companies, superseding the ›Versorgungsordnung '90‹ and ›Ruhegeldordnung '90‹ schemes.

Under the previous pension plans, employees received pensions based on their salaries and period of employment. As part of the transition to the new plan, employees were guaranteed a pension based on the old plan for their years of service prior to 2005.

The new pension plan is based on contributions that are split up into the following three components:

– employer-funded basic level
– employee-funded top-up level (deferred compensation)
– employer-funded supplementary level

The pension cost for the employer-funded basic level is based on the respective employee's income. In the employee-funded top-up level, employees can increase their pension entitlement through deferred compensation. The contribution made at the employer-funded supplementary level depends on the employee contribution through deferred compensation and on the Company's business performance (EBIT). When the pension is drawn, the pension benefit is calculated on the basis of the saved pension volume and an age-based annuitization factor.

The changes to the ›Rentenplan 2019‹ and ›Führungskräfteversorgung 2019‹ mark a continuation of this basic structure. Besides structural changes to the calculation of contributions, changes have also been made to the minimum guaranteed return and the calculation of the annuitization factor in line with the changing framework conditions.

Since December 2007, these funds from the pension plan as well as the employee contributions from the respective fiscal year have been paid into a new fund (WKN [securities identification number] A0HG1B) and secured in favor of the employees via a contractual trust arrangement (CTA), meaning that they only serve to cover and finance the Company's direct pension obligations. Until December 31, 2018, the employees' pension accounts had a minimum guaranteed return of 2.75 % annually. This minimum guaranteed return was lowered to 0.9 % annually for pension capital paid in from fiscal year 2019. Given that the assets of this fund fulfill the criteria of plan assets pursuant to IAS 19, the EUR 178,680 thousand (2021: EUR 197,906 thousand) in assets secured by the CTA were offset against the gross pension obligations in fiscal year 2022. Additions to the CTA of EUR 17,904 thousand are expected for fiscal year 2023 (in fiscal year 2021 for fiscal year 2022: EUR 14,621 thousand).

As in the prior year, there was no available excess of plan assets over the relevant pension obligations to be reported.

The defined benefit pension plans of Dräger Schweiz AG, which uses the BVG 2020 generation tables as a basis of calculation, continue to account for 1.2 % (2021: 0.7 %) of the provisions for pensions and similar obligations disclosed as at the balance sheet date. The Swisscanto Collective Foundation provides occupational pension plans which cover the economic consequences of old age, invalidity, and death. Employees can decide for themselves how much they want to save, picking from one of three options. The employer's contributions equal the amounts contributed by the employees. The employer and employee contributions are defined as a percentage of the insured salary. The pension amount is derived from the retirement assets accumulated on the date of retirement multiplied by the conversion rates stipulated in the regulations. Employees have the option to withdraw their retirement benefits as capital. Savings contributions are also paid on employee bonuses. The assets are invested by the Swisscanto Collective Foundation.

Under the Group's defined benefit pension plans, Dräger is exposed to the following risks:

- Due to the specific benefits, defined benefit pension plans are particularly long-term employee benefits, the measurement of which includes making long-term assumptions that are subject to an increased risk in view of actual realization.
- The underlying discount rate in the recognition of pension obligations reflects the effective market return on high-quality corporate bonds (calculated on the basis of modified Bloomberg indices) with the same term as the pension obligations as at the balance sheet date. If the actual return on plan assets is less than the calculated return, this creates a shortfall.
- Reducing the effective market return of high-quality corporate bonds leads to an increase in the projected benefit obligation. If the projected benefit obligation is counteracted by plan assets, some of this effect is compensated for.
- If benefit obligations are not covered by plan assets, Dräger has to generate pension payments within the course of its operating activities in the respective year.
- Due to the minimum guarantee return commitment of 2.75 % on paid in pension capital by December 31, 2018 and 0.9 % for paid in pension capital from fiscal year 2019, Dräger must compensate for the actual return on fund assets if it falls below this minimum guaranteed amount.
- According to Sec. 16 (1) of the German Act to Improve Occupational Pensions (BetrAVG), an employer that has guaranteed company pension plan obligations must consider adjusting these obligations in line with the rate of inflation every three years. The employer's decision regarding such adjustments must consider the needs of the pension recipient and, above all, the economic situation of the company.

The net obligation from defined benefit pension plans is recognized in the balance sheet as follows:

NET OBLIGATION FROM DEFINED BENEFIT PENSION PLANS

in € thousand	2022	2021
Carrying amount of benefit obligations with plan assets	274,378	411,059
Present value of plan assets	-250,604	-281,949
Underfunded pension plans	**23,774**	**129,110**
Carrying amount of benefit obligations without plan assets	179,112	228,773
Net obligation as at December 31	**202,886**	**357,884**
Available excess of plan assets	-	-
Provisions for pensions and similar obligations	**202,886**	**357,884**

Changes in the net obligation are as follows:

CHANGES IN THE PROJECTED BENEFIT OBLIGATIONS AND PLAN ASSETS

			2022			2021
in € thousand	Projected benefit obligation	Fair value of plan assets	Total	Projected benefit obligation	Fair value of plan assets	Total
January 1	**639,832**	**-281,949**	**357,884**	**672,125**	**-242,069**	**430,055**
Service costs	18,311	-	18,311	20,237	-	20,237
Interest income (-) / interest expense (+)	6,942	-2,758	4,184	4,931	-1,597	3,334
Past service costs	-1,116	-	-1,116	-1,624	-	-1,624
Other effect on profit or loss	44	-	44	43	-	43
Changes recognized in profit or loss	**24,180**	**-2,758**	**21,422**	**23,586**	**-1,597**	**21,989**
Return on plan assets excluding amounts included in interest	-	44,110	44,110	-	-20,428	-20,428
Revaluations from changes to demographic assumptions	-2,341	-	-2,341	-57	-	-57
Revaluations from changes to financial assumptions	-188,433	-	-188,433	-45,750	-	-45,750
Revaluations from adjustment to empirical values	-9,809	-	-9,809	-2,596	-	-2,596
Changes in other comprehensive income	**-200,583**	**44,110**	**-156,473**	**-48,403**	**-20,428**	**-68,830**
Benefits paid	-19,134	5,084	-14,050	-17,549	4,792	-12,757
Employee contributions	5,170	-5,018	151	5,485	-5,427	59
Employer contributions	-	-6,172	-6,172	-	-13,690	-13,690
Transfer from obligations and other effects	-200	-	-200	88	0	88
Currency changes	4,226	-3,901	324	4,500	-3,529	970
Other changes	**-9,939**	**-10,008**	**-19,947**	**-7,476**	**-17,855**	**-25,331**
December 31	**453,490**	**-250,604**	**202,886**	**639,832**	**-281,949**	**357,884**
Net obligation as at December 31			**202,886**			**357,884**

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

Plan assets are composed as follows:

COMPOSITION OF PLAN ASSETS

			2022			2021
in € thousand	active market	no active market	Total	active market	no active market	Total
Cash and cash equivalents	3,112	-	3,112	3,997	-	3,997
Equity instruments	20,567	-	20,567	28,749	-	28,749
Securities	58,165	1,442	59,607	82,571	1,429	84,000
Debt instruments	138,458	-	138,458	140,665	-	140,665
Real estate	11,608	-	11,608	11,784	-	11,784
Other	17,252	-	17,252	12,753	-	12,753
			250,604			**281,949**

For the presentation of the plan assets' composition, the German CTA fund was split up into individual investment types. Plan assets do not contain Dräger shares or properties used by Dräger itself.

The investment strategy for the plan assets in the German pension plan is defined by an investment committee on the basis of reports prepared by external fund managers. The investment strategy takes into account anticipated pension payment structures as well as risk assessments (asset-liability matching).

For the next fiscal year, additions to plan assets are expected to amount to EUR 19,965 thousand (2021: EUR 16,694 thousand).

The following actuarial assumptions were made in measuring the projected benefit obligation (weighted averages):

ACTUARIAL ASSUMPTIONS

		2022		2021
in %	Germany	Abroad	Germany	Abroad
Discount rate	3.70	2.54	1.20	0.61
Future wage and salary increases	3.00	1.83	3.00	1.58
Future pension increases [1]	2.00	0.28	1.75	0.26

[1] The pension plans ›Rentenplan 2005‹ / ›Führungskräfteversorgung 2005‹ and ›Rentenplan 2019‹ / ›Führungskräfteversorgung 2019‹ provide for fixed pension adjustment guarantees of 1.0 % per year. The prior-year figure was adjusted accordingly.

In contrast to the assumed long-term inflation rate, extraordinary inflation of 7.5 % per year was assumed for the pension trend in Germany for 2022 and 2023.

The weighted average term of the defined benefit obligation in the fiscal year amounted to 15 years (2021: 19 years).

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

EFFECT OF FUNDAMENTAL ASSUMPTIONS ON THE PROJECTED BENEFIT OBLIGATION

			2022			2021
	Discount rate	Future pension increases	Life expectancy	Discount rate	Future pension increases	Life expectancy
Change in assumption	1.00 %	0.25%	1 year	1.00 %	0.25 %	1 year
Effect on the projected benefit obligation if the assumption increases	12.7 % decrease	0.7 % increase	4.0 % increase	16.2 % decrease	0.7 % increase	4.8 % increase
Effect on the projected benefit obligation if the assumption decreases	16.2 % increase	0.4 % decrease	4.2 % decrease	21.8 % increase	0.4 % decrease	4.8 % decrease

The sensitivity analyses were performed using the same calculation method used for the determination of defined benefit obligations; one assumption was changed in each analysis while all other assumptions remained constant (ceteris paribus); this means that possible correlation effects between the individual assumptions are not taken into account.

The following pension payments are expected to be due:

EXPECTED PENSION PAYMENTS 2022

in € thousand	2023	2024	2025 - 2027	> 2027	Total
Expected pension payments	19,517	19,776	63,366	924,762	1,027,421

EXPECTED PENSION PAYMENTS 2021

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

Expenses for additional benefits to pension recipients of EUR 2,604 thousand (2021: EUR 2,486 thousand) were recognized in fiscal year 2022.

Defined contribution plans

In addition to the defined benefit plans and similar obligations described above, Dräger pays voluntary or statutory contributions to government and private pension insurers (defined contribution plans).

Dräger also paid statutory pension contributions in Germany of EUR 45,681 thousand (2021: EUR 45,265 thousand) in fiscal year 2022. In addition, the cost of other defined contribution plans came to EUR 14,599 thousand (2021: EUR 13,938 thousand).

31 OTHER NON-CURRENT AND CURRENT PROVISIONS

OTHER NON-CURRENT AND CURRENT PROVISIONS

in € thousand	Provisions for personnel and welfare obligations	Warranty provisions	Provisions for potential losses	Provisions from sales	Provisions for other obligations in the normal course of business	2022 Total
January 1	**172,974**	**59,901**	**1,448**	**22,866**	**101,077**	**358,266**
Allocation	104,354	25,503	566	16,049	61,154	207,626
Accumulation of interest	152	-	-	-	32	184
Utilization	-133,157	-28,603	-757	-14,048	-59,172	-235,737
Reversal	-4,403	-7,495	-200	-1,382	-10,294	-23,776
Reclassifications	0	173	-	287	-461	0
Currency translation effects	-123	-204	54	254	-255	-274
December 31	**139,797**	**49,275**	**1,111**	**24,026**	**92,081**	**306,290**

Provisions for personnel and welfare obligations were largely recognized for bonuses and sales compensation; the basis on which these are calculated had not been finalized as at the balance sheet date, meaning that the obligations are not yet reported as a liability. This item also includes provisions for phased retirement and long-service awards.

The warranty provisions were determined by reference to the warranty claims made in the past and specific known risks. The amounts and due dates of these provisions are subject to a degree of uncertainty regarding the probability of possible warranties and the amount of these warranties.

Provisions for potential losses largely concerned evaluated risks in project business.

Provisions for distribution primarily include provisions for expected credit notes and provisions for customer bonuses and commission. Commission relates to the contractual commission entitlements where the underlying intermediary transaction had not been finalized as at the balance sheet date, meaning that the obligations are not yet reported as liabilities. We consider the uncertainties regarding the amount or maturity of possible obligations to be insignificant.

Provisions for other obligations in the normal course of business include provisions for unpaid invoices for services received amounting to EUR 62,769 thousand (2021: EUR 62,600 thousand), the amount of which is not sufficiently certain. These mainly relate to provisions for services received that have not yet been settled; as a result, the amount of these provisions has not been finalized. Obligations for the audit of financial statements of EUR 2,333 thousand (2021: EUR 2,016 thousand) were also set aside. Obligations in the normal course of business also include obligations for litigation costs and risks, purchase guarantees, and other taxes. We consider the uncertainties regarding the amount or maturity of possible obligations to be insignificant.

The expected utilization of other provisions is as follows:

OTHER PROVISIONS - MATURITIES

in € thousand	up to 1 year	1 year to 5 years	more than 5 years	Total
Provisions for personnel and welfare obligations	105,076	25,934	8,787	139,797
Warranty provisions	32,292	16,983	-	49,275
Provisions for potential losses	1,111	-	-	1,111
Provisions from sales	23,813	214	-	24,026
Provisions for other obligations in the normal course of business	86,915	5,166	-	92,081
	249,207	**48,296**	**8,787**	**306,290**

32 INTEREST-BEARING LOANS AND LIABILITIES TO BANKS

INTEREST-BEARING LOANS AND LIABILITIES TO BANKS 2022

	Current	Non-current			Total
in € thousand		1 year to 5 years	more than 5 years	Total	
Liabilities to banks	83,575	9,803	52,409	62,212	145,787
Note loans (issued 2021)	-	100,000	-	100,000	100,000
	83,575	**109,803**	**52,409**	**162,212**	**245,787**

INTEREST-BEARING LOANS AND LIABILITIES TO BANKS 2021

	Current	Non-current			Total
in € thousand		1 year to 5 years	more than 5 years	Total	
Liabilities to banks	41,058	23,671	61,170	84,841	125,899
Note loans (issued 2016)	-	100,000	-	100,000	100,000
	41,058	**123,671**	**61,170**	**184,841**	**225,899**

The note loans in place as at the balance sheet date are not subject to any contractually agreed termination options.

The terms and conditions and the interest on interest-bearing loans and liabilities to banks are as follows:

TERMS AND CONDITIONS AND INTEREST RATES FOR INTEREST-BEARING LOANS AND LIABILITIES TO BANKS

			2022			2021
	Interest conditions	Interest rate in %	Total in € thousand	Interest conditions	Interest rate in %	Total in € thousand
Non-current liabilities to banks						
EUR	fixed	0.75 - 1.85	61,746	fixed	0.75 - 1.85	69,354
EUR	variable	-	-	variable	1.46	13,614
MYR	fixed	4.69	256	fixed	4.69	636
ZAR	fixed	-	-	fixed	6.35	969
Others	fixed	4.88 - 17.00	211	fixed	2.05 - 17.00	268
			62,212			**84,841**
Non-current note loans						
EUR	fixed	0.85 - 1.00	100,000	fixed	0.85 - 1.00	100,000
			100,000			**100,000**
			162,212			**184,841**
Current liabilities to banks						
EUR	variable	2.20 - 7.00	23,842	variable	0.85 - 7.00	481
EUR	fixed	0.75 - 1.85	7,609	fixed	0.85 - 1.85	8,604
USD	fixed	6.20	17,799	fixed	-	-
CNY	fixed	3.25 - 3.80	8,157	fixed	4.40	2,773
JPY	fixed	0.84	6,749	fixed	0.83	2,300
INR	variable	8.20 - 9.05	6,215	variable	6.12 - 8.45	243
ZAR	fixed	8.50	5,526	fixed	5.25 - 6.35	6,180
VND	variable	0.04 - 0.10	2,949	variable	0.03 - 0.05	9,773
SAR	fixed	3.30 - 3.40	2,243	fixed	3.30 - 3.40	2,116
BRL	fixed	14.00 - 17.00	957	fixed	14.00 - 17.00	5,823
IDR	fixed	-	-	fixed	5.99 - 9.65	838
IDR	variable	5.92 - 7.85	436	variable	5.90 - 6.88	435
MYR	fixed	4.69	384	fixed	4.69	381
Others	fixed	4.80 - 46.80	109	fixed	0.27 - 4.20	1,109
Others	variable	5.00 - 20.00	600	variable	-	-
			83,575			**41,058**

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

Liabilities to banks arising from the construction of the office and laboratory building for the medical business that was completed in fiscal year 2008 have been secured with a mortgage of EUR 55 million. The residual carrying amount of the asset is EUR 22.1 million as at December 31, 2022 (December 31, 2021: EUR 23.8 million). The finance for the new production and logistics building for the Infrastructure Projects segment in Lübeck, which was completed in fiscal year 2011, has been secured with a mortgage of EUR 10.8 million. The residual carrying amount of the asset is EUR 7.3 million as at December 31, 2022 (December 31, 2021: EUR 7.6 million). There are no other material mortgages on land and buildings or assignments as security for recognized liabilities.

As in the prior year, there were no payment delays or default or any other violations of the loan agreements in fiscal year 2022.

33 OTHER FINANCIAL LIABILITIES

OTHER FINANCIAL LIABILITIES 2022

in € thousand	Current	Non-current 1 year to 5 years	more than 5 years	Total	Total
Trade payables to third parties	**285,608**	**-**	**-**	**0**	**285,608**
Other financial liabilities					
Liability from termination of participation certificates	208,806	-	-	0	208,806
Lease liabilities	36,005	53,792	26,367	80,160	116,164
Negative fair values of derivative financial instruments	14,435	1,268	-	1,268	15,704
Repayment obligation Draeger Arabia Co. Ltd.	24,503	-	-	0	24,503
Liabilities to employees	14,819	-	-	0	14,819
Debtors with credit balances	8,737	-	-	0	8,737
Liabilities to Drägerwerk Verwaltungs AG	8,046	-	-	0	8,046
Liabilities from accrued loan interest	1,046	-	-	0	1,046
Other financial liabilities	8,066	12,275	-	12,275	20,341
	324,466	**67,335**	**26,367**	**93,702**	**418,168**
	610,074			**93,702**	**703,776**

OTHER FINANCIAL LIABILITIES 2021

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

After a further 184,530 series D participation certificates were repurchased early for EUR 100,015 thousand in March 2021, the payment obligation for the participation certificates includes the outstanding payment amount for the 382,289 remaining series D participation certificates, which was disbursed in January 2023.

The repayment obligation to the non-controlling shareholder of Draeger Arabia Co. Ltd. results from the amended agreements that came into force effective from February 2014 and allow the shareholders to offer their shares to the other shareholder from January 1, 2024, or to bring about the company's liquidation in the event that the other shareholder does not consent to purchase the shares. The payment obligation to minority shareholders constitutes a financial liability that is recognized as debt, rather than recognized in equity. The non-controlling shareholder's puttable shares were initially accounted for as a liability at fair value of the expected payment obligation for Dräger as at the date of termination. They are subsequently accounted for at fair value.

Other financial liabilities include obligations in the amount of EUR 12,045 thousand (2021: EUR 10,626 thousand) for payments to the minority shareholders of STIMIT AG, Biel/Bienne, Switzerland, and AB Ulax, Motala, Sweden, resulting from shareholders' contractual option to offer their shares to the respective other shareholder as well as from potential purchase price payments under a debtor warrant agreement. These payment obligations to minority shareholders constitute a financial liability that is recognized as debt, rather than recognized in equity.

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

For the derivative financial instruments recognized as other financial liabilities, please refer to the table of derivative financial instruments in the Dräger Group presented in ↗ note 35.

34 OTHER LIABILITIES

OTHER LIABILITIES

			2022			2021
in € thousand	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Contractual liabilities	139,262	38,388	177,650	131,562	41,025	172,587
Deferred other income	151	5,979	6,130	147	6,054	6,200
Other tax liabilities	45,828	-	45,828	43,841	-	43,841
Other liabilities to employees and for social security	42,239	3	42,242	38,247	-	38,247
Remaining other liabilities	162	393	554	5,882	261	6,142
	227,641	**44,763**	**272,404**	**219,678**	**47,339**	**267,017**

Contractual liabilities are composed of accrued net sales of EUR 106,774 thousand (2021: EUR 112,602 thousand) and of prepayments received of EUR 70,876 thousand (2021: EUR 59,985 thousand).

Other deferred income includes accruals of other income.

35 FINANCIAL INSTRUMENTS

A) STRUCTURE OF FINANCIAL INSTRUMENTS AND THEIR MEASUREMENT

The structure of the financial instruments of the Group, their classification, and the resulting measurement are shown below:

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

in € thousand	Classification	2022	2021
Financial assets [1]			
Equity and debt instruments	Fair value through profit or loss	15,735	137,841
Derivatives (without hedging relation)	Fair value through profit or loss	3,630	2,616
Derivatives (cash flow hedge)	Recognized directly in equity in other comprehensive income	4,405	2,549
Trade receivables	Amortized cost	680,822	611,547
Other financial assets	Amortized cost	41,499	46,902
Cash and cash equivalents	Amortized cost	311,554	445,746
		1,057,646	**1,247,202**
Financial liabilities			
Trade payables	Amortized cost	285,608	223,979
Loans and liabilities to banks	Amortized cost	245,787	225,899
Other financial liabilities [2]	Amortized cost	377,961	365,217
	Fair value through profit or loss	24,503	24,503
Derivatives (with hedging relation)	Recognized directly in equity in other comprehensive income	8,420	20,106
Derivatives (without hedging relation)	Fair value through profit or loss	7,284	3,646
		949,563	**863,350**

[1] Contract assets are no financial instruments. The figures have been adjusted accordingly.
[2] Repayment obligations Draeger Arabia Co. Ltd. are measured at fair value. Prior-year figures have been adjusted accordingly.

The measurement classes are explained in our comments on the measurement of financial assets and liabilities in ↗ note 7.

Financial instruments recognized at fair value were allocated to the three levels of the fair value hierarchy shown in the tables below:

The Dräger Group's financial assets were not reclassified in fiscal year 2022.

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

FINANCIAL INSTRUMENTS - ASSETS 2022

					December 31, 2022
	Carrying amount				Fair value
in € thousand		Level 1	Level 2	Level 3	Total
Financial assets – at amortized cost					
Trade receivables [1]	680,822	-	-	-	680,822
Other financial assets	41,499	-	41,598	-	41,598
Cash and cash equivalents [1]	311,554	-	-	-	311,554
	1,033,876	**0**	**41,598**	**0**	**1,033,975**
Financial assets – recognized directly in equity in other comprehensive income					
Derivatives (with hedging relation)	4,405	-	4,405	-	4,405
	4,405	**0**	**4,405**	**0**	**4,405**
Financial assets – at fair value through profit and loss					
Derivatives (without hedging relation)	3,630	-	3,630	-	3,630
Equity instruments	15,203	-	-	15,203	15,203
Debt instruments	533	533	-	-	533
	19,366	**533**	**3,630**	**15,203**	**19,366**
	1,057,646	**533**	**49,633**	**15,203**	**1,057,745**

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

FINANCIAL INSTRUMENTS - ASSETS 2021

					December 31, 2021
	Carrying amount				Fair value
in € thousand		Level 1	Level 2	Level 3	Total
Financial assets – at amortized cost [1]					
Trade receivables [2]	611,547	-	-	-	611,547
Other financial assets	46,902	-	46,903	-	46,903
Cash and cash equivalents [2]	445,746	-	-	-	445,746
	1,104,196	**0**	**46,903**	**0**	**1,104,196**
Financial assets – recognized directly in equity in other comprehensive income					
Derivatives (with hedging relation)	2,549	-	2,549	-	2,549
	2,549	**0**	**2,549**	**0**	**2,549**
Financial assets – at fair value through profit and loss					
Derivatives (without hedging relation)	2,616	-	2,616	-	2,616
Equity instruments	7,170	-	-	7,170	7,170
Debt instruments	130,672	130,672	-	-	130,672
	140,457	**130,672**	**2,616**	**7,170**	**140,457**
	1,247,202	**130,672**	**52,068**	**7,170**	**1,247,202**

[1] The figures have been adjusted because contract assets do not include financial instruments.
[2] The valuation of these financial instruments is not assigned to any fair value level.

FINANCIAL INSTRUMENTS - EQUITY AND LIABILITIES 2022

					December 31, 2022
	Carrying amount				Fair value
in € thousand		Level 1	Level 2	Level 3	Total
Financial liabilities – at amortized cost					
Trade payables [1]	285,608	-	-	-	285,608
Loans and liabilities to banks	245,787	-	222,481	-	222,481
Other financial liabilities	402,464	-	396,591	-	396,591
	933,860	**0**	**619,072**	**0**	**904,680**
Financial liabilities – recognized directly in equity in other comprehensive income					
Derivatives (with hedging relation)	8,420	-	8,420	-	8,420
	8,420	**0**	**8,420**	**0**	**8,420**
Financial liabilities – at fair value through profit and loss					
Derivatives (without hedging relation)	7,284	-	7,284	-	7,284
	7,284	**0**	**7,284**	**0**	**7,284**
	949,563	**0**	**634,775**	**0**	**920,384**

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

FINANCIAL INSTRUMENTS - EQUITY AND LIABILITIES 2021

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

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

Level 1:
Fair value is measured using prices in active markets for identical financial assets or financial liabilities. The fair values of non-current securities are based on current stock market prices.

Level 2:
Measurement uses largely observable input factors that can be directly (i.e., price) or indirectly (i.e., derived from prices) observed for financial assets or financial liabilities; these do not include any listed prices taken into consideration in level 1.

Dräger applies the discounted cash flow method when measuring derivatives. Expected cash flows are determined on the basis of secured prices and/or interest rates and the observable closing rates and/or interest rates, which are then discounted using an interest rate that takes into account Dräger's Company-specific risks.

The fair values of level 2 financial assets and liabilities measured at amortized cost were determined using the discounted cash flow method by replacing the interest rates used in the initial calculation of non-current financial assets and liabilities with interest rates derived from current company-related interest rate curves on the balance sheet date. These interest rates are between 5.58 % for cash flows in fiscal year 2023 and 5.53 % for cash flows in fiscal year 2027 relating to loans and liabilities to banks, as well as between 2.66 % and 27.73 % for cash flows in the period from 2023 to 2047 relating to other financial liabilities. An increase in the above interest rates would result in a decrease in fair values. No adjustments were made to the interest rates of 8.28 % and 6.19 % for the leasehold agreements recognized in fiscal years 2013 and 2016 (terms into fiscal year 2103).

Level 3:
Fair value is measured using factors not based on observable market data for the measurement of financial assets and financial liabilities (unobservable input factors). These are classified as level 3 when there is an unobservable input factor present that significantly influences the measurement. Within the Dräger Group, only equity instruments are allocated to level 3.

The fair value of two high-tech start-up funds is determined using the price of recent investment method, which is based on the value of the last round of financing. When measuring remaining equity instruments, Dräger applies the discounted cash flow method including all material parameters. The applied risk-adjusted discounting rate is 6.1 %. Level 3 equity investments developed as follows:

DEVELOPMENT OF EQUITY INSTRUMENTS (LEVEL 3)

in € thousand	2022	2021
January 1	**7,170**	**3,117**
Currency translation effects	13	17
Additions	11,441	4,000
Disposals	-4,000	0
Measurement through profit and loss	579	36
December 31	**15,203**	**7,170**

No reclassifications between the levels were carried out in the past two fiscal years.

Net profit or loss from financial instruments (before interest result)

Net profit or loss from financial instruments (before interest result) recorded in fiscal year 2022 is composed as follows:

NET RESULT FROM FINANCIAL INSTRUMENTS (WITHOUT INTEREST RESULT)

in € thousand	2022	2021
Financial assets measured at amortized cost	-3,240	3,509
Assets measured at fair value through profit or loss	-73	-342
Equity instruments measured at fair value through profit or loss	-574	-89
Derivatives measured at fair value through profit or loss	-18,703	-21,887
Financial liabilities measured at amortized cost	-525	-1,435
	-23,116	**-20,243**

Net profit or loss from financial instruments (before interest result) in the reporting year mostly comprised changes in value from impairments, reversals of impairments, and profit or loss from currency futures, as in the prior year.

Net interest result from financial instruments

The net interest result from financial instruments recorded in the fiscal year is composed as follows:

INTEREST RESULT FROM FINANCIAL INSTRUMENTS

in € thousand	2022	2021
Financial assets measured at amortized cost	8,777	4,750
Debt instruments measured at fair value through profit or loss	676	119
Financial liabilities measured at amortized cost	-12,229	-30,562
	-2,776	**-25,693**

Please refer to ↗ note 15 for our comments on the composition of the net interest result of the financial liabilities measured at amortized cost.

B) FINANCIAL RISK MANAGEMENT

As an international company, the Dräger Group is especially exposed to exchange rate and interest rate risks, in addition to liquidity risks and credit risk.

The aim of financial risk management is to shed light on financial risks posed to the Dräger Group and mitigate them through suitable measures. A systematic recognition, control, and monitoring of market risks is designed to counter developments that could jeopardize the existence of Dräger early on and ensure Dräger's continued existence in the long term.

Derivative financial instruments are used to hedge the currency and interest exposure of current and forecast transactions. These derivatives are used exclusively as hedging instruments and are generally not concluded for speculative purposes.

The following derivative financial instruments were held as at the balance sheet date:

DERIVATIVE FINANCIAL INSTRUMENTS

	Nominal value						Fair value
in € thousand		Non-current	Current	Assets Total	Non-current	Current	Equity and liabilities Total
2022							
Currency forwards							
Without a hedging relationship recognized in the balance sheet	311,514	66	3,565	3,630	1,079	6,205	7,284
In conjunction with cash flow hedges	361,258	27	4,377	4,405	189	8,119	8,308
	672,772	**93**	**7,942**	**8,035**	**1,268**	**14,324**	**15,592**
Interest rate swap							
In conjunction with cash flow hedges	10,916	-	-	0	-	111	111
	683,688	**93**	**7,942**	**8,035**	**1,268**	**14,435**	**15,704**
2021							
Currency forwards							
Without a hedging relationship recognized in the balance sheet	362,897	607	2,009	2,616	311	3,335	3,646
In conjunction with cash flow hedges	424,867	281	2,268	2,549	1,598	17,896	19,495
	787,763	**888**	**4,276**	**5,165**	**1,910**	**21,231**	**23,141**
Interest rate swap							
In conjunction with cash flow hedges	11,364	-	-	0	611	-	611
	799,127	**888**	**4,276**	**5,165**	**2,521**	**21,231**	**23,752**

The Treasury department is responsible for treasury management, secures the Group's liquidity, and monitors its interest risks. Together with Controlling, it monitors and hedges currency risks. The organizational structures and processes, and the Group's internal treasury policy, ensure transparency and security. Responsibilities for trading and completing financial transactions are separated.

A committee, which is comprised of the CFO as well as participants from the treasury, tax, accounting, and controlling departments, determines and monitors the basic features of Dräger's financial policies. The financial policies as well as financial risk management for liquidity, currency, and interest rate risks are implemented centrally by the treasury department. Please see our comments in the management report for more general information on risk management.

Liquidity risk

Drägerwerk AG & Co. KGaA mitigates its liquidity risk by diversifying the maturity structure of its financing instruments so as to ensure the Dräger Group's solvency and financial flexibility at all times. Drägerwerk AG & Co. KGaA also has various non-current and current liabilities to banks as well as a liquidity reserve comprising freely available credit facilities with numerous banks with which it has concluded bilateral agreements. Due to the maturity structure of these financing instruments, Drägerwerk AG & Co. KGaA has only a limited prolongation risk.

The following analysis of the maturities of financial liabilities (contractually agreed, non-discounted payments) shows the influence on the Group's liquidity situation:

MATURITIES OF FINANCIAL LIABILITIES 2022

in € thousand	2023	2024	2025 to 2027	2028	Total
Derivative financial liabilities					
Foreign currency derivatives – cash outflow	357,337	31,698	2,335	-	391,369
Foreign currency derivatives – cash inflow	-340,575	-30,146	-2,114	-	-372,835
Interest rate swap – cash outflow	112	-	-	-	112
	16,874	**1,551**	**222**	**0**	**18,647**
Non-derivative financial liabilities					
Interest-bearing loans and liabilities to banks	86,981	7,274	106,884	52,975	254,114
Trade payables	285,608	-	-	-	285,608
Other financial liabilities	101,224	26,978	34,871	47,563	210,636
	473,813	**34,252**	**141,756**	**100,538**	**750,359**
	490,687	**35,803**	**141,977**	**100,538**	**769,006**

MATURITIES OF FINANCIAL LIABILITIES 2021

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

Currency risk

The Group's currency risks relate to the financial instruments denominated in foreign currencies and used in connection with operating activities or investing and financing activities.

Our currency risk management system aims to reduce the impact of exchange rate fluctuations on Group EBIT, taking into account the economic viability of the hedging methods applied. Currency risks with no effect on liquidity resulting from the consolidation of the balance sheets and income statements of foreign subsidiaries (currency translation risk) are generally not hedged. Currency risks are netted by offsetting income and costs and assets and liabilities denominated in each currency.

The currency risk from operating activities is determined on the basis of planned cash flows in foreign currencies. Using a cash flow at risk optimization calculation, a currency portfolio is determined that minimizes hedging costs and the diversified currency risk at the same time. The aim of portfolio optimization is to reduce currency risk at EBIT level to a maximum of 1 % of planned annual net sales with a confidence interval of 95 %.

The planned risk positions are hedged at a ratio of 75 % of the planned transaction in the currencies concerned. The recognition of the hedged item in profit or loss results in the hedging ratio being adjusted to 100 %. Risk positions from investing and financing activities are generally hedged at a ratio of 100 % when the assets or liabilities are recognized. Currency futures are used to hedge currency risks.

Dräger applies IFRS 9 to the accounting treatment and measurement of hedging transactions, with currency futures designated as spot-to-spot transactions. In this method, the accrued changes in value of the derivative are recognized with the spot component in the cash flow hedge reserve (OCI I) and with the forward component in the cost of hedging reserve (OCI II).

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

Furthermore, the hypothetical derivative method is used within the scope of a retrospective effectiveness test to determine whether the hedge was effective in the prior period and to determine any potential inefficiencies. As past ineffectiveness arose merely from taking counterparty risk into consideration, counterparty risk must not be included in the calculation of the hypothetical derivative. Dräger does not typically renew its hedges by changing the hedging instruments and the hedged items.

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

In hedging foreign currency risks posed by recognized assets or recognized liabilities, hedge accounting is not used to recognize hedges. The concluded currency futures are categorized as trading derivatives and measured at fair value through profit or loss.

The nominal volumes of foreign currency hedging instruments are distributed as follows:

NOMINAL VOLUMES OF FOREIGN CURRENCY HEDGING INSTRUMENTS

in € million	up to 1 year	1 to 5 years	Residual terms over 5 years	Total nominal volume December 31	Average hedging rate / price December 31
2022					
Currency futures CNY	95.6	8.3	-	103.8	7.4
Currency futures AUD	36.4	3.1	-	39.4	1.6
Currency futures JPY	30.6	3.6	-	34.2	136.1
Currency futures MXN	28.6	0	-	28.6	23.1
Currency futures SAR	26.7	0	-	26.7	4.2
Currency futures PLN	19.8	2.0	-	21.8	5.0
Currency futures BRL	17.8	0	-	17.8	6.0
Currency futures CHF	15.6	1.4	-	17.0	1.0
Currency futures THB	16.2	0.8	-	17.0	37.4
Total other currency areas	53.2	1.6	0	54.8	n/a
2021					
Currency futures CNY	96.8	29.7	-	126.4	8.0
Currency futures SAR	33.5	8.5	-	42.0	4.5
Currency futures AUD	28.4	6.9	-	35.3	1.6
Currency futures JPY	25.1	7.0	-	32.1	130.1
Currency futures ZAR	24.3	2.4	-	26.7	18.8
Currency futures PLN	15.5	4.4	-	19.9	4.6
Currency futures THB	16.2	4.0	-	19.8	38.2
Currency futures MXN	17.6	1.8	-	19.4	26.1
Currency futures SEK	16.5	1.5	-	18.0	10.2
Total other currency areas	77.4	7.9	0	85.3	n/a

The sum of all other currency areas in fiscal year 2022 includes the currency futures for a total of 8 currencies (2021: 8), which only account for 15 % (2021: 20 %) of the total volume in nominal terms.

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

DISCLOSURES ON ASSURANCE INSTRUMENTS AS PART OF FOREIGN CURRENCY CASH FLOW HEDGES

in € million	Carrying amount	Balance sheet items	Change in fair value to determine ineffectiveness	Nominal value
2022				
Currency forwards				
Derivative assets	4.4	other financial assets	6.5	165.9
Derivative liabilities	8.3	other financial liabilities	2.1	195.4
2021				
Currency forwards				
Derivative assets	2.5	other financial assets	2.5	100.1
Derivative liabilities	19.5	other financial liabilities	14.9	324.7

Changes in fair value to determine ineffectiveness only include changes to spot components.

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

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

in € million	2022	2021
Value change to the hedging item period to determine ineffectiveness	4.4	12.6
Status of hedging reserve and currency reserve of active cash flow hedges	3.9	-9.9
Status of hedging reserve and currency reserve of terminated cash flow hedges	-	-

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

DISCLOSURES ON GAINS AND LOSSES FROM FOREIGN CURRENCY CASH FLOW HEDGES

in € million	2022	2021
Gain or loss from cash flow hedges recognized in equity	3.9	-9.9
Ineffectiveness recognized in the income statement	0.1	0.0
Items in the statement of comprehensive income containing the recognized ineffectiveness	Cost of sales	Cost of sales
Reclassifications from the cash flow hedge reserve in the income statement		
due to premature termination of cash flow hedges	2.1	2.3
due to the recognition of the hedged item in the income statement	14.2	8.4
Items in the statement of comprehensive income containing the reclassification	Net sales / Cost of sales	Net sales / Cost of sales
Gain or loss from hedging the net positions	-	-

The effects of the premature termination of cash flow hedges are the result of changes to the portfolio of hedged currencies and mainly concerned the Russian ruble, the Saudi riyal, and the Chinese yuan. Hedges for the Russian ruble were reversed due to the sanctions-related reduction in Russian business. The Saudi riyal was removed from the hedging portfolio due to the amended hedging strategy for fiscal year 2023. The adjustment to hedging volume was necessary for the Chinese yuan due to the unexpectedly low volume of business in China.

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

DEVELOPMENT OF FOREIGN CURRENCY CASH FLOW HEDGE RESERVES

	2022		2021	
in € million	Hedge reserves	Costs of hedging	Hedge reserves	Costs of hedging
January 1	**-9.9**	**-1.6**	**-0.3**	**-**
Gain or loss from effective hedge accounting	-2.5	-2.8	-20.3	-3.6
Reclassifications due to amended expectations regarding the occurence of the hedged item	2.1	1.4	2.3	0.5
Reclassifications due to recognition of the hedged item	14.2	-1.3	8.4	1.4
Reclassifications of presumably irrecoverable losses recorded in other comprehensive income	-	-	-	-
Reclassifications due to basis adjustment	-	-	0.1	0.0
December 31	**3.9**	**-4.3**	**-9.9**	**-1.6**

In order to better illustrate existing currency risks, the effects of hypothetical changes in relevant currencies on net profit and equity are discussed below on the basis of a currency sensitivity analysis. For this purpose, it was assumed that most monetary financial instruments are already denominated in the functional currency or have been converted into the functional currency using derivative financial instruments. Currency risks therefore lie in the remaining unhedged financial instruments in foreign currencies in respect of which currency fluctuations affect profit or loss. If the euro was up/down 10 % against the main foreign currencies in the Dräger Group, the U.S. dollar and the Chinese yuan, as at the balance sheet date, with all other variables remaining the same, earnings after taxes (pursuant to IFRS 7) and other comprehensive income in equity would be impacted as follows:

EXCHANGE RATE SENSITIVITY

		2022		2021
		Influence to		Influence to
in € million	Earnings after taxes	Other comprehensive income in equity	Earnings after taxes	Other comprehensive income in equity
US dollar				
Euro up 10 %	2.0	-	0.2	-
Euro down 10 %	-2.5	-	-0.2	-
Chinese yuan				
Euro up 10 %	0.1	5.0	-0.1	7.4
Euro down 10 %	-0.1	-6.1	0.1	-9.0

Interest rate risk

As well as variable rate non-current receivables and liabilities from operations, variable rate non-current loan liabilities also give rise to an interest rate risk due to changes in market rates. Drägerwerk AG & Co. KGaA counters interest rate risks with a combination of fixed and variable rate financial liabilities and by using normal market hedging instruments. Changes in the market interest rates for primary financial instruments with fixed interest only affect the Group's profit or loss if such instruments are recognized at fair value. As a result, none of the fixed-interest financial instruments recognized at amortized cost poses an interest rate risk that would affect cash flows.

Dräger concluded interest rate swap caps to fully hedge cash flows from a non-current, variable interest-bearing loan (100 % hedging ratio). The interest rate swap has a remaining term until 2023. For the swap, which is designated as a cash flow hedge, the Group receives variable interest and in return pays fixed interest. It is used for hedging variable interest rates from a real estate lease agreement. The interest rate swap is recognized at fair value.

The nominal volume of the interest rate hedging instrument is:

NOMINAL VOLUMES OF INTEREST RATE HEDGING INSTRUMENT

			Residual terms	Total nominal volume	Average hedging interest rate
in € million	up to 1 year	1 to 5 years	over 5 years	December 31	December 31
2022					
Interest rate swap	10.9	-	-	10.9	4.1%
2021					
Interest rate swap	-	11.4	-	11.4	4.1%

The effectiveness of this interest rate hedge is determined at the start of the hedging relationship and by means of periodic valuations in order to ensure that there is an economic relationship between the hedged item and the hedging instrument. At the Dräger Group, the prospective valuation is conducted by reviewing the contractual terms and conditions of the hedged item and the hedging transaction. The interest rate swap was concluded at identical terms and conditions to the hedged item, so that it can be assumed that the hedge will be effective in the future. Furthermore, a retrospective test was performed to determine the effectiveness of the interest rate swap. In the past, ineffectiveness resulted solely from the consideration of counterparty risk and was contained in fair value. Given that there has been no change in the hedged item and no change is likely, no over-hedging has either taken place or is expected. The IBOR reform also had no effect, as the benchmark interest rate for the swap is the EURIBOR.

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

DISCLOSURES ON HEDGING INSTRUMENTS AS PART OF INTEREST RATE CASH FLOW HEDGES

in € million	Carrying amount	Balance sheet items	Change in fair value to determine ineffectiveness	Nominal value
2022				
Interest rate swap				
Derivative assets	-		-	-
Derivative liabilities	0.1	other financial liabilities	0.1	10.9
2021				
Interest rate swap				
Derivative assets	-		-	-
Derivative liabilities	0.6	other financial liabilities	0.6	11.4

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

DISCLOSURES ON UNDERLYING TRANSACTIONS AS PART OF INTEREST RATE CASH FLOW HEDGES

in € million	2022	2021
Value change to the hedging item period to determine ineffectiveness	0.1	0.6
Status of hedging reserve and interest reserve of active cash flow hedges	-0.1	-0.6
Status of hedging reserve and interest reserve of terminated cash flow hedges	-	-

The effects of interest rate cash flow hedges on the income statement and other comprehensive income are as follows:

DISCLOSURES ON GAINS AND LOSSES FROM INTEREST RATE CASH FLOW HEDGES

in € million	2022	2021
Gain or loss from cash flow hedges recognized in equity	0.0	0.1
Ineffectiveness recognized in the income statement	-	-
Items in the statement of comprehensive income containing the recognized ineffectiveness	-	-
Reclassifications from the cash flow hedge reserve in the income statement		
due to premature termination of the cash flow hedge	-	-
due to the recognition of the hedged item in the income statement	0.5	0.5
Items in the statement of comprehensive income containing the reclassification	Financial result	Financial result
Gain or loss from hedging the net positions	-	-

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

DEVELOPMENT OF INTEREST RATE CASH FLOW HEDGE RESERVES

in € million	2022	2021
January 1	**-0.6**	**-1.2**
Gain or loss from effective hedge accounting	0.0	0.1
Reclassifications due to amended expectations regarding the occurrence of the hedged item	-	-
Reclassifications due to recognition of the hedged item	0.5	0.5
Reclassifications of presumably irrecoverable losses recorded in other comprehensive income	-	-
Reclassifications due to basis adjustment	-	-
December 31	**-0.1**	**-0.6**

In order to better illustrate existing interest rate risks, the effects of hypothetical changes in market interest rates on net profit and equity are discussed below on the basis of an interest rate sensitivity analysis. For this purpose, it was assumed that interest rate changes affect primary financial instruments measured at fair value and derivative financial instruments that are not part of a hedging relationship, whose changes in value are recognized in profit or loss. Derivative financial instruments that are part of a cash flow hedge are also affected by interest rate changes, with the changes in value recognized directly in equity.

A hypothetical increase of 50 basis points in market interest rates as at the balance sheet date, with all other variables remaining the same, would increase earnings after taxes by EUR 950 thousand (2021: EUR 1,443 thousand) and equity by EUR 0 thousand (2021: EUR 49 thousand). A hypothetical decrease of 25 basis points in market interest rates as at the balance sheet date, with all other variables remaining the same, would increase earnings after taxes by EUR -475 thousand (2021: EUR 42 thousand) and decrease equity by EUR 0 thousand (2021: EUR 36 thousand).

Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. In terms of derivatives, the Dräger Group does not expect any counterparties to fail to meet their obligations as they consist exclusively of financial institutions with investment grade ratings. In terms of trade receivables, Dräger's customer structure in the medical division mainly involves public or private hospitals, while customers in the safety division are public organizations (fire service, police, etc.) as well as companies from the chemical, oil, and gas industries and other industries. Consequently, the Group considers that its maximum exposure is reflected by the amount of trade receivables and other current assets, less impairments on these assets and received collateral recognized as at the balance sheet date. Trade receivables of EUR 2,709 thousand (2021: EUR 353 thousand) were mainly secured by letters of credit and bank guarantees. There are no other financial assets or liabilities that are covered by financial collateral (including cash collateral). Dräger does not hold collateral in the form of financial or non-financial assets.

Dräger bases its calculation of impairment losses on the fundamental assumptions and requirements of IFRS 9. Impairment losses on receivables are already made at the time the receivable arises. Trade and other receivables without material financing components are based on expected payment defaults throughout the whole contractual term. For receivables with material financing components, impairments are generally based on the expected payment defaults in the following twelve months. Expected payment defaults over the whole contractual term are only calculated for these receivables if the credit risks of the receivables increase significantly over time. The expected defaults are generally estimated individually for each receivable, taking into account different factors, in particular the credit rating of the debtor, partly using empirical values of homogeneous groups of receivables.

There are no significant risk concentrations relating to credit risks in connection with trade receivables. Trade receivables are mainly attributable to a very large number of customers.

Trade receivables and contract assets continue to represent more than 90 % of Dräger's financial assets measured at amortized cost (excluding cash and cash equivalents). Dräger applies the simplified approach for these financial assets, whereby risk provisions are measured in the amount of the expected losses from default for the entire term, both at initial recognition and on all subsequent reporting dates. Expected payment defaults in the future are recognized and these risk provisions are adjusted at each reporting date so as to recognize possible credit risks on the balance sheet of trade receivables without material financing components and contract assets.

Since contract assets have the same risk profile as trade receivables, the default rate calculated from trade receivables was also applied to the contract assets. Accordingly, a risk provision in the amount of EUR 122 thousand (2021: EUR 56 thousand) was recognized for contract assets in the amount of EUR 56,450 thousand (2021: EUR 48,440 thousand).

According to the simplified approach, a risk provision in the amount of EUR 43,343 thousand (2021: EUR 41,337 thousand) was recognized for gross carrying amounts totaling EUR 780,493 thousand (2021: EUR 701,268 thousand). Individual impairments are recognized if there are objective indications that receivables are impaired and are shown in the table.

Risk provisions for trade receivables and contract assets were calculated as follows:

CALCULATING RISK PROVISIONS FOR TRADE RECEIVABLES AND CONTRACT ASSETS

in € thousand	not due	due in < 30 days	due in 30 to 59 days	due in 60 to 89 days	due in 90 to 119 days	due in >= 120 days	Risk provisions in total	Bad debt allowances	Total
December 31, 2022									
Gross carrying amounts of trade receivables and contract assets	556,149	77,342	29,079	12,976	8,556	41,434		54,957	780,493
Risk provisions	891	121	60	28	30	625	1,753	41,590	43,343
December 31, 2021									
Gross carrying amounts of trade receivables and contract assets	487,481	64,659	24,709	18,938	10,137	42,981		52,362	701,268
Risk provisions	499	80	33	25	27	447	1,112	40,225	41,337

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

RECONCILIATION OF RISK PROVISIONS FOR TRADE RECEIVABLES AND CONTRACT ASSETS

in € thousand	Specific bad debt allowances	Risk provisions	Total
January 1, 2021	**39,040**	**1,922**	**40,962**
Allocation	9,170	148	9,317
Utilization	-3,842	0	-3,842
Reversal	-5,043	-984	-6,027
Currency translation effects	901	26	927
December 31, 2021 / January 1, 2022	**40,225**	**1,112**	**41,337**
Allocation	7,406	753	8,159
Utilization	-3,946	-	-3,946
Reversal	-2,876	-110	-2,986
Currency translation effects	781	-2	779
December 31, 2022	**41,590**	**1,753**	**43,343**

Risk provisions include EUR 122 thousand (2021: EUR 56 thousand) for contract assets. Additions to risk provisions amounted to EUR 75 thousand (2021: EUR 9 thousand) and an amount of EUR 9 thousand (2021: EUR 29 thousand) was utilized. No individual impairments were recognized on contract assets, as in the prior year.

During the reporting period, Dräger wrote off trade receivables of EUR 0 thousand (2021: EUR 534 thousand), for which enforcement proceedings are not yet concluded.

All other Dräger debt instruments classified at amortized cost were measured in the amount of the expected losses from default over 12 months. On this basis, a risk provision in the amount of EUR 45 thousand (2021: EUR 28 thousand) was recognized for gross carrying amounts totaling EUR 41,544 thousand (2021: EUR 46,930 thousand).

No reclassifications were made at higher levels of credit due to the unchanged low credit risk, which is why levels 2 and 3 have not been reported as separate items. The assets in question mainly involve notes receivables, receivables from commissioning agents, and security deposits, for which no defaults were to be recognized in the past.

The development of the risk provisions in level 1 according to IFRS 9 is as follows:

RECONCILIATION OF LEVEL 1 RISK PROVISIONS (EXPECTED LOSSES OVER 12 MONTHS)

in € thousand	Specific bad debt allowances	Risk provisions	Total
January 1, 2021	**9,390**	**39**	**9,428**
Allocation	74	-	74
Reversal	-	-11	-11
Currency translation effects	407	-	407
December 31, 2021 / January 1, 2022	**9,871**	**28**	**9,899**
Allocation	98	17	115
Utilization	-10	0	-10
Currency translation effects	276	-	276
December 31, 2022	**10,236**	**45**	**10,281**

During the reporting period, no material changes were made to estimation procedures or significant assumptions.

Dräger does not hold any financial assets that were already impaired in their credit rating at the point at which they were acquired or extended.

Netting of financial assets and liabilities

The following financial assets and liabilities are subject to netting due to contractually agreed offsetting procedures:

NETTING OF FINANCIAL ASSETS 2022

in € thousand	Gross amounts of financial assets	Amount of netted financial liabilities	Recognized net amout 2022	Unnetted amount of a netting agreement	Net amount 2022
Positive derivative financial instruments	8,035	-	8,035	-1	8,033
Cash and cash equivalents	311,554	-	311,554	-12,634	298,920
	319,589	**0**	**319,589**	**-12,636**	**306,954**

NETTING OF FINANCIAL ASSETS 2021

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

NETTING OF FINANCIAL LIABILITIES 2022

in € thousand	Gross amounts of financial liabilities	Amount of netted financial assets	Recognized net amout 2022	Unnetted amount of a netting agreement	Net amount 2022
Negative derivative financial instruments	15,704	-	15,704	-6,085	9,619
Liabilities to banks	145,787	-	145,787	1,590	147,377
	161,490	**0**	**161,490**	**-4,495**	**156,996**

NETTING OF FINANCIAL LIABILITIES 2021

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

The netting options result, on the one hand, from the general offsetting claims of the respective banks in the event of liquidity problems. On the other hand, groups of banks have offsetting claims within the scope of agreements regarding credit lines that were concluded with said banks. No netting has been applied so far as the necessary criteria have not been fulfilled.

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

36 LEASING

Contracts recognized under IFRS 16 as leases are explained below.

A) DRÄGER GROUP AS LESSEE

Property leased by the Dräger Group primarily includes real estate as well as office equipment and machinery (particularly the vehicle fleet). The most significant obligations assumed under the lease terms comprise rental payments, the upkeep of the facilities and equipment, insurance, and taxes on capital. Only lease payments are included in the calculation of the right-of-use assets. Lease terms are generally one to five years with options to renew at varying conditions.

Lessee accounting

The carrying amounts and depreciation and amortization of right-of-use assets capitalized within the scope of lessee accounting are split across the following asset classes:

RIGHT-OF-USE ASSETS 2022

in € thousand	Land, equivalent titles and buildings	Other plant, factory and office equipment	Leased equipment	Total
Carrying value as at January 1, 2022	84,964	30,440	31	115,435
Carrying value as at December 31, 2022	81,059	28,459	0	109,517
Additions in fiscal year 2022	18,246	19,077	0	37,323
Amortization in fiscal year 2022	-22,814	-20,953	-13	-43,780

RIGHT-OF-USE ASSETS 2021

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

Lease liabilities and their due dates are presented in ↗ note 33. Potential additional payments from options in the amount of EUR 25,760 thousand (2021: EUR 26,277 thousand), where there is no sufficient degree of certainty at the point of measurement that the option will be exercised, were not included in the measurement of lease liabilities.

These leases had the following effects on the income statement:

EXPENSES FROM LEASE CONTRACTS (LESSEE)

in € thousand	2022	2021
Amortization of right-of-use assets	43,780	41,594
Interest expenses for lease obligations	4,883	4,707
Expenses for short-term leases	3,844	2,888
Expenses for low-value leases	1,711	1,536
	54,218	**50,724**

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

LEASE PAYMENTS

in € thousand	2022	2021
Fixed lease payments	43,941	41,461
Variable lease payments	-	-
	43,941	**41,461**

Income from sub-leases of EUR 215 thousand (2021: EUR 215 thousand) was generated in fiscal year 2022.

B) DRÄGER GROUP AS LESSOR

Lessor – finance leases

The Dräger Group's main finance leases relate to medical equipment, as well as solutions products and personal protection products. A receivable was recognized equal to the present value of the minimum lease payments.

Receivables from future lease payments outstanding are shown below:

RECEIVABLES FROM FUTURE LEASE PAYMENTS OUTSTANDING

in € thousand	2022	2021
Due in less than 1 year	817	916
Due in 1 to 2 years	739	801
Due in 2 to 3 years	375	655
Due in 3 to 4 years	214	338
Due in 4 to 5 years	94	187
Due in more than 5 years	1	68
Undiscounted lease payments	**2,241**	**2,965**
Unearned finance income	85	158
Net investments in leases	**2,156**	**2,807**

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

AMOUNTS FROM FINANCE LEASES RECOGNIZED IN THE INCOME STATEMENT

in € thousand	2022	2021
Selling profit for finance leases	0	0
Finance income on the net investment in finance leases	94	163
Income relating to variable lease payments not included in the net investment in finance leases	-	-
	94	**163**

No impairments on receivables from irrecoverable minimum lease payments were required.

Lessor – operating leases

The Dräger Group's main operating leases relate to medical equipment, solutions, and gas detection products, as well as building space.

Leased building space of EUR 23,428 thousand (2021: EUR 23,465 thousand) is recognized in the Group's property, plant and equipment at historical cost, together with EUR 19,493 thousand (2021: EUR 18,916 thousand) in accumulated depreciation. The depreciation recognized in the fiscal year amounts to EUR 577 thousand (2021: EUR 560 thousand).

Dräger reports leased equipment (products) separately under property, plant and equipment (see ↗ note 21). Dräger generated income from leasing of EUR 48,571 thousand (2021: EUR 52,817 thousand) in fiscal year 2022.

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

MINIMUM LEASE PAYMENTS

in € thousand	2022	2021
Payments in the first year	30,317	30,844
Payments from the first to second year	7,048	5,785
Payments from the second to third year	5,276	3,455
Payments from the third to fourth year	3,296	2,436
Payments from the fourth to fifth year	2,126	1,732
Payments after five years	1,257	1,210
	49,320	**45,463**

As in the prior year, no contingent rents were agreed in fiscal year 2022.

37 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

As in the prior year, the Dräger Group did not have any contingent liabilities.

Other financial obligations

As at December 31, 2022, other financial obligations amounted to a total of EUR 24,928 thousand (2021: EUR 26,691 thousand) and are structured as follows:

a) Rental and lease agreements

Other financial obligations from rental and lease agreements amount to EUR 797 thousand (2021: EUR 2,965 thousand).

b) Purchase obligations

In line with the usual requirements, the Dräger Group has also entered into purchase obligations with other service providers in order to guarantee the availability of IT services. Due to the centralization of IT activities at Drägerwerk AG & Co. KGaA, the Company assumed all existing long-term obligations to IT service providers of the medical and safety divisions. As a result of outstanding orders, the Group had obligations to purchase intangible assets of EUR 618 thousand (2021: EUR 2,324 thousand) and to purchase property, plant and equipment of EUR 23,513 thousand (2021: EUR 21,401 thousand) as at December 31, 2022.

c) Litigation

Companies of the Dräger Group were involved in litigation and claims for damages in connection with business activities as at December 31, 2022. The Executive Board of the general partner believes that the outcome of such litigation and claims will not have any further material adverse effect on the Company's net assets, financial position, or results of operations over and above the provisions which have already been recognized.

It is not to be expected that these contingent liabilities will become actual liabilities for which no provisions have been recognized yet.

38 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

							Twelve months
		Medical division		Safety division		Dräger Group	
		2022	2021	2022	2021	2022	2021
Order intake	**€ million**	**1,979.3**	**1,916.9**	**1,305.4**	**1,170.9**	**3,284.7**	**3,087.8**
Europe	€ million	950.7	971.2	787.2	729.1	1,737.9	1,700.3
thereof Germany	€ million	395.3	362.6	323.1	287.4	718.4	650.1
Americas	€ million	435.3	419.4	231.1	190.5	666.4	609.8
Africa, Asia, and Australia	€ million	593.3	526.4	287.1	251.3	880.4	777.7
Net sales	**€ million**	**1,821.5**	**2,064.2**	**1,223.7**	**1,264.2**	**3,045.2**	**3,328.4**
Europe	€ million	894.3	1,069.8	757.3	822.5	1,651.6	1,892.3
thereof Germany	€ million	369.5	466.6	299.9	300.1	669.5	766.6
Americas	€ million	412.3	428.8	207.4	200.3	619.7	629.1
Africa, Asia, and Australia	€ million	514.9	565.6	259.1	241.5	774.0	807.1
EBITDA [1]	**€ million**	**-17.6**	**256.4**	**73.4**	**164.5**	**55.8**	**421.0**
Depreciation / Amortization	€ million	-72.8	-64.8	-71.7	-84.5	-144.5	-149.3
EBIT [2]	**€ million**	**-90.4**	**191.6**	**1.8**	**80.0**	**-88.6**	**271.7**
Capital employed [3, 4]	€ million	903.1	805.8	634.1	575.4	1,537.2	1,381.1
EBIT [2] / Net sales	%	-5.0	9.3	0.1	6.3	-2.9	8.2
EBIT [2, 5] / Capital employed [3, 4] (ROCE)	%	-10.0	23.8	0.3	13.9	-5.8	19.7
DVA [5, 6]	€ million	-153.2	132.1	-43.0	39.7	-196.2	171.8

[1] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[2] EBIT = Earnings before net interest result and income taxes
[3] Capital employed = Total assets less deferred tax assets, securities, cash and cash equivalents, non-interest bearing liabilities and other non-operating items
[4] Value as at reporting date
[5] Value of the last twelve months
[6] Dräger Value Added = EBIT less cost of capital of average invested capital

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

Dräger develops, produces, and markets system solutions, equipment, and services for the optimization of processes at the acute point of care. These include emergency care, perioperative care (in connection with operations), critical care, and also perinatal care (in connection with childbirth).

Dräger also develops, produces, and markets products, system solutions, and services for personal protection, gas detection technology, and integrated hazard management. Its customers come from industry, mining, and public sectors such as fire departments, police, and disaster protection.

The segment reports were prepared in accordance with IFRS as applied in the Group financial statements.

At Group level, the key figures from the segment report are as follows:

EBIT

in € million	2022	2021
Net loss / Net profit	-63.6	154.3
+ Interest result	13.8	35.0
+ Income taxes	-38.8	82.4
EBIT	**-88.6**	**271.7**

CAPITAL EMPLOYED

in € million	December 31, 2022	December 31, 2021
Total assets	3,106.6	3,178.3
- Deferred tax assets	-215.9	-195.2
- Cash and cash equivalents	-311.6	-445.7
- Non-interest bearing liabilites	-1,041.9	-1,156.2
Capital employed	**1,537.2**	**1,381.1**

DVA

in € million	December 31, 2022	December 31, 2021
EBIT (of the last 12 months)	-88.6	271.7
- Cost of capital (basis: average of capital employed in the past 12 months)	-107.6	-99.9
DVA	**-196.2**	**171.8**

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

NON-CURRENT ASSETS BY SEGMENTS [1]

in € million	2022	2021
Medical division	537.2	543.3
Safety division	408.3	413.1
	945.6	**956.3**

[1] Non-current assets = intangible assets; property, plant and equipment, right-of-use asset and other non-current assets (excluding the plan assets relating to pension plans reported under this balance sheet item)

The business performance of the individual segments is detailed in the management report. Services rendered between the divisions follow the arm’s length principle.

39 NOTES TO THE CASH FLOW STATEMENT

Due to the elimination of exchange rate effects and transactions that have not or have not yet led to a change in cash and cash equivalents, the underlying changes recognized in the cash flow statement cannot be directly reconciled with the items of the published balance sheet.

In fiscal year 2022, the Dräger Group's cash outflow from operating activities amounted to EUR 144.2 million (2021: cash inflow of EUR 384.9 million), mainly due to the year-on-year reduction in profitability[4]. The cash outflow is also attributable in particular to an increase in trade receivables of EUR 74.7 million (2021: decrease of EUR 122.3 million). In addition, inventories rose by EUR 81.8 million (2021: decline of EUR 14.4 million). By contrast, the increase in trade payables of EUR 66.3 million reduced the cash outflow (2021: decrease of EUR 15.8 million).

The cash inflow from investing activities of EUR 36.8 million EUR (2021: cash outflow of EUR 109.9 million) results in particular from money market funds in which Dräger had invested available cash and cash equivalents with a short-term investment horizon. In fiscal year 2022, the net cash inflow from sales and purchases of money market funds totaled EUR 129.8 million. In the prior year, these sales and purchases had almost been equal. Furthermore, EUR 6.6 million (2021: EUR 0.0 million) was paid to associates. Of the remaining investments, EUR 79.7 million (2021: EUR 101.2 million) was attributable to property, plant and equipment, of which a total of EUR 57.1 million (2021: EUR 50.5 million) was allocated to the German subsidiaries.

The reduced cash outflow from financing activities of EUR 29.4 million (2021: EUR 334.6 million) was primarily due to repayments to the holders of the terminated participation certificates in the amount of EUR 258.0 million in the prior year. Bank loans and current account liabilities in the net amount of EUR 19.6 million (2021: net repayment of EUR 29.4 million) were borrowed.

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

RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES 2022

	January 1	Affecting payments	Not affecting payments				December 31
in € thousand			Addition	De-recognition	Reclassi-fication	Exchange rate change	
Non-current note loans	100,000	0	-	-	-	-	100,000
Non-current liabilities to banks	84,841	-524	-18	-	-21,112	-974	62,212
Current liabilities to banks	41,058	20,166	39	-	21,112	1,198	83,575
Lease liabilities	122,107	-43,941	37,323	-964	-	1,640	116,164
Total liabilities from financing activities	**348,006**	**-24,299**	**37,344**	**-964**	**0**	**1,864**	**361,951**

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

RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES 2021

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

Cash and cash equivalents as at December 31, 2022, exclusively comprised cash and cash equivalents, of which EUR 9.1 million (December 31, 2021: EUR 6.3 million) is subject to restrictions regarding use. In the prior year, we also held EUR 130.1 million in short-term, highly liquid money market fonds, which were not attributable to cash and cash equivalents and increased cash and cash equivalents following their full redemption in fiscal year 2022.

Unused credit lines amounted to EUR 694.4 million as at the balance sheet date (December 31, 2021: EUR 492.4 million). The credit lines are subject to standard market restrictions.

40 EXECUTIVE AND SUPERVISORY BOARD REMUNERATION

Executive Board remuneration

Total remuneration for active Executive Board members amounted to EUR 5,530,618 in fiscal year 2022 (2021: EUR 9,785,543). This amount is made up of non-performance-related payments of EUR 2,390,945 (2021: EUR 2,383,689) and performance-related payments of EUR 3,139,673 (2021: EUR 7,401,854), of which EUR 819,546.00 were short-term (2021: EUR 4,143,174) and EUR 2,071,009 long-term (2021: EUR 3,253,125), as well as share-based remuneration with long-term incentives in the amount of EUR 249,118 (2021: EUR 5,555). A total of EUR 2,890,555 (2021: EUR 7,396,299) of the total remuneration was outstanding as at December 31, 2022.

In fiscal year 2021, the Supervisory Board of Drägerwerk Verwaltungs AG gave the members of the Executive Board the option of receiving a portion of their variable remuneration in shares in accordance with the terms of the employee share program instead of as a cash payment. All members of the Executive Board were able to make use of this option for the first time in payment year 2022.

Members of the Executive Board utilized their options in the reporting year and converted a total of EUR 659.9 thousand of the variable remuneration resulting from fiscal year 2021 into shares at a purchase price of EUR 40.75. Under the terms of the employee share program, the members of the Executive Board received 5,398 free preferred shares at a price of EUR 42.10, which resulted in share-based remuneration totaling EUR 249.1 thousand. The holding period for these preferred shares – including those that participants acquired themselves – runs until December 31, 2024.

If Executive Board remuneration is paid by Drägerwerk Verwaltungs AG, it is entitled to claim reimbursement from Drägerwerk AG & Co. KGaA monthly pursuant to Sec. 11 (1) and (3) of the articles of association of Drägerwerk AG & Co. KGaA. Pursuant to Sec. 11 (4) of the Company's articles of incorporation, the general partner receives a fee, independent of profit and loss, of 6 % of the equity disclosed in its financial statements, payable one week after the general partner prepares its financial statements, for the management of the Company and the assumption of personal liability. For fiscal year 2022, this remuneration amounts to EUR 113,942.80 (2021: EUR 110,566) plus any VAT that may be incurred.

Obligations to active Executive Board members under pension plans are reported in the financial statements 2022 at EUR 6,802,048 (2021: EUR 10,756,462). Since January 1, 2021, pension commitments were transferred into an externally pre-financed insurance-linked scheme with a guaranteed minimum return, which is served directly by Drägerwerk Verwaltungs AG. Drägerwerk AG & Co. KGaA continues to be responsible for the Executive Board members' vested rights in pension obligations granted up to December 31, 2020.

Due to the new pension commitments, Drägerwerk AG & Co. KGaA did not make any additions to the pension obligations for active members of the Executive Board in fiscal year 2022. The obligation fell by EUR 3,954,414 in the fiscal year due to interest rate development (2021: EUR 462,862). The amount of EUR 3,397,608 was paid to former members of the Executive Board and their surviving dependents as at the end of the reporting year (2021: EUR 3,317,986). Pension commitments to former members of the Executive Board and their surviving dependents amounted to EUR 35,059,723 (2021: EUR 38,682,674).

If an Executive Board member dies during his or her active service on the Board, the surviving spouse is entitled to Dräger widow's and widower's pension, and any remaining children have claim to Dräger orphan's pension. The annual Dräger widow's and widower's pension amounts to 55 % of the Dräger pension received by, or which would have been received by, the deceased executive if said executive would have been unable to work when they died (notional invalidity pension). The amount of Dräger orphan's pension is 10 % of the notional reduction in earning capacity pension or the current Dräger pension of the deceased Executive Board member.

Supervisory Board remuneration

The annual shareholders' meeting of Drägerwerk AG & Co. KGaA has specified the remuneration of members of the Supervisory Board in the articles of association since fiscal year 2011. Supervisory Board remuneration for fiscal year 2022 came to EUR 428,750 (2021: EUR 722,500).

In fiscal year 2022, the total remuneration of the six members of the Supervisory Board of the general partner, Drägerwerk Verwaltungs AG, amounted to EUR 180,000 (2021: EUR 180,000), as well as additional allowances for out-of-pocket expenses totaling EUR 60,000 (2021: EUR 60,000). No remuneration was paid to Supervisory Board members of Group companies.

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

41 SHARES OWNED BY THE EXECUTIVE AND SUPERVISORY BOARDS

As at December 31, 2022, the members of the Executive Board of Drägerwerk Verwaltungs AG and their related parties directly held 31,834 preferred shares in Drägerwerk AG & Co. KGaA, equivalent to 0.37 % of the Company's total shares, and 157,281 common shares, corresponding to 1.548 % of the Company's total shares.

As at December 31, 2022, the members of the Supervisory Board and their related parties directly or indirectly held a total of 657 preferred shares, equivalent to 0.008 % of the Company's total shares, and no common shares.

42 RELATED-PARTY TRANSACTIONS

Services were rendered for Stefan Dräger and companies and persons related to him, the Dräger-Stiftung, and the Dräger-Familienstiftung (Dräger Foundation and Dräger Family Foundation) totaling EUR 35 thousand (2021: EUR 49 thousand) in fiscal year 2022. Receivables in this respect amounted to EUR 1 thousand as at December 31, 2022 (2021: EUR 23 thousand).

GFT Technologies SE, St. Georgen, Germany, and SW34 Gastro GmbH, Stuttgart, Germany, are considered related companies due to a relationship with a member of the Drägerwerk AG & Co. KGaA Supervisory Board. Expenses for services provided by GFT Technologies SE, St. Georgen, Germany, amounted to EUR 54 thousand in fiscal year 2022 (2021: EUR 0 thousand). No liabilities existed as at December 31, 2022. Expenses for services provided by SW34 Gastro GmbH, Stuttgart, Germany, amounted to EUR 19 thousand in fiscal year 2022 (2021: EUR 18 thousand). Liabilities in this respect amounted to EUR 1 thousand as at the reporting date (2021: EUR 0 thousand).

No services (2021: EUR 11 thousand) were rendered for the working groups in fiscal year 2022 (see ↗ note 22). No receivables existed as at December 31, 2022 (2021: no receivables).

Group companies rendered rental services and other services totaling EUR 122 thousand (2021: EUR 127 thousand) for associate MAPRA Assekuranzkontor GmbH in fiscal year 2022. This resulted in receivables in the amount of EUR 2 thousand as at December 31, 2022 (2021: EUR 3 thousand).

In fiscal year 2020, Dräger Safety AG & Co. KGaA granted associate Focus Field Solutions Inc., St. Johns, Canada, a convertible loan amounting to CAD 2,500 thousand, which is to be disbursed in five tranches. The first three tranches totaling CAD 1,500 thousand (EUR 1,038 thousand) were disbursed in fiscal years 2020 and 2021. The fourth and fifth tranches amounting to CAD 1,000 thousand (EUR 692 thousand) were disbursed in fiscal year 2022. The interest rate is 5.5 % and the interest is due at the point at which the loan is converted on December 31, 2023. There were no liabilities to Focus Field Solutions Inc., St. John's, Canada, as at December 31, 2022 (2021: no liabilities). Expenses for Focus Field Solutions, Inc. services amounted to EUR 610 thousand in fiscal year 2022 (2021: EUR 127 thousand).

A convertible loan of EUR 2,000 thousand was granted by Dräger Safety AG & Co. KGaA to associate MultiSensor Scientific Inc., Somerville, USA, in fiscal year 2021. The loan was disbursed in four tranches of EUR 500 thousand each. The first three tranches totaling EUR 1,500 thousand were disbursed in fiscal year 2021. The last tranche of EUR 500 thousand was disbursed in the first quarter of 2022. The interest rate is 5.8 %, and the agreed-upon due date of the interest is at the point at which the loan is converted on June 30, 2024. The loan plus the accrued interest was converted into equity shares in the first half of 2022. No receivables or liabilities in relation to MultiSensor Scientific Inc., Somerville, USA, existed as at the reporting date (2021: no receivables or liabilities). No services were provided in fiscal years 2022 and 2021.

Services totaling EUR 9 thousand were purchased from associate GWA Hygiene GmbH, Stralsund, Germany, in fiscal year 2022, with no liabilities existing in this respect as at December 31, 2022.

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

Dräger Verwaltungs AG is the general partner of Drägerwerk AG & Co. KGaA (ultimate parent company of the Dräger Group) and holds 0 % of the capital. Only a few transactions are conducted with the general partner, as it only exercises administrative functions. The general partner is entitled to compensation for all expenses incurred in association with the management of Drägerwerk AG & Co. KGaA, 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 16,711 thousand as at December 31, 2022 (2021: EUR 19,569 thousand). Expenses for Drägerwerk Verwaltungs AG services amounted to EUR 10,556 thousand in fiscal year 2022 (2021: EUR 16,985 thousand). These expenses primarily consist of management remuneration services of EUR 8,964 thousand (2021: EUR 13,693 thousand) and pension costs of EUR 1,050 thousand (2021: EUR 2,842 thousand). Services in the amount of EUR 259 thousand were rendered for Drägerwerk Verwaltungs AG in fiscal year 2022 (2021: EUR 29 thousand). No receivables existed as a result (2021: no receivables).

Executive Board members had the opportunity to acquire shares as part of the employee share program once again in 2022. This year they also had the chance to convert part of their bonuses into shares under the terms of the employee share program for the first time. All members of the Executive Board took part in the program this year and acquired at least 20 share packages consisting of three investment shares at cost of EUR 40.75 each. For each share package, participants received one preferred share worth EUR 40.75 free of charge from Dräger. The holding period for these preferred shares – including those that participants acquired themselves – runs until December 31, 2024.

The Executive Board members were given a non-interest-bearing advance on long-term variable remuneration of EUR 542 thousand (2021: EUR 538 thousand) in fiscal year 2022.

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

Key management positions are held by members of the Executive Board of Drägerwerk Verwaltungs AG, the Supervisory Board of Drägerwerk AG & Co. KGaA, and the Supervisory Board of Verwaltungs AG. Executive Board remuneration as defined by IAS 24 is as follows:

EXECUTIVE BOARD REMUNERATION

in €	2022	2021
Payments due in the short term	3,410,774	6,515,210
Other payments due in the long term	2,071,009	3,253,125
Total remuneration [1]	**5,481,783**	**9,768,335**

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

Members of the Supervisory Board of Drägerwerk AG & Co. KGaA received short-term benefits of EUR 428,750 (2021: EUR 722,500). The members of the Supervisory Board of Drägerwerk Verwaltungs AG received short-term benefits of EUR 240,000 (2021: EUR 240,000).

43 FURTHER INFORMATION

Auditor's fee

The total fee charged by the auditor – PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft – in fiscal year 2022 for the audit of the Group financial statements amounted to EUR 1,218 thousand (2021: EUR 1,380 thousand) for the audit of the financial statements, EUR 40 thousand (2021: EUR 35 thousand) for other audit services, EUR 34 thousand (2021: EUR 129 thousand) for other services, and EUR 0 thousand (2021: EUR 300 thousand) for tax consultancy.

The services for the audit of the financial statements mainly consist of fees for the audit of the consolidated financial statements as well as the legally mandated audits of Drägerwerk AG & Co. KGaA and its subsidiaries included in the consolidated financial statements. The fees for other audit services primarily consist of legally mandated audit services, including EMIR, audits under the German Packaging Ordinance [Verpackungsverordnung – VerpackV], and voluntary audit services relating to covenants. Fees for other services mainly included transfer price services.

The audit report was signed by Dr. Andreas Focke and Christoph Fehling from PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. In fiscal year 2022, Dr. Andreas Focke signed the audit report for the fourth time, while Christoph Fehling signed his first audit report for the Dräger Group.

Corporate governance declaration

Drägerwerk AG & Co. KGaA's declaration of conformity under the terms of Sec. 161 AktG was issued and made permanently available to the shareholders online at www.draeger.com in December 2022.

44 CONSOLIDATED COMPANIES

CONSOLIDATED COMPANIES

	Name and registered office	Capital stock in local currency unit thousand		Shareholding in %
Germany				
	Dräger Safety AG & Co. KGaA, Lübeck	25,739	EUR	100 [1]
	Dräger Medical Deutschland GmbH, Lübeck	2,000	EUR	100 [1]
	Dräger Electronics GmbH, Lübeck	2,000	EUR	100
	Dräger Digital GmbH, Lübeck	1,023	EUR	100
	Dräger Safety Verwaltungs AG, Lübeck	1,000	EUR	100 [1]
	Dräger TGM GmbH, Lübeck	767	EUR	100 [1]
	Dräger MSI GmbH, Hagen	1,000	EUR	100 [1]
	Dräger Medical ANSY GmbH, Lübeck	500	EUR	100 [1]
	Dräger Interservices GmbH, Lübeck	256	EUR	100 [1]
	Dräger Gebäude und Service GmbH, Lübeck	250	EUR	100 [1]
	Dräger Medical International GmbH, Lübeck	112	EUR	100 [1]
	MAPRA Assekuranzkontor GmbH, Lübeck	55	EUR	49 [2]
	Fachklinik für Anästhesie und Intensivmedizin Vahrenwald GmbH, Lübeck	26	EUR	100 [1]
	Dräger Energie GmbH, Lübeck	25	EUR	100
	FIMMUS Grundstücks-Vermietungs GmbH, Lübeck	25	EUR	100 [1, 3]
	FIMMUS Grundstücks-Vermietungs Gesellschaft mbH & Co. Objekt Lübeck KG, Lübeck	10	EUR	100 [3, 4]
	MOLVINA Vermietungsgesellschaft mbH & Co. Objekt Finkenstraße KG, Düsseldorf	5	EUR	100 [3]
	DRENITA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Fertigung Dräger Medizintechnik KG, Düsseldorf	10	EUR	100 [3]
	Dräger Holding International GmbH, Lübeck	25	EUR	100 [1]
	bentekk GmbH, Lübeck	29	EUR	100
	GWA Hygiene GmbH, Stralsund	101	EUR	24.01 [2]
Europe				
Belgium	Dräger Medical Belgium NV, Wemmel	1,503	EUR	100
	Dräger Safety Belgium NV, Wemmel	789	EUR	100
Bulgaria	Draeger Medical Bulgaria EOOD, Sofia	705	BGN	100
	Draeger Safety Bulgaria EOOD, Sofia	500	BGN	100
Denmark	Dräger Danmark A/S, Herlev	5,000	DKK	100
Finland	Dräger Suomi Oy, Helsinki	802	EUR	100
France	Dräger France SAS, Antony	8,000	EUR	100
	AEC SAS, Antony	70	EUR	100
	Dräger Production France SAS, Obernai	4,000	EUR	100
Greece	Draeger Hellas A.E. for Products of Medical and Safety Technology, Athens	1,500	EUR	100
United Kingdom	Draeger Safety UK Ltd., Blyth	7,589	GBP	100
	Draeger Medical UK Ltd., Hemel Hempstead	4,296	GBP	100
Ireland	Dräger Ireland Ltd., Dublin	25	EUR	100
Italy	Draeger Italia S.p.A., Corsico-Milano	7,400	EUR	100
Croatia	Dräger Medical Croatia d.o.o., Zagreb	4,182	HRK	100
	Dräger Safety d.o.o., Zagreb	2,300	HRK	100
Lithuania	QuaDigi UAB, Vilnius	10	EUR	100

[1] Exemption pursuant to Sec. 264 (3) HGB
[2] This company is treated as an associated company as per IAS 28.
[3] Special purpose vehicles as per IFRS 10
[4] Exemption pursuant to Sec. 264b HGB

CONSOLIDATED COMPANIES

	Name and registered office	Capital stock in local currency unit thousand		Shareholding in %
Europe (continued)				
Netherlands	Dräger Nederland B.V., Zoetermeer	10,819	EUR	100
Norway	Dräger Norge AS, Oslo	1,129	NOK	100
	GasSecure AS, Oslo	139	NOK	100
Austria	Dräger Austria GmbH, Vienna	2,000	EUR	100
Poland	Dräger Polska sp. zo.o., Warsaw	4,655	PLN	100
Portugal	Dräger Portugal, LDA, Lisbon	1,000	EUR	100
Romania	Dräger Romania SRL, Bucharest	205	RON	100
Russia	Draeger OOO, Moscow	3,600	RUB	100
Sweden	Dräger Sverige AB, Kista	2,000	SEK	100
	ACE Protection AB, Svenljunga	100	SEK	100
	AB Ulax, Motala	500	SEK	62.5
Switzerland	Dräger Schweiz AG, Liebefeld-Bern	3,000	CHF	100
	STIMIT AG, Biel / Bienne	292	CHF	67.32
Serbia	Draeger Tehnika d.o.o., Belgrade	21,385	RSD	100
Slovakia	Dräger Slovensko s.r.o., Piestany	597	EUR	100
Slovenia	Dräger Slovenija d.o.o., Ljubljana-Crnuce	344	EUR	100
Spain	Dräger Hispania S.A.U., Madrid	3,606	EUR	100
Czech Republic	Dräger Medical s.r.o., Prague	18,314	CZK	100
	Dräger Safety s.r.o., Prague	29,186	CZK	100
	Dräger Manufacturing Czech s.r.o., Klášterec nad Ohří	65,435	CZK	100
Türkiye	Draeger Medikal Ticaret ve Servis Anonim Sirketi, Istanbul	25,040	TRY	100
	Draeger Safety Korunma Teknolojileri Anonim Sirketi, Ankara	70	TRY	100
Hungary	Dräger Safety Hungaria Kft., Budapest	66,300	HUF	100
	Dräger Medical Hungary Kft., Budapest	94,800	HUF	100
Africa				
Ghana	Draeger Ghana Ltd, Accra	1,000	USD	100
Kenya	Dräger Kenya Ltd, Nairobi	62,500	KES	100
Morocco	Draeger Maroc SARLAU, Casablanca	8,720	MAD	100
South Africa	Dräger South Africa (Pty.) Ltd., Johannesburg	200	ZAR	69 [5]
	Dräger Safety Zenith (Pty.) Ltd., East London	5,000	ZAR	100
Americas				
Argentina	Dräger Argentina SA, Buenos Aires	176,621	ARS	100
Brazil	Dräger do Brasil Ltda., São Paulo	45,921	BRL	100
	Dräger Industria e Comércio Ltda., São Paulo	106,243	BRL	100
	Dräger Safety do Brasil Equipamentos de Segurança Ltda., São Paulo	46,160	BRL	100
Chile	Dräger Chile Ltda., Santiago	1,284,165	CLP	100
	Dräger-Simsa S.A., Santiago	499,000	CLP	51
Canada	Draeger Safety Canada Ltd., Mississauga / Ontario	2,280	CAD	100
	Draeger Medical Canada Inc., Richmond Hill / Ontario	2,000	CAD	100
	Focus Field Solutions Inc., St. John's, NL	2,930	CAD	29.53 [2]
Colombia	Draeger Colombia SA, Bogota D.C.	10,215,233	COP	100
Mexico	Draeger Safety S.A. de C.V., Querétaro	50	MXN	100
	Dräger Medical Mexico S.A. de C.V., Mexiko D.F.D.	50	MXN	100

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

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

CONSOLIDATED COMPANIES

	Name and registered office	Capital stock in local currency unit thousand		Shareholding in %
Americas (continued)				
Panama	Draeger Panama S. de R.L., Panama	180	USD	100
	Draeger Panama Comercial, S. de R.L., Panama	700	USD	100
Peru	Draeger Peru S.A.C., Piso Miraflores-Lima	9,809	PEN	100
United States	Draeger, Inc., Telford	356	USD	100
	Draeger Medical Systems, Inc., Telford	100	USD	100 [5]
	MultiSensor Scientific Inc., Somerville	1	USD	50.25 [2]
Asia / Australia				
P.R. China	Shanghai Dräger Medical Instrument Co., Ltd., Shanghai	22,185	CNY	100
	Draeger Safety Equipment (China) Co., Ltd., Beijing	50,000	CNY	100
	Dräger Medical Equipment (Shanghai) Co., Ltd., Shanghai	8,287	CNY	100
	Draeger Hong Kong Limited, Wan Chai	500	HKD	100
	Draeger Medical Systems (Shanghai) Co., Ltd., Shanghai	70,000	CNY	100
India	Draeger India Private Limited, Mumbai	260,438	INR	100
	Draeger Safety India Pvt. Ltd., Mumbai	60,000	INR	100
Indonesia	PT Draegerindo Jaya, Jakarta	10,000,100	IDR	100
	PT Draeger Medical Indonesia, Jakarta	18,321,000	IDR	100
Japan	Draeger Japan Ltd., Tokyo	499,500	JPY	100
Malaysia	Draeger Malaysia Sdn. Bhd., Kuala Lumpur	15,000	MYR	100
Myanmar	Draeger Myanmar Limited, Yangon	50	USD	100
Philippines	Draeger Philippines Corporation, Pasig City	40,965	PHP	100
Saudi Arabia	Draeger Arabia Co. Ltd., Riyadh	40,000	SAR	51
Singapore	Draeger Singapore Pte Ltd., Singapore	8,360	SGD	100
South Korea	Draeger Korea Co., Ltd., Seoul	2,100,020	KRW	100
Taiwan	Draeger Safety Taiwan Co., Ltd., Hsinchu City	50,000	TWD	100
	Draeger Medical Taiwan Ltd., Taipei	10,000	TWD	100
Thailand	Draeger Medical (Thailand) Ltd., Bangkok	203,000	THB	100
	Draeger Safety (Thailand) Ltd., Bangkok	15,796	THB	100
Vietnam	Draeger Vietnam Co., Ltd., Ho Chi Minh City	22,884,372	VND	100
Australia	Draeger Safety Pacific Pty. Ltd., Notting Hill	6	AUD	100 [5]
	Draeger Australia Pty. Ltd., Notting Hill	3,800	AUD	100
New Zealand	Draeger New Zealand Limited, Auckland	722	NZD	100

[2] This company is treated as an associated company as per IAS 28.
[5] Capital stock stated in local currency (not in thousands of the local currency unit)

45 SUBSEQUENT EVENTS

Repayment of the participation certificates

Dräger terminated all outstanding participation certificates in fiscal year 2020 and partially redeemed them in 2021. The 382,289 remaining series D participation certificates were redeemed at maturity as planned on January 2, 2023, at an amount of EUR 546.20 per certificate. They remain entitled to dividends for fiscal year 2022 for the last time.

Disbursement of a loan commitment

A loan commitment from the European Investment Bank in the amount of EUR 100.0 million from 2021 with a term of five years was disbursed in full in January 2023.

Distribution

The general partner and the Supervisory Board of Drägerwerk AG & Co. KGaA, Lübeck, plan to propose to distribute out of the net earnings of Drägerwerk AG & Co. KGaA of EUR 355,866 thousand for fiscal year 2022 a cash dividend of EUR 0.13 per common share and EUR 0.19 per preferred share, totaling EUR 2,955 thousand. The remaining amount of EUR 352,911 thousand will be carried forward to new account. The preferred share dividend also governs the distribution on participation certificates, which will amount to EUR 1.90 each – ten times the preferred share dividend.

Lübeck, February 20, 2023

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

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

Management compliance statement

We confirm to the best of our knowledge that, in accordance with the applicable financial reporting framework, the Group financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, that the Group management report presents business performance including business results and the situation of the Group so as to give a true and fair view, and that the material opportunities and risks relating to the Group's development have been described.

Lübeck, February 20, 2023

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

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

Independent Auditor's Report

To Drägerwerk AG & Co. KGaA, Lübeck

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

AUDIT OPINIONS

We have audited the consolidated financial statements of Drägerwerk AG & Co. KGaA, Lübeck, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of Drägerwerk AG & Co. KGaA, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ recoverability of goodwill
❷ 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:

❶ RECOVERABILITY OF GOODWILL

① Goodwill amounting in total to EUR 311.8 billion (representing 10.0 % of total assets) is reported under the “Intangible assets” balance sheet item in the Company's consolidated financial statements. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. Impairment testing is carried out at the level of the groups of cash-generating units to which the relevant goodwill has been allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally calculated on the basis of value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. The present values are calculated using discounted cash flow models. For this purpose, the medium-term business plan adopted by the Group forms the starting point for future projections based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the relevant group of cash-generating units. The impairment test determined that no write-downs were necessary. The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

② As part of our audit, we reviewed the methodology employed for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the medium-term business plan adopted by the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. We also assessed whether the basis for including the costs of Group functions was accurate. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied, and verified the calculation procedure. We reproduced the sensitivity analyses performed by the Company, in order to reflect the uncertainty inherent in the projections. Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the respective allocated goodwill, were adequately covered by the discounted future net cash inflows. Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and are within the ranges considered by us to be reasonable.

③ The Company's disclosures regarding impairment testing are contained in note 20 of the notes to the consolidated financial statements.

❷ PENSION PROVISIONS

① Pension provisions totaling EUR 202.9 million (6.5 % of total assets) are reported under the "Pension provisions" balance sheet item in the Company's consolidated financial statements. The pension provisions comprise obligations from defined benefit pension plans amounting to EUR 453.5 million and plan assets of EUR 250.6 million. The obligations from defined benefit pension plans were measured using the projected unit credit method. This requires assumptions to be made in particular about long-term rates of growth in salaries and pensions, average life expectancy, and staff turnover. The discount rate must be determined by reference to market yields on high-quality corporate bonds with matching currencies and consistent maturities. This usually requires the data to be extrapolated, since there is an insufficient number of long-term corporate bonds. The plan assets are measured at fair value, which in turn involves making estimates that are subject to uncertainty. In our view, these matters were of particular significance in the context of our audit because the recognition and measurement of this item – which is significant in terms of its amount – are based to a large extent on estimates and assumptions made by the Company's executive directors.

② Our audit included evaluating the actuarial expert reports obtained and the professional qualifications of the external experts with respect to the material portion of the pension provisions. We also examined the specific features of the actuarial calculations and reviewed the numerical data, the actuarial parameters and the valuation methods on which the valuations were based for compliance with standards and appropriateness, in addition to other procedures. In addition, we analyzed the changes in the obligation and the cost components in accordance with actuarial expert reports in the light of changes occurring in the valuation parameters and the numerical data, and verified their plausibility. For the purposes of our audit of the fair value of the plan assets, we obtained bank and fund confirmations. Based on our audit procedures, we satisfied ourselves that the estimates and assumptions made by the executive directors were justified and adequately documented.

③ The Company's disclosures regarding pension provisions are contained in note 30 of the notes to the consolidated financial statements.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the following components of the management report, which we obtained prior to the date of our auditor's report, as an unaudited part of the combined management report.

- the corporate governance statement pursuant to section § 289f and section § 315d contained in the section "Declaration / Group declaration of corporate governance (Secs. 289f and 315d of the German Commercial Code [HGB]" of the management report,
- the section "Definition and elements of the internal control system" of the management report.

The other information comprises further

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

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

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

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the as-sets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

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

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

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial state-ments as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Gen-erally 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 reasona-bly be expected to influence the economic decisions of users taken on the basis of these consoli-dated financial statements and this combined management report.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

ASSURANCE OPINION

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file Drae-ger_KA+KLB_ESEF-2022-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the combined management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

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

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

GROUP AUDITOR'S RESPONSIBILITIES FOR THE ASSURANCE WORK ON THE ESEF DOCUMENTS

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

– Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

– Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

– Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

– Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited combined management report.

– Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on 6 May 2022. We were engaged by the supervisory board on 22 November 2022. We have been the group auditor of the Drägerwerk AG & Co. KGaA, Lübeck, without interruption since the financial year 2009.

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

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

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christoph Fehling.

Hamburg, 21 February, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Andreas Focke	Christoph Fehling
German Public Auditor	German Public Auditor

The Company's Boards

Supervisory Board of Drägerwerk AG & Co. KGaA

Chairman

STEFAN LAUER
Former Executive Board member of Deutsche Lufthansa AG, Frankfurt

Supervisory Board memberships:
– People at Work Systems AG, Munich
– Drägerwerk Verwaltungs AG, Lübeck, Chairman
– Dräger Safety AG & Co. KGaA, Lübeck, Chairman
– Dräger Safety Verwaltungs AG, Lübeck, Chairman

Memberships on comparable boards of German or foreign companies:
– Valeta GmbH, Bad Säckingen, Chairman of the Advisory Board

Vice-Chairman (until June 30, 2022)

SIEGFRID KASANG
Dräger Lübeck Works Council Chairman, Lübeck (until June 30, 2022)

Vice Chairman (since September 15, 2022)

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

Supervisory Board memberships:
– Airbus Operations GmbH, Hamburg
– Mercedes-Benz AG, Stuttgart

BETTINA VAN ALMSICK
Chairperson of Works Council Dräger Sales and Service Germany, Essen
Member of Works Council Dräger Sales and Service Germany, Lübeck
Member of Group Works Council of Dräger, Lübeck

Supervisory Board membership:
– Dräger Medical Deutschland GmbH, Lübeck, Vice-Chairperson

NIKE BENTEN
Member of Dräger Lübeck Works Council, Lübeck
Member of Group Works Council of Dräger, Lübeck

Supervisory Board membership:
– Dräger Safety AG & Co. KGaA, Lübeck, Vice-Chairperson

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

Supervisory Board memberships:
- GFT Technologies SE, Stuttgart (Member of the Administrative Board)
- Drägerwerk Verwaltungs AG, Lübeck
- Dräger Safety AG & Co. KGaA, Lübeck
- Ernst Klett Aktiengesellschaft, Stuttgart
- LBBW Asset Management Investmentgesellschaft mbH, Stuttgart (since February 14, 2022)

CHRISTIAN FISCHER
Dräger Group Works Council Chairman, Lübeck (since July 1, 2022)

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 (CFO) of SNP Schneider-Neureither & Partner SE, Heidelberg (since March 31, 2022)

Supervisory Board memberships:
- 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 business through KOMPASS-Beratung as a freelance consultant, Georgsmarienhütte

Supervisory Board memberships:
- Schmitz Cargobull AG, Horstmar
- Drägerwerk Verwaltungs AG, Lübeck
- Dräger Safety AG & Co. KGaA, Lübeck
- L. Possehl & Co. mbH, Lübeck

Memberships on comparable boards of German or foreign companies:
- Piepenbrock Unternehmensgruppe GmbH & Co. KG, Berlin, Member of the Advisory Board
- Felix Schoeller Gruppe GmbH & Co. KG, Osnabrück
- Tengelmann Verwaltungs- und Beteiligungs GmbH, Munich

STEPHAN KRUSE
Officer, Drägerwerk AG & Co. KGaA, Lübeck (until December 31, 2022)

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

Supervisory Board memberships:
- Drägerwerk Verwaltungs AG, Lübeck
- Dräger Safety AG & Co. KGaA, Lübeck
- Dräger Safety Verwaltungs AG, Lübeck
- L. Possehl & Co. mbH, Lübeck, Chairman

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

DR. REINHARD ZINKANN

Managing Partner of Miele & Cie. KG, Gütersloh

Supervisory Board memberships:
- Falke KGaA, 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, Member of the Advisory Board

MEMBERS OF THE AUDIT COMMITTEE:

Prof. Dr. Thorsten Grenz (Chairman)
Christian Fischer (since September 15, 2022)
Siegfrid Kasang (until June 30, 2022)
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
Christian Fischer (since September 15, 2022)
Siegfrid Kasang (until June 30, 2022)
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
- L. Possehl & Co. mbH, Lübeck (from February 1, 2023)

GERT-HARTWIG LESCOW
CFO and Executive Board member for IT, Vice-Chairman of the Executive Board

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

Supervisory Board memberships:
- Carl Zeiss AG, Oberkochen, Chairman of the Audit Committee

RAINER KLUG
Executive Board member for Safety Division

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

DR. REINER PISKE
Executive Board member for Sales and Human Resources

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

ANTON SCHROFNER
Executive Board member for Medical Division

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

THE SEGMENTS OVER THE PAST FIVE YEARS

						Twelve months
		2022	2021	2020	2019	2018
MEDICAL DIVISION						
Order intake	**€ million**	**1,979.3**	**1,916.9**	**2,498.7**	**1,728.6**	**1,723.4**
Net sales	**€ million**	**1,821.5**	**2,064.2**	**2,302.2**	**1,741.8**	**1,643.0**
EBIT [1, 2]	**€ million**	**-90.4**	**191.6**	**329.4**	**13.1**	**6.9**
EBIT [1, 2]/ Net sales [3]	%	-5.0	9.3	14.3	0.8	0.4
SAFETY DIVISION						
Order intake	**€ million**	**1,305.4**	**1,170.9**	**1,287.5**	**1,067.6**	**963.1**
Net sales	**€ million**	**1,223.7**	**1,264.2**	**1,104.1**	**1,039.1**	**952.0**
EBIT [1, 2]	**€ million**	**1.8**	**80.0**	**67.2**	**53.5**	**55.8**
EBIT [1, 2]/ Net sales [3]	%	0.1	6.3	6.1	5.1	5.9

[1] EBIT = Earnings before net interest result and income taxes
[2] For effects of the first-time application of IFRS 16 on the figures as at December 31, 2019, see table on page 37 in our Annual Report 2019.
[3] The first-time application of IFRS 16 in fiscal year 2019 impacts this key figure. Therefore, comparability is limited.

THE DRÄGER GROUP OVER THE PAST FIVE YEARS

						Twelve months
		2022	2021	2020	2019	2018
Order intake	**€ million**	**3,284.7**	**3,087.8**	**3,786.2**	**2,796.1**	**2,686.5**
Net sales	**€ million**	**3,045.2**	**3,328.4**	**3,406.3**	**2,780.8**	**2,595.0**
Gross profit	**€ million**	**1,238.4**	**1,540.9**	**1,608.9**	**1,188.4**	**1,108.0**
Gross profit / Net sales	%	40.7	46.3	47.2	42.7	42.7
EBITDA [1, 2, 3]	**€ million**	**55.8**	**421.0**	**521.0**	**193.8**	**148.0**
EBIT [2, 3, 4]	**€ million**	**-88.6**	**271.7**	**396.6**	**66.6**	**62.6**
EBIT [2, 3, 4] / Net sales [3]	%	-2.9	8.2	11.6	2.4	2.4
Interest result	€ million	-13.8	-35.0	-36.4	-17.0	-11.0
Income taxes	€ million	38.8	-82.4	-110.3	-15.7	-16.8
Net loss / net profit	**€ million**	**-63.6**	**154.3**	**249.9**	**33.8**	**34.9**
Earnings per share on full distribution [5]						
per preferred share	€	-3.41	7.19	10.25	1.44	1.48
per common share	€	-3.47	7.13	10.19	1.38	1.42
DVA [3, 6, 7]	**€ million**	**-196.2**	**171.8**	**296.9**	**-32.7**	**-26.5**
Equity [3, 8]	€ million	1,319.4	1,260.5	1,033.8	1,076.4	1,080.7
Equity ratio [3, 8]	%	42.5	39.7	31.3	41.9	44.8
Capital employed [2, 3, 8, 9, 10]	€ million	1,537.2	1,381.1	1,410.6	1,401.3	1,341.3
EBIT [4, 6] / Capital employed [2, 8, 9, 10] (ROCE) [3]	%	-5.8	19.7	28.1	4.8	4.7
Net financial debt [2, 3, 8, 11, 12]	€ million	259.2	-24.0	187.1	88.7	43.3
Headcount as at December 31		16,219	15,900	15,657	14,845	14,399

[1] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[2] For effects of the first-time application of IFRS 16 on the figures as at December 31, 2019, see table on page 37 of our Annual Report 2019.
[3] The first-time application of IFRS 16 in fiscal year 2019 impacts this key figure. Therefore, comparability is limited.
[4] EBIT = Earnings before net interest result and income taxes
[5] Based on an imputed actual full distribution of earnings attributable to shareholders
[6] Value of the last twelve months
[7] Dräger Value Added = EBIT less cost of capital of average invested capital
[8] Value as at reporting date
[9] Capital employed = Total assets less deferred tax assets, securities, cash and cash equivalents, non-interest bearing liabilities and other non-operating items
[10] Due to the redefinition of capital employed in December 2019, the figures for 2018 have been adjusted.
[11] Including the remaining payment obligation (maturity January 2, 2023) from the termination of the series D participation certificates of EUR 208.8 million as at December 31, 2022 (December 31, 2021: EUR 203,8 million)
[12] Including the payment obligation of EUR 453.0 million from the termination of the participation certificates as at December 31, 2020

FINANCIAL CALENDAR 2023

Publication of 2022 fiscal year figures, Analysts' conference	March 9, 2023
Report as at March 31, 2023, Conference call	April 28, 2023
Annual shareholders' meeting, Lübeck, Germany	May 5, 2023
Report as at June 30, 2023, Conference call	July 27, 2023
Report as at September 30, 2023, Conference call	November 2, 2023

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

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