Dräger

I WILL BE THERE

ANNUAL REPORT 2015

TECHNOLOGY FOR LIFE

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.

Dräger consists of two divisions: the medical division and the safety division. It has more than 13,000 employees worldwide and is currently represented in over 190 countries. Dräger has sales and service subsidiaries in more than 50 countries. Its development and production facilities are based in Germany, the United Kingdom, Sweden, the Czech Republic, South Africa, the United States, Brazil and China.

SELECTED KEY FIGURES DRÄGER GROUP

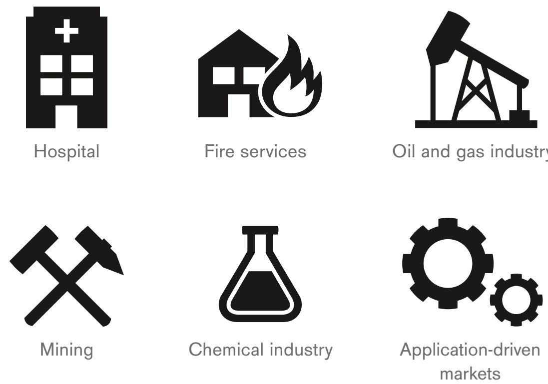
		Twelve months		
		2015	2014	Changes in %
Order intake	€ million	2,532.2	2,415.5	+4.8
Net sales	€ million	2,608.9	2,434.7	+7.2
EBIT[1]	€ million	66.7	178.6	–62.7
in % of net sales	%	2.6	7.3	
Earnings after income taxes	€ million	33.3	104.7	–68.2
Earnings per share[2]				
per preferred share	€	1.89	5.73	–67.0
per common share	€	1.83	5.67	–67.7
Earnings per share on full distribution[3]				
per preferred share	€	1.46	4.58	–68.2
per common share	€	1.40	4.52	–69.1
Cash flow from operating activities	€ million	39.9	188.0	–78.8
Net financial debt[4] / EBITDA[5,6]		0.96	0.04	
Equity ratio[4]	%	40.9	40.1	
DVA[7]	€ million	–46.3	81.6	–156.7
Headcount on 31. December		13,936	13,737	+1.4

[1] EBIT = earnings before interest and taxes
[2] On the basis of the expected dividend
[3] Based on an imputed actual full distribution of earnings attributable to shareholders
[4] Value at end of period
[5] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[6] Value of the last twelve months
[7] Dräger Value Added = EBIT less cost of capital

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 ceiling supply units, operating room IT solutions and gas management systems, Dräger is at the customer's side throughout the entire hospital.

In the safety division, 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 concepts and workshops, in collaboration with its customers.



DRÄGER WORLDWIDE

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

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

[1] Closure over the course of 2016


130
120
110
27°C
Dräger
UCF 9000

I WILL BE THERE

FREDERIK VERCRUYSSE

"In many cases, once the fire has been extinguished and the initial fright has worn off, we return – firefighters, in full uniform. A sign posted in the neighborhood announces: 'The firefighters wish to speak with you' – with people, many of whom have just suffered the shock of their lives. We show up again and use the overall high awareness on topics such as fire prevention to give useful information. The turnout is tremendous." Such work is also part of a firefighter's job here in Antwerp, says Frederik Vercruysse, father of a little daughter, chemical and environmental engineer, and firefighter in Belgium's most important seaport.

BRANDWEER ANTWERPEN

700 EMERGENCY RESPONDERS

are on the job around the clock, spread among seven fire stations.

The port and the Flemish center of trade have gone hand in hand for centuries. For the firefighters, it poses a wide range of challenges, with its 538,000 inhabitants, 82 hotels, 21 museums, 15 theaters, almost 350 schools and universities, and countless priceless historical buildings. The port is one of the most important transshipment hubs in Europe, with 200 million metric tons of goods of every kind coming through here each year. It also happens to border on the largest petrochemical cluster in Europe, featuring a variety of combustible, corrosive and environmentally hazardous substances, as well as pipelines, power stations and access to five busy freeways. It is the perfect environment for a fire chief who appreciates complex challenges.

Frederik Vercruysse is a 'hazmat' specialist, which means that when it comes to combustible, toxic and explosive substances, he lends his expertise so the risks remain manageable. "My challenge for every intervention is ensuring that we enter in good health, get through the dangerous situation and leave in the same robust condition," he says. In his view, this not only requires clear rules on the ground, but also continuously expanding one's knowledge. It certainly involves a great deal of desk work, since plans on tactics, topography and individual buildings have to be made and updated, and future risks analyzed. Another priority is evaluating the quality of previous interventions. "Intervention, the deployment – namely the thing that people associate with the fire department – is actually the fourth step in the logic guiding our actions," Vercruysse says. "Before that point, we start by drawing up proactive risk analyses for all of Antwerp. Then there is prevention work so that accidents don't occur in the first place. And the third step is preparation." Firefighters can get a sense of this strategy's success whenever longtime veterans celebrate their retirement from the force: "You often hear things like, 'We still used to see plenty of big fires 30, 40 years ago! But now? Far fewer big blazes!'" This is great news for a city fire department that has promised to actively protect its home.

"The job has changed, of course," Frederik Vercruysse says. "When I go to work in the morning, there's a desk full of papers waiting for me. Just like millions of other people across Europe who are headed to work at around

1


2


3


4


1 **Modern architecture for community outreach:** Antwerp's fire station in the north of the city also has an information center on fire prevention for the public.
2 **Technically well equipped:** The equipment and fire trucks of the "Brandweer Antwerpen" are state of the art.
3 **A hot situation:** Traditional firefighting is becoming an increasingly rare event in the day-to-day routines of firefighters. Their tasks have become more diverse.
4 **24 / 7 workshop:** The firefighters' equipment is cleaned, serviced and checked here around the clock.

the same time." But there is a difference – one that ultimately drove the young engineer to join the fire department six years ago: "When a call comes, it comes. And the fire chiefs are a part of the action, implementing the plans we drew up based on good practice." This includes, for example, the skillful integration of tactics and technology, which has undergone radical modernization since the days of the veterans and their legendary blazes.

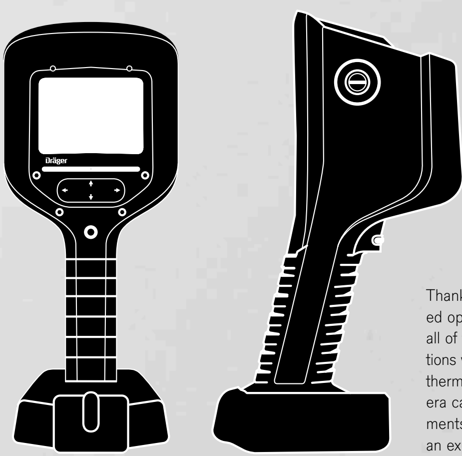
Consider imaging processes: cameras with electronic sensors that detect both visible light and thermal radiation have become an indispensable tool for firefighters, Frederik Vercruysse says. "When we began equipping our vehicles with new cameras in 2014, I set clear requirements." This was because the deployment philosophy that he and his colleagues follow calls for two different application profiles: "When the first members of our team enter a danger zone, they have to have lightweight and robust cameras that can live up to the demanding work. They need thermal images to be able to detect smoldering fires, excessive heat and also people who are trapped."

And once the danger is gone? "As commanding officer, we need precise documentation of the scene of the blaze," Vercruysse says. Detailed images and videos then serve as an important basis for analyzing the deployment. "Of course, we hoped to find a single camera that combined all of the necessary features instead of equipping each truck with two different devices." The "Dräger UCF 9000" came out on top in the selection process for the Antwerp fire department. "We have purchased 23 cameras since spring 2014, and they are on hand for every deployment," Vercruysse says. The flexibility of the new universal camera – along with its tremendous robustness – has won him over. "Equipment falls down, gets shaken and bumped every day in a fire department. And it goes without saying that the equipment has to withstand it all. But one 'Dräger UCF 9000' underwent a very unusual endurance test when it fell down in such an unfortunate position that a fire truck drove over it with its full weight. We thought, 'Well, that's that. What a shame.' But guess what? Only the display had to be replaced. Nothing else. The camera continued doing its duty."

Despite the utmost reliability of modern technology, Frederik Vercruysse stresses other firefighters to have always a backup plan. "If a plan no longer works, something breaks down or the situation develops in unforeseen ways, your life can be dependant on your backup plan. We aren't becoming more careless just because we have better technology. Rather, we have more options." Vercruysse approaches his major personal passion – climbing and skiing in the Alps – with the same approach, consisting of the right amount of equipment and knowledge. "A GPS device is enough. And an idea of how to find your way back without it," he says. Mountains set this Belgian's heart racing: "Sometimes I dream of being a firefighter in the Austrian mountains and shouldering the responsibility for everything that happens there. But, even if it might sound strange to people who aren't engineers, I'd miss some things a lot: the port, the complex technology and my chemical industry."

LIFESAVER

DRÄGER UCF 9000



Thanks to its ergonomic, one-handed operation, users can operate all of the Dräger UCF 9000's functions with the hand they hold the thermal imaging camera in. The camera can also be used in environments where there is the threat of an explosive atmosphere.

RESOLUTION

0.035°C

thermal resolution. It also allows users to maintain a sense of orientation in environments with uniform thermal conditions (such as tunnels or basements).

PRODUCT FEATURES

- 74° diagonal viewing angle for scanning spaces quickly and safely
- Long-wave infrared wavelength sensitivity range of 7 to 14 micrometers – objects at room temperature emit the strongest thermal radiation within this spectral range
- 9 different image modes depending on the application – from fighting fires and searching for smoldering embers to looking for people outdoors
- Up to 4 hours of battery life
- Digital temperature display from −40° to 1,000°C.

LIMITING DAMAGE

EUR 400,000

Insurance experts have proved that the use of a thermal imaging camera during a fire considerably increases how effective the efforts to extinguish the blaze are. On average, it reduces the damage of a fire by EUR 14,000, or 10%. Over its entire service life, a thermal imaging camera can prevent almost EUR 400,000 in damage on average.
Source: Versicherungskammer Bayern, schadenprisma 4/2003

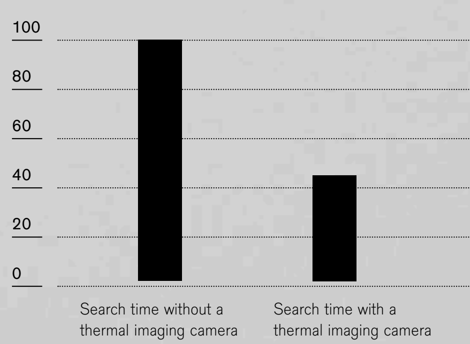
ROBUST

2 METERS

As a sign of how robust it is, the camera must withstand being dropped onto a concrete floor from a height of two meters.

TIME SAVED DURING RESCUE EFFORTS (IN %)

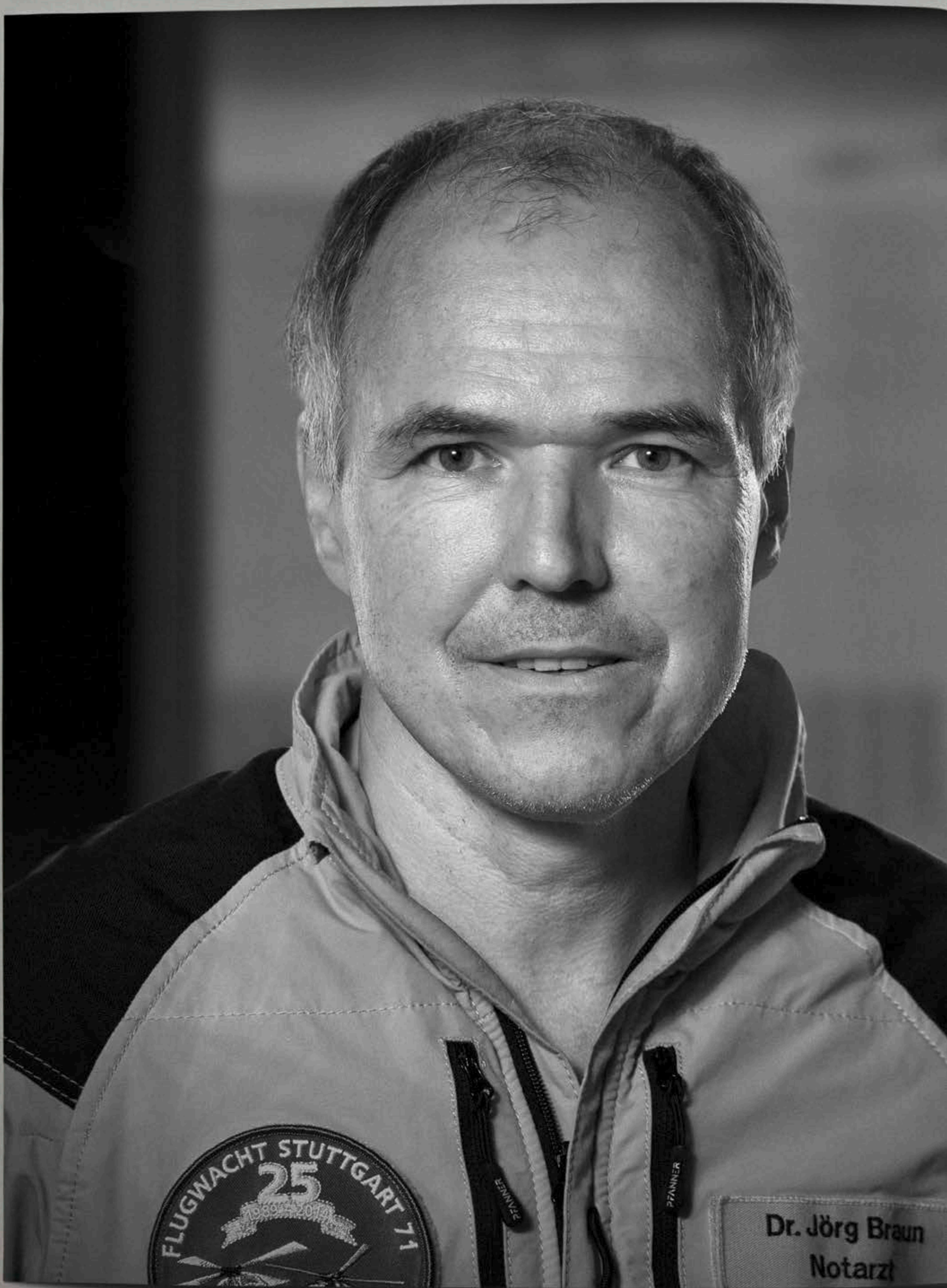
Firefighters who use a thermal imaging camera when fighting fires indoors find people more than twice as fast as they do without such a camera.



Source: The Use of Thermal Imaging Cameras to Search for People during Firefighting Operations, Marcus Reichard, Cologne 2013


PC-BIPAP
DRF
Luftrettung


I WILL BE THERE


FLUGWACHT STUTTGART 71
25
Dr. Jörg Braun
Notarzt


DR. JÖRG BRAUN

Anyone who speaks with doctors occasionally knows that they have a unique professional humor marked by self-irony. Emergency physician Dr. Jörg Braun describes his specialization as “hours of boredom alternating with seconds of fright.” He notes that this is a familiar expression in anesthesiology, which captures the experience of monitoring a patient often for hours without event, before something suddenly happens. Such moments call for an immediate response – and the right one, of course.

In truth, Jörg Braun has no need to complain of boredom. This passionate doctor is the chief physician at DRF Luftrettung in Filderstadt, one of the biggest operators of rescue helicopters and ambulance aircraft in Europe. Apart from his management duties, Jörg Braun is also a crew member of the “Christoph 51” – an intensive care transport helicopter based in Stuttgart.

HELICOPTER STATION COORDINATES

Latitude:

48° 51' 52.92" N

Longitude:

9° 13' 30.288" E

“For us and the aircraft, the day begins at 7:30 a.m. Pre-flight inspections are up first. Our pilot checks whether all systems are in order. Meanwhile, I test the medical devices with the paramedic and go through my equipment. Then we meet for our briefing – everything that requires attention is discussed carefully. Beginning at 8 a.m., our team is a well-oiled machine ready to respond at a moment’s notice.” On average, the daily workload of the helicopter crew is three to four deployments. Once a call comes in, the helicopter is in the air two minutes at the latest.

“Christoph 51” is also equipped for transporting critically ill patients. Apart from traditional emergency rescue operations, such transports are now one of the most important duties of Germany’s nationwide air rescue network. “We deploy around 1,100 times a year with ‘Christoph 51’. Some 500 of these flights are intensive care transports,” Braun says. State-of-the-art medicine is concentrated at specialized centers, which possess the expertise for difficult cases. These hospitals are often located far away from each other. “My farthest flight was to a specialist hospital beyond Dresden,” Jörg Braun says, which would be a five-and-a-half hour drive. A helicopter can cut down on taxing transport times for patients so it only takes a third as long as it would otherwise.

But “Christoph 51” stays mostly “at home” in Baden-Württemberg. Dr. Braun says that 90 percent of the deployments take his team to places within the state, which is where the helicopter does mostly operate. Whether in Heilbronn or on the Swabian Alb, it needs a landing surface of just 30 meters by 30 meters. “Imagine an accident on the eastbound A8 freeway at the Kirchheim junction. I can make it to Tübingen from there in ten minutes. It takes us eight minutes to fly to Klinikum Stuttgart, ten minutes to Ludwigsburg and twelve minutes to Ulm, where there is a university and a military hospital,” the emergency physician says.

Jörg Braun also enjoys a regional advantage, since he hails from here. “Even if you can’t always tell by the way I talk, I’m a Swabian, born and bred. During a rescue, say on the Swabian Alb, it can come in handy to speak the

1 **Immediately ready for takeoff:** The red-and-white rescue helicopter usually reaches the scene of the accident in the geographical area it is assigned to serve within 15 minutes at the latest.

2 **Routine check:** Before the beginning of the shift, the pilot checks all of the aircraft's relevant functions using a set checklist.

3 **When every minute counts:** In an emergency, ventilating a patient early enough can be vital.

4 **Compact lifesavers:** Emergency ventilators are a key component of rescue medicine.

dialect. It creates intimacy with the people who need our help." Braun served in the German Armed Forces for two decades as a medical officer. He first wanted to become a surgeon, but then became interested in anesthesia. "I quickly knew that it suited – as if tailor-made to my interests." The young doctor was fascinated by the ability to quickly relieve people from even the worst pain. Braun studied advanced medicine at the military hospital and learned how to practice conventional general medicine at a NATO location with 80 families. He then started going on foreign missions in the mid-1990s to places where medical facilities had to be set up "out of nothing": Sarajevo, where Jörg Braun was one of the first on the scene, then Kosovo and – by special order of the then German chancellor – the West Bank and Gaza, from where Braun brought Palestinian children to Germany for treatment during the Second Intifada. His last deployment was in 2002 to Afghanistan. "It taught me life lessons," Braun says, "the art of improvising, how to achieve something as a team under difficult circumstances, practicing good medicine with the bare essentials, and developing a keen sight for what really matters." He has honed the latter in his leisure time as an extreme mountain climber on top of the world's high mountains.

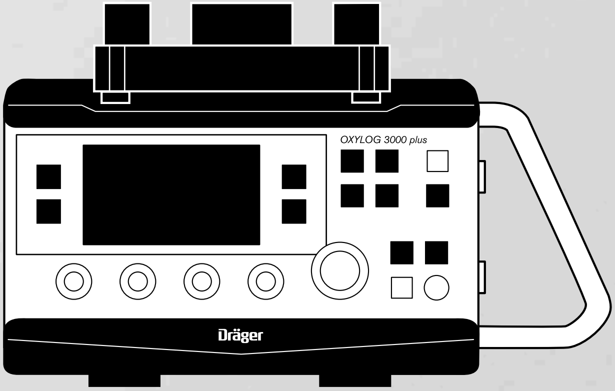
The ideal situation for finding a demanding civilian profession – or rather, being found. When Braun left the military in 2003, the Armed Forces had just received an inquiry from DRF Luftrettung. In a nutshell, they were looking for Jörg Braun. Many of the skills he brought proved to be the perfect fit for the flying ICU, the decision-making processes, the management role and his passion for helping people in need.

And the technology? It has a tough life on board. Even if it is thumbs-up during all of the morning checks, the medical devices are put to the test every minute during a deployment. "We fly in the rain, at 10 below zero and 30 degrees Celsius, and in the mountains where the air pressure can fluctuate as much as the temperature. There are constant bumps that you can't compare with the conditions in an ambulance," Braun says. The "Oxylog 3000 plus" – Dräger's mobile high-performance ventilator – also defies these adversities. Already standard in emergency rooms and for transport ventilation, it is also the first choice for rescue flights. "Two suggestions for improvement came from us," Jörg Braun says, "specifically due to the great mechanical stress in flight." Both were swiftly implemented and contributed to the proven technology's continuous improvement in Lübeck.

What is his wish? That the helicopter workstation might be integrated even more seamlessly in the future, with an interior made from a single mold, where today a mix of various components from different origins is used. "To this day, we convert all-purpose helicopters into rescue units, and that requires making compromises," Jörg Braun says. Talking with the engineers who make helicopters and those who develop and produce monitoring and ventilation technology is crucial, the doctor says. Even the people who are not on site during a deployment, but who are working remotely on the flying ICU's devices and procedures, are part of the team.

AIR RESCUE

DRÄGER OXYLOG® 3000 PLUS



OPERATIONS IN THE AIR

Designed for use in airplanes and helicopters, the “Oxylog 3000 plus” features automatic

ALTITUDE COMPENSATION.

The ventilation values automatically adjust to the altitude.

PRODUCT FEATURES

- Up to 9.5 hours of battery life
- Ventilation volume of 50 ml to 2,000 ml – suitable for ventilating infants and adults
- Approved for use in temperatures ranging from −20° to 50°C.

RESCUE OPERATIONS BY DRF LUFTRETTUNG IN 2015

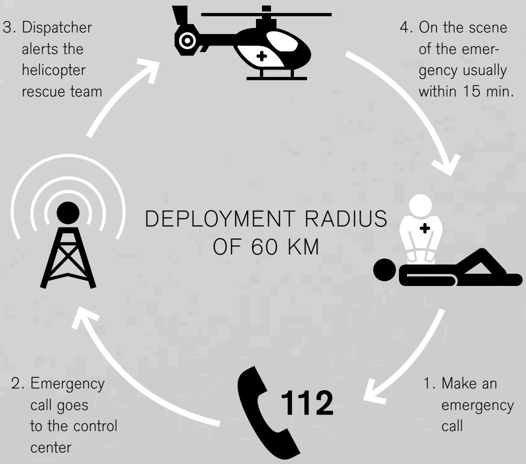
38,653

MAX. OUTPUT PER HELICOPTER ENGINE

750 HP

(two engines: Lycoming LTS 101 750-B1)

AIR RESCUE STEP BY STEP




Agila
36.1
Dräger

I WILL BE THERE

CAROLINE WALLACE

"Working here means that everything can change in the span of an hour. An almost empty ward can fill up quickly. And a day of simple routines can turn into a rapid succession of highly concentrated tasks at the very limits of medicine. I like that, and I like children, which is why I'm here." Caroline Wallace is a pediatric nurse specialized in neonatal intensive care. "Here" is the city of Karlstad, located in the center of southern Sweden. Everywhere you look in this city of 90,000 inhabitants, you see the symbol of Karlstad: a smiling sun. In fact, the city is located in one of the country's sunniest areas, right on the banks of Vänern, Sweden's largest lake. Karlstad is the center of the region, and therefore also its hub for medical care. The name of "Centralsjukhuset" – the central hospital – where Caroline Wallace works, says it all.

CENTRALSJUKHUSET KARLSTAD

Each year, around 410 children are born at the maternity clinic. Of those, around

25 ARE BORN PREMATURELY.

The history of the hospital stretches back to the late 18th century, though it combines its long tradition with systematic modernization measures. Beginning in 2011, the hospital rebuilt its neonatal intensive care unit (NICU) from the ground up. In terms of its architecture, technology and the quality of medical treatment, the NICU is one of the most cutting-edge in Europe. Austerity plans were not the driving force behind the change. Quite the opposite: the process included new hires, so that a bigger team has been able to care for these tiny patients at Centralsjukhuset with even more space available to them since the NICU reopened in March 2013. "We designed it completely around the needs of the families," Caroline Wallace says. "Each family has its own room where the parents and the baby can be together in privacy. That's why in addition to a large, special and adjustable bed for the mother and the child, there is also one for the father, so that he can stay here round the clock as well." In Sweden, parents continue receiving pay to ensure financial security if they have to stay with their child at the hospital because the child requires medical attention.

Using detailed 3D images, the project team from the hospital in Karlstad worked together with Dräger experts in Lübeck and on site in Karlstad to plan and design the NICU. It was equipped for premature babies from the 26th week as well as for providing initial medical care to even smaller premature babies who can then be transferred to larger neonatal intensive care centers. The needs of the families and those of the intensive care providers did not prove to be at odds with each other with regard to this redesign. In fact, they came together in the best interest of the babies. Since the infants are each housed in separate rooms by family, they enjoy optimum protection against drug-resistant pathogens. "But they receive all the intimacy they need: the heartbeat of the mother, the warmth of the family, physical contact and affection. All of these things help the children to thrive," Caroline Wallace says. The technology integrates and adapts to the space, such as the accessible incubator that precisely controls temperature and humidity and movable ventilators. It is also possible to perform all examinations – even taking X-rays – in the family's room. Top ergonomics and standardized workstations relieve the burden on nursing staff, doctors and aides. As a result, they can give their full concentration to the fam-

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2

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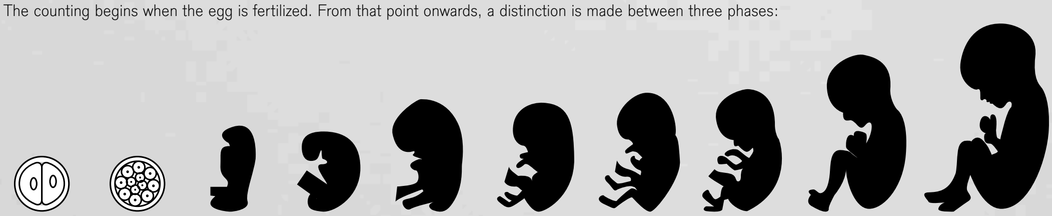
4

1 **A hospital with a long history:** The first documented reference to Karlstad's central hospital dates back to 1752.
2 **Modern design and getting around quickly:** The concept and design of the neonatal intensive care unit in Karlstad are among the most cutting-edge in Europe.
3 **Teamwork:** A well-coordinated team of specialized physicians and nurses cares for the tiny patients around the clock.
4 **Family-centered care:** Parents are systematically included in caring for and looking after their frail children.

START IN LIFE

DEVELOPMENTAL STAGES

The gestational age is the term used to describe the age of the developing child:
The counting begins when the egg is fertilized. From that point onwards, a distinction is made between three phases:



Source: Dräger Review No. 397 / 2015

Age of the embryo in weeks

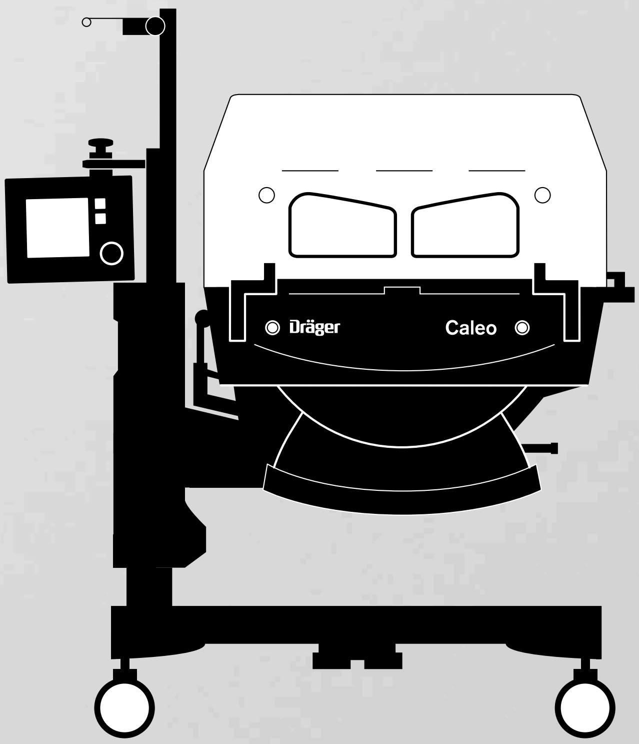
1	2	3	4	6	8	9	16	20–36	38–40
Cellular phase		Embryonic phase				Fetogenesis (fetus)			
Spherical		Primordia form				Organs are functional			

ilies and the tiny patients. The days are often long and challenging enough as it is.

“I have five children of my own,” Caroline Wallace says. “I’m sometimes asked if I’m able to relax when I come home. But I don’t find family life together to be a burden. It’s a reward.” Caring for children – both one’s own and the most frail and fragile babies from the region on top of that – what kind of mark does that make? “I can clearly recall the unexpected birth of a premature baby in its 23rd week,” the nurse says. “It was exciting, demanding, and also somehow upsetting. The team worked like a well-oiled machine. Everything happened fast, precisely and with care. The doctors, nursing staff and aides – everyone worked together: Heartbeat? ‘Yes.’ Breathing? ‘Starting to.’ Do we need to intubate? ‘We intubate.’ We manage to stabilize the baby. It’s okay. We were then later able to transfer it to Akademiska Hospital in Uppsala, one of the neonatal centers in Sweden that provides the highest level of care. Everything went well. The job is done – and you are left feeling like we did everything right!”

Those are the highs. What about lows? Yes, the team has them as well. Working at the limits of medicine also means that there will be cases that go beyond what can be done. When it is clear that there will be no happy ending, and the only thing you can do is provide comfort. It is sometimes difficult to say goodbye to those patients and their families who successfully gained help on the ward. “Everything went well, but since they have spent weeks living here with us, you really got to know them. Then they leave. But for them, it is the start of the life together that they have imagined. And that is wonderful.”

DRÄGER CALEO®



GENTLE CARE:

Doors and drawers that open quietly as well as soundless electronic controls for adjusting the bed incline ensure a low noise level in the incubator. When the baby is laid back down in the "Caleo" after skin-to-skin contact on the mother's or father's chest, the "kangaroo" mode additionally ensures the ideal environmental conditions inside the incubator.

ADJUSTABLE O_2 LEVELS

18–99

VOL.%

PRODUCT FEATURES

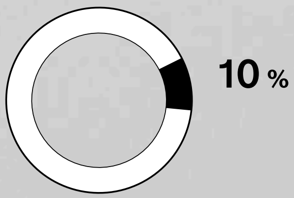
- Low operating noise inside the hood
- The "auto-humidity mode" automatically regulates the humidity level with respect to the programmed air temperature.
- The interior incubator is very spacious. There is even enough room for twins.
- Cleaning the device is simple as there are only 11 parts in total.

TEMPERATURE

37°C

At this temperature, babies stay nice and warm in the womb. The "Caleo" also provides a constant 37°C environment so that the tiny patients can develop to the best possible extent outside of the womb.

FREQUENCY OF OCCURRENCE



According to the WHO, 10 out of every 100 children are born prematurely.

"I will be there" – this is a promise that inspires trust. Trust that in an emergency, help will be there. This help might come from a professional firefighter who is well equipped to handle the complex challenges of a seaport. It might come from an emergency physician who is on site in a matter of minutes thanks to helicopter transport. Or from a pediatric nurse in a neonatal intensive care unit who provides her fragile patients with tender care. People trust these helpers. And they in turn place their trust in "Technology for Life" from Dräger, because "I will be there" is also a promise that we give to our customers – every day, around the clock and across the world.

We would like to dedicate our thanks to Frederik Vercruysse, Dr. Jörg Braun and Caroline Wallace for their support in the preparation of this management report. As representatives of many Dräger customers all over the world, they are there with full of passion for those who require help – under quite different circumstances and at different locations, but with "Technology for Life" from Dräger always at their side.

Content

↗ Reference to figures and tables
≣ Reference to text passages and notes
▭ Reference to the internet

Possible rounding differences may lead to slight discrepancies.

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SHAREHOLDER INFORMATION

29

SHAREHOLDER INFORMATION

I WILL BE THERE

Dear Shareholders, dear Employees, dear Readers,

Fiscal year 2015 was disappointing overall. We had to adjust our guidance on two occasions. After a strong finish to the year in the fourth quarter, our net sales rose by roughly 7 percent in nominal terms in the reporting year, but only by roughly 3 percent net of currency effects. Our EBIT margin declined further to under 3 percent. There are a number of reasons for this: Many exchange rates did not develop in our favor. The strong US dollar, for instance, increased the cost base for our production activities, while the euro increased in value against many other currencies. As we invoice our services in local currencies and our costs in said currencies are low, this has a corresponding negative impact on our earnings. In addition, there were a number of one-off effects last year that hit our earnings, but there were also structural effects such as increased price competition. All in all, our costs rose more quickly than our net sales in 2015. We must respond to this trend, as our Dräger Value Added indicator that also takes cost of capital into account was negative. In other words, we did not create any value in fiscal year 2015 – quite the contrary.

STEFAN DRÄGER

The global economic environment took a turn for the worse. The International Monetary Fund withdrew its forecasts on global economic growth on three occasions last year. Many indicators suggest that growth rates in 2015 were considerably lower than they were in the previous year. Although industrialized countries – including the eurozone by now – are reporting slight growth, emerging economies, which are responsible for the majority of the growth momentum, are falling significantly short of the growth figures they have recorded in the past. China, the heavyweight among emerging economies, is in the middle of a difficult transitional phase from export- and investment-driven growth to a stronger focus on consumption and recorded its lowest growth figures for 25 years in 2015. Brazil and Russia are in the midst of recession. The decline in commodity prices, particularly of the price of oil, is also hitting many smaller commodity exporters hard.

Emerging economies have also provided significant growth momentum to Dräger in the past, but this momentum faded in 2014 and declined more significantly in 2015. Currency fluctuations, and the effects thereof, have also increased sharply across the globe. This economic uncertainty is exacerbated by the spread of geopolitical risks and conflict hotspots. This is also expressed in the high levels of migration facing Europe in particular at the moment. On balance, we are confronted with worse overall conditions than in previous years.

Dear Shareholders, dear Employees, we are rising to meet the changing circumstances challenges of the future. We want to shape the future of our Company ourselves and improve our earnings over the long term. That is why we have decided to intensify our “Fit for Growth” efficiency program, which we launched in 2014. Through medium-term structural and process improvements, particularly when it comes to administration and sales, we aim to cut materials and personnel costs in the short term. Aside from a strict cost management strategy, this also means job losses – both at regional organizations and at the headquarters in Lübeck. We will ensure that redundancies will be structured in a socially acceptable manner and are currently involved in constructive talks with employee representatives. In relation to this, we will also be adjusting our dividend policy. Apart from the minimum dividend, we propose retaining profits. By doing so, we can increase our scope of action in an environment that has become more uncertain. This will allow you, our shareholders, will also be able to make a contribution given the tense economic situation.

Our business model remains valid, as the medical and safety markets remain on course for growth. We are developing our organizational structure so that we can seize opportunities in these markets more effectively. Country organizations, which act within the framework of the corporate strategy, will be responsible for operating activities in the future. Each country and region is managed by a member of the Executive Board, which takes on this regional role in addition to his or her functional tasks. In future, the Company headquarters will concentrate on strategic management and defining standards. These allow operating units to become a networked, worldwide organization. As a result, we will create clear responsibilities and greater customer intimacy, reinforce the entrepreneurial approach and respond quicker to market trends. Backed by an effective organization and a low cost base, we will be able to generate sustained positive results even in a difficult environment.

At this point I would like to thank our employees for their commitment and loyalty. You have paved the way for growth in a problematic environment and achieved a record-breaking quarter at the end of the year. However, there is no way past our rise in costs and the negative earnings trend, even if this may mean that some difficult decisions will have to be made. I have absolute confidence that we will be able to make Dräger financially successful again together. We anticipate an improvement in earnings in fiscal year 2016, which is set to continue in 2017 following the systematic implementation of our cost and efficiency measures.

Dear Shareholders, Dräger products protect, support and save lives. This year, the title of our annual report is “I will be there.” Three customers, users of our “Technology for Life,” have their say in the editorial part of the report. In their areas of responsibility, they are there when needed, for the people they are committed to. “I will be there” is also a promise that I make for myself, just as all other Dräger employees do – day for day and all over the world.

Best regards, Stefan Dräger

Executive Board

Forward-looking, responsible leadership has been fundamental to Dräger's corporate culture for more than 125 years. Stefan Dräger and his Executive Board team are dedicated to realizing a sustainable increase in corporate value, pursuing that objective with openness, passion and high standards.

Stefan Dräger

Stefan Dräger is the fifth generation of the Dräger family to lead the Company, and his term runs until the end of February 2020. He joined the Company in 1992 and has been Chairman of the Executive Board since 2005.

Gert-Hartwig Lescow

Gert-Hartwig Lescow is responsible for the Company's finance function and has been Vice-Chairman of the Executive Board since April 2015. He has been with Dräger since 2008, and his term runs until the end of March 2021.

Rainer Klug

Rainer Klug has been in charge of Purchasing, Production and Logistics since August 2015, and has also been responsible for the Americas region since January 2016. His term runs until the end of July 2018

Dr. Reiner Piske

Dr. Reiner Piske has been a new member of the Executive Board responsible for HR since November 1, 2015. He has also been responsible for the Europe region since January 2016. His term runs until the end of October 2018.

Anton Schrofner

Anton Schrofner is responsible for Innovation and has been in charge of the Africa, Asia and Australia regions since January 2016. He has been with the Company since September 2010, and his term runs until the end of August 2018.

Report of the Supervisory Board

Dräger looks back on a mixed fiscal year 2015, which proved to be more difficult than we expected. The Supervisory Board continued its trusting working relationship with the Executive Board, dealing in detail with the Company's economic situation and prospects. The Supervisory Board was promptly and directly involved in all decisions.

Dear Shareholders,

Your Company did not perform satisfactorily in fiscal year 2015 from the perspective of the Supervisory Board. A slowdown in demand, particularly in emerging economies in the Asia / Pacific and Latin America regions, has proven problematic for the Company in the past year. Alongside a whole host of one-off costs, exchange rate development also had a negative impact. The strong US dollar increased production costs for the Company, while the increase in the value of the euro against many emerging economy currencies impacted margins. The earnings target issued at the start of the year had to be lowered considerably. In response, the Executive Board decided in conjunction with the Supervisory Board to intensify the "Fit for Growth" efficiency program. Besides stricter cost management, the Executive Board also plans to reduce the number of employees in Lübeck by 200 by the end of fiscal year 2016. Strict cost reduction targets have also been set for Dräger's regional organization. The EBIT margin of 2.6 percent generated in fiscal year 2015 already included provisions for corresponding personnel measures.

The Executive Board has set a currency-adjusted net sales growth target of zero to three percent and a target EBIT margin of between 3.5 and 5.5 percent for 2016. It also intends to invest further in Dräger's future potential in 2016. Further expenses for the efficiency program are therefore anticipated in this respect. The Executive Board is also targeting net sales growth in 2017 and, following the implementation of the measures from the efficiency program, a further improvement in profitability. The Supervisory Board considers the expectations of the Executive Board regarding net sales and earnings development on the basis of a significant reduction in costs in fiscal years 2016 and 2017 to be realistic.

In fiscal year 2015, the Supervisory Board carefully and regularly monitored the work of the Executive Board of the general partner in accordance with the law and the articles of association, and provided advice on the strategic development of the Company as well as all major measures. The Supervisory Board was involved in all decisions of importance to the Company. The extensive written and oral reports by the Executive Board formed the basis for these decisions. Also outside of the Supervisory Board meetings, the Chairman of the Supervisory Board was regularly informed by the Chairman of the Executive Board about current business developments and major transactions.

MEETINGS

In four regular meetings, the Supervisory Board dealt in detail with the business and strategic development of the Dräger Group, the divisions and their German and foreign subsidiaries, and intensively advised the Executive Board on such matters. It was not deemed necessary to discuss meetings or individual points on the agenda without the Executive Board. Aside from Klaus-Dieter Fett, who only attended two meetings due to health issues, all Superviso-

Prof. Dr. Nikolaus Schweickart

ry Board members attended more than half of the general meetings and committee meetings they were to attend.

FOCAL POINTS OF THE SUPERVISORY BOARD DELIBERATIONS

In the past fiscal year, discussion focused on the Company's organizational structure, its long-term strategic targets and its regional growth options. Additional focal points of deliberations remained Research and Development and the legal structure in Germany.

The plan for fiscal year 2016 was presented to the Supervisory Board in a meeting held on 11 December 2015 and approved by the Joint Committee, which is responsible for resolutions concerning transactions requiring approval. Discussions were focused in this meeting on the future organization of the Company and cost development.

In its meeting on 11 December 2015, the Supervisory Board also covered the German Corporate Governance Code in the version dated 5 May 2015. The Company fully complies with the recommendations of the German Corporate Governance Code. 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 corporate governance report.

ACTIVITIES OF THE AUDIT COMMITTEE

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

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

ACTIVITIES OF THE NOMINATION COMMITTEE

The nomination committee did not meet in the year under review.

CORPORATE GOVERNANCE AND EFFICIENCY AUDIT

The Supervisory Board regularly deals with the application and enhancement of corporate governance principles within the Dräger Group. The declaration of conformity has been reproduced on page 99 et seq. of this annual report. It also evaluated its Supervisory Board activities in fiscal year 2015 and conducted an internal efficiency audit.

SINGLE ENTITY AND GROUP FINANCIAL STATEMENTS

The Supervisory Board appointed the statutory auditor elected by the annual shareholders' meeting, Frankfurt-based PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, to audit the single entity and Group financial statements for fiscal year 2015. 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 Financing Reporting Standards (IFRS), and the combined management report of Drägerwerk AG & Co. KGaA and the Dräger Group.

The auditors 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 auditors confirmed that the Group financial statements prepared in accordance with IFRS and the Group management report conform with IFRS as adopted by the EU.

The members of the Supervisory Board carefully examined the single entity and Group financial statements and accompanying combined management report as well as the audit reports. Representatives of the statutory auditor attended the Audit Committee's meeting on March 2, 2016, during which Dräger's single entity and group financial statements were deliberated on, as well as the Supervisory Board's meeting on March 3, 2016, 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 significant 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 intensively discussed the adjustment to the dividend policy. 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. The 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

Stefan Drager was appointed member and Chairman of the Executive Board of Drägerwerk Verwaltungs AG for a further five years from March 1, 2015 until February 29, 2020 by Supervisory Board resolution in January 2015. Dr. Herbert Fehrecke, Vice Chairman of the Executive Board and responsible for Production, Purchasing and Quality as well as the Europe region, left the Executive Board as of March

31, 2015 and retired. The Supervisory Board of Drägerwerk Verwaltungs AG, which is solely responsible for decisions concerning Executive Board appointments, appointed Gert-Hartwig Lescow as Vice Chairman of the Executive Board as of April 1, 2015 in its meeting on March 4, 2015. The Supervisory Board of Drägerwerk Verwaltungs AG also appointed Rainer Klug as a member of the Executive Board in its meeting on March 4, 2015. Mr. Klug began his term on August 1, 2015 and is responsible for Production, Purchasing, Quality and Logistics (Supply Chain). In its meeting on June 26, 2015, the Supervisory Board of Drägerwerk Verwaltungs AG appointed Dr. Reiner Piske as a member of the Executive Board responsible for HR. Dr. Piske began his term on November 1, 2015.

CHANGES IN THE SUPERVISORY BOARD

There were no changes in the Supervisory Board in the year under review. Unfortunately we received news on February 23, 2016 that Supervisory Board member Klaus-Dieter Fett has passed away far too early after a serious illness.

CONFLICTS OF INTEREST

There were no conflicts of interests 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 express its recognition of the Executive Board for its performance commitment and in this fiscal year. Furthermore, it thanks management and all employees, including employee representatives, for their hard work in fiscal year 2015.

Lübeck, March 3, 2016

Prof. Dr. Nikolaus Schweickart
Chairman of the Supervisory Board

Report of the Joint Committee

Dear Shareholders,

Since the change in legal form to a partnership limited by shares in 2007, the Company has had a Joint Committee as an additional voluntary body which comprises four members of the Supervisory Board of the general partner, two shareholder and two employee representatives from the Supervisory Board of Drägerwerk AG & Co. KGaA.

The Chairman of the Supervisory Board, Prof. Dr. Nikolaus Schweickart, is the Chairman of the Joint Committee. This Committee is responsible for transactions requiring approval (pursuant to Sec. 111 (4) Sentence 2 AktG). The Joint Committee held four regular meetings in the reporting year, dealing in detail with the business and strategic development of the Dräger Group. The Joint Committee decided on transactions requiring approval after careful consideration of the documents provided by the Executive Board. It approved all transactions.

Lübeck, March 3, 2016

Prof. Dr. Nikolaus Schweickart
Chairman of the Joint Committee

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COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT

The Dräger Shares

The stock markets were extremely volatile in 2015. The DAX reached a new all-time high, but ended the year significantly down on this mark. The TecDAX performed more favorably, closing the year only just short of its all-time high. Dräger shares failed to match this positive performance: The price of Dräger common shares fell by 5 percent over the course of the year, while the price of Dräger preferred shares declined by 18 percent.

DEVELOPMENT ON STOCK MARKETS[1]

Prices on the German stock market initially rose further at the start of 2015. The DAX began the year at 9,765 points, before reaching new highs in the following weeks and pushing to an all-time high at 12,391 points on April 10. After this, the crisis in Greece and fears of an escalation in the political situation in Ukraine (among other factors) had a negative impact on the index, causing the DAX to lose ground again. Prices recovered somewhat in July, but the negative trend accelerated once more in the second half of the third quarter. One key factor in this was the stuttering Chinese economy, while concerns of decline in growth in other emerging economies and uncertainty concerning a forthcoming interest rate hike by the US Federal Reserve also played a role. The Volkswagen emissions scandal hit the DAX hard, particularly in September. October saw a turnaround in sentiment, with a positive mood sweeping the stock market and causing prices to rise once again. However, worries over economic development pushed the DAX back into the red towards the end of the year. The TecDAX was able to escape this negative trend for the most part. It had been matching DAX performance in the first half of the year, but in the second half of the year, it traded at a much higher level. The DAX ended 2015 at 10,743 points, equating to overall performance for the year of 9.6 percent. With an increase over the course of the year of 33.5 percent, the TecDAX performed much better, closing in December at 1,831 points.

DEVELOPMENT OF THE DRÄGER SHARES

The Dräger shares made gains in the first few weeks of the year on the back of a positive market environment. They then responded to the publication of our new medium-term forecast on March 11 with further significant price increases. Preferred shares closed the subsequent day's trading at over EUR 100, before reaching a new all-time high at EUR 122.00 on April 15. However, the share price declined again on the back of the first-quarter results and those for the first half of 2015. Subsequent weeks also saw prices fall in line with the DAX's performance. The revision of the full-year targets in October saw Dräger share prices tumble, a situation from which they were only able to partially recover over subsequent weeks.

Common shares closed the year at EUR 60.60, which equates to a decline of 5.0 percent compared to the end of the prior year. Preferred shares declined by 18.2 percent in 2015, closing the year at EUR 68.61.

↗ Please refer chart "Share price developments"

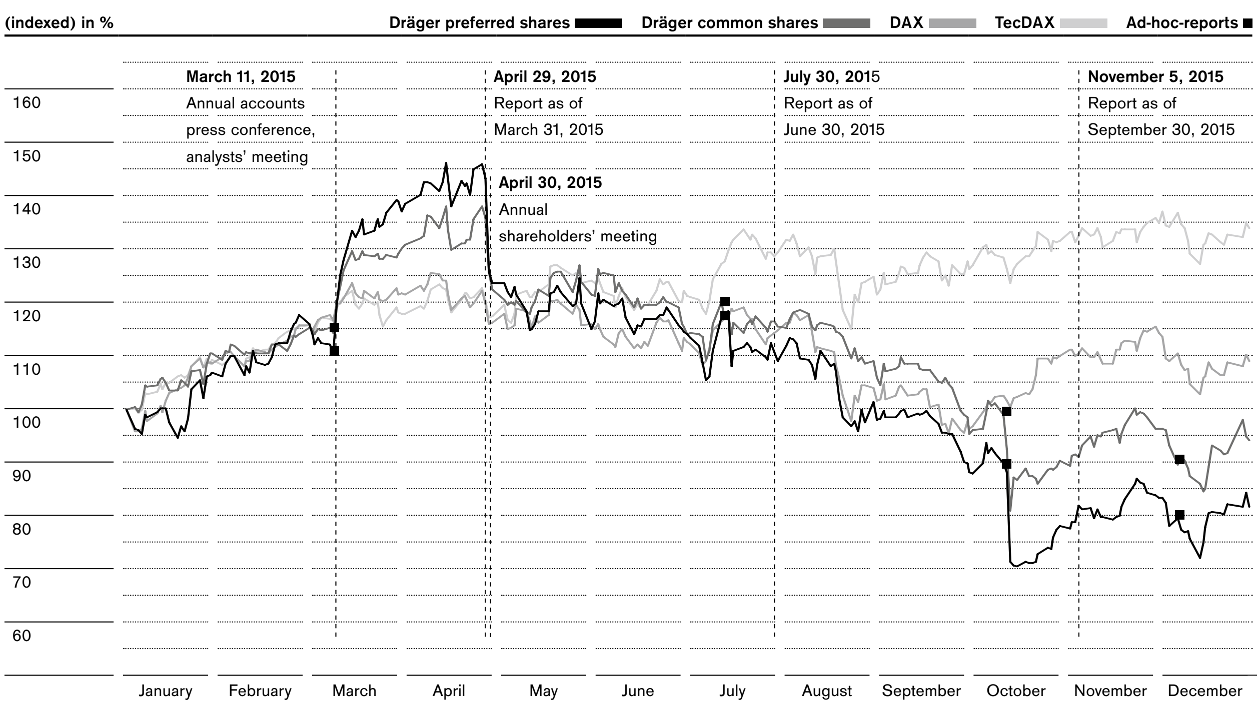
[1] Stock market prices and index levels at daily closing rates on the XETRA trading system of Deutsche Börse AG.

DEVELOPMENT OF THE DRÄGER SHARES AND KEY INDICES AS OF DECEMBER 31, 2015

in %, p. a.	1 year	3 years	5 years	10 years
Dräger common shares [1]	– 5	2	4	–
Dräger preferred shares	– 18	– 4	2	5
DAX	10	12	9	7
TecDAX	34	30	17	12

[1] Dräger common shares have been listed on the stock market since 2010.

SHARE PRICE DEVELOPMENTS



SHAREHOLDER STRUCTURE

The capital stock is divided into common and preferred shares. According to the definition of Deutsche Börse AG, 71.18 percent of common shares are held by the Dräger family and 28.82 percent are in free float. A total of 67.19 percent of common shares of Drägerwerk AG & Co. KGaA are held by Dr. Heinrich Dräger GmbH. The majority of shares of Dr. Heinrich Dräger GmbH is held by members and companies of the Dräger family. As a result, the voting rights associated with the common shares are in the hands of the Dräger family. Members of the Dräger family also hold around 4.00 percent of voting rights in person, resulting in the family being in possession of 71.18 percent of voting rights in total. Due to Company regulations, the voting rights of Dr. Heinrich Dräger GmbH are to be counted towards Stefan Dräger GmbH, in which the majority shareholder is Stefan Dräger.

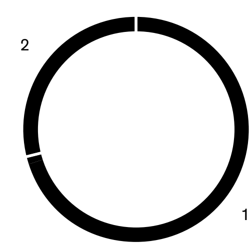
↗ Please refer chart "Share ownership"
Please refer to Note 34 in the notes

The free float of the non-voting preferred shares according to the definition of Deutsche Börse AG is 100 percent; the Dräger preferred shares are included in Deutsche Börse AG's TecDAX index.

An analysis of the shareholder structure (common and preferred shares) conducted in the first quarter of 2015, which excluded the Dräger family, showed that institutional investors from the USA account for 31 percent of capital stock. Investors from Germany held 17 percent of capital stock at this time. Some 39 percent of shares are held by institutional investors from other countries in Europe, 12 percent of which in the UK and Ireland alone. The proportion of private investors and other unidentified investors was around 8 percent of share capital.

↗ Please refer chart "Shareholder structure"

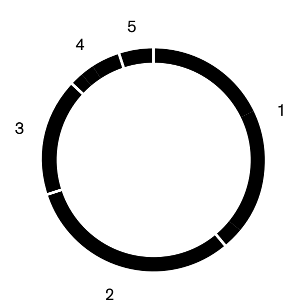
OWNERSHIP OF COMMON SHARES



in %

1. Dräger family	71.18	2. Free float	28.82

SHAREHOLDER STRUCTURE[1]



in %

1. Institutional investors from Europe (excluding Germany)	39	4. Private investors and unspecified investors	8
2. Institutional investors USA	31	5. Institutional investors from the rest of the world	5
3. Institutional investors from Germany	17		

[1] Preferred shares and common shares not including shares owned by the Dräger family; as of January 2015

DRÄGER SHARES – BASIC FIGURES

	Common shares	Preferred shares
Securities identification number (WKN)	555060	555063
ISIN [1]	DE0005550602	DE0005550636
Ticker symbol	DRW	DRW3
Reuters symbol	DRWG.DE	DRWG_p.DE
Bloomberg symbol	DRW8	DRW3
Main stock exchange	Frankfurt / Xetra	Frankfurt / Xetra

[1] International Stock Identification Number

NOTIFICATIONS REGARDING VOTING RIGHTS

In 2015, we published five notifications regarding voting rights in accordance with the requirements of the WpHG (Wertpapierhandelsgesetz – German Securities Trading Act). All reports regarding voting rights are available on the Dräger website in the Investor Relations section and solely refer to common shares.

Please refer to Note 34 in the notes

ISSUING NEW PREFERRED SHARES

In fiscal year 2015, ten of the option rights guaranteed in the form of warrants issued in August 2010 were exercised, resulting in 500,000 new no-par preferred bearer shares (no-par shares) being issued from authorized capital. Of the initial 25 options, all were exercised.

Please refer to Note 5 in the notes

EMPLOYEE SHARE PROGRAM

We implemented an employee share program on the basis of the preferred share in March 2015 to enable our employees to identify with and connect to the company to an even greater extent. Participating employees each received a bonus share for every three preferred shares they acquired. Dräger purchased the bonus shares in regular trading on the stock market. A total of 1,129 employees purchased an average of around 19 shares for a total of 21,909 shares. Dräger contributed 7,303 bonus shares.

PROPOSED DIVIDEND

Due to the disappointing earnings performance and ongoing restructuring process, the Executive Board intends, in conjunction with the Supervisory Board of Drägerwerk Verwaltungs AG, to adjust the dividend policy and retain the majority of generated earnings. The Executive Board of the general partner and the Supervisory Board proposes a dividend of EUR 0.19 per preferred share and EUR 0.13 per common share to the annual shareholders' meeting on April 27, 2016. This would lead to a distribution rate of 10.9 percent (prior year: 30.1 percent) of Group net profit less earnings attributable to non-controlling interests. We will only make further decisions on the appropriation of profits once the earnings situation has improved significantly and stabilized.

Please refer to Note 21 in the notes

INVESTOR RELATIONS ACTIVITIES

Dräger places great value on intensive dialog with the capital market. In 2015, we held roadshows or took part in investor conferences in Frankfurt, Düsseldorf and Cologne, as well as London, Paris and Toronto. At the trade fairs Interschutz and

DRÄGER SHARES INDICATORS

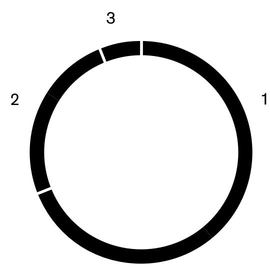
		2015	2014	2013
Common shares				
No. of shares as of the reporting date		10,160,000	10,160,000	10,160,000
High	€	88.53	78.49	89.64
Low	€	52.19	56.13	57.00
Share price on the reporting date	€	60.60	63.76	77.00
Average daily trading volume [1]		5,648	4,893	6,163
Dividend per share	€	0.13 [2]	1.33	0.77
Dividend yield		0.2 %	2.1 %	1.0 %
Earnings per common share [3]	€	1.83 [2]	5.67	6.88
Earnings per common share in the case of a full distribution [3,4]	€	1.40	4.52	5.24
Preferred shares				
No. of shares as of the reporting date		7,600,000 [5]	7,100,000	6,550,000
High	€	122.00	98.12	106.60
Low	€	59.30	63.36	76.90
Share price on the reporting date	€	68.61	83.87	94.92
Average daily trading volume [1]		29,569	28,350	27,479
Dividend per share	€	0.19 [2]	1.39	0.83
Dividend yield		0.3 %	1.7 %	0.9 %
Earnings per preferred share [3]	€	1.89 [2]	5.73	6.94
Earnings per preferred share on full distribution [3,4]	€	1.46	4.58	5.30
Total distribution [6]	€ thousand	3,665 [2]	31,555	18,039
Distribution rate [6]		10.9 % [2]	30.1 %	15.1 %
Market capitalization	€	1,137,132	1,243,279	1,404,046

[1] All German stock exchanges (source: designated sponsors)
[2] Pending approval by the annual shareholders' meeting
[3] For diluted earnings per share ↗ please refer to Note 21 in the notes
[4] Based on an assumed actual full distribution of earnings attributable to shareholders ↗ please refer to Note 21 in the notes
[5] Increase due to the exercise of share options ↗ please refer to Note 34 in the notes
[6] Including distribution to participation certificate holders (less taxes and minimum dividends)

MEDICA, we informed financial analysts, bank representatives and institutional investors about our new products and offered them the opportunity to speak to our management and product experts within the scope of investor days. In addition, private investors can access comprehensive information on Dräger and Dräger shares on our website.

Principles of the Group

ANALYST RECOMMENDATIONS[1]



1. Hold	11	3. Buy	1
2. Sell	4		

[1] At the end of 2015

ANALYSTS

In the course of 2015, 16 analysts from a variety of institutions regularly assessed Dräger's business performance (2014: 14): Bankhaus Metzler, Berenberg Bank, Commerzbank, Deutsche Bank, DZ Bank, equinet, Hauck & Aufhäuser, HSBC, Independent Research, Kepler Cheuvreux, LBBW, M.M. Warburg & Co., Main First Bank, Montega, NORD/LB and ODDO Seydler Bank.

Important changes in fiscal year 2015

DECISION TO CLOSE THE SITE IN PITTSBURGH (USA)

In July 2016 we will close our safety division site in Pittsburgh (USA). As part of this consolidation measure, all customer activities such as sales and service are to be moved to the existing Dräger site in Houston, Texas. This site will be home to global strategy and business developments for customers in the oil and gas industry. This decision sees Dräger reinforce its access to the most important markets for its safety division in the US. The administrative duties currently carried out in Pittsburgh have, for the most part, already been moved to other Dräger sites. A total of 150 employees are affected by the closure of the Pittsburgh site. We are offering some of these employees the opportunity to move to another Dräger site.

ACQUISITION OF GASSECURE AS (NORWAY)

We have added a pivotal technology of the future to our gas detection portfolio, which allowed us to strengthen our strategic position as a systems provider to the oil and gas industry and the chemicals industry. Through Dräger Holding International GmbH, a subsidiary of Drägerwerk AG & Co. KGaA, Dräger acquired a 100 percent stake in GasSecure AS, based in Oslo (Norway). The start-up, founded in 2008 and financed through venture capital since 2010, has developed a technology for a wireless optical gas sensor that detects hydrocarbons and has developed a marketable product on this basis.

CHANGES TO THE EXECUTIVE BOARD OF DRÄGERWERK VERWALTUNGS AG

Dr. Herbert Fehrecke retired as of March 31, 2015 as planned. Gert-Hartwig Lescow was appointed new Vice Chairman of the Executive Board. Rainer Klug began his role as new Chief Supply Chain Officer (CSCO) at Dräger on August 1, 2015. Dr. Reiner Piske was appointed as a new member of the Executive Board responsible for HR. He began his role at Dräger on November 1, 2015.

INTENSIFYING THE EFFICIENCY PROGRAM

On December 7, 2015, the Executive Board resolved to reduce staff numbers both in the regional organizations and at the headquarters in Lübeck as part of the intensification of the “Fit for Growth” efficiency program. Under this program, roughly 200 jobs will be reduced at the Lübeck site by the end of 2016.

AMENDMENTS TO SEGMENT REPORTING

Dräger manages its operating business development through two segments, the medical division and the safety division. This structure is based on the same model as the company’s strategic development. Until 2014, Dräger’s corporate structures were also largely set up in line with these two segments, meaning that separate legal entities usually existed for the safety division and the medical division. These separate structures are being merged together as part of the mission to create a standardized corporate structure, the aim of the “One Dräger” project. This is a logical step as it allows us to reduce complexity and costs in many countries. We are now systematically pursuing this process. In Switzerland, Austria, the Netherlands and South Africa, this consolidation has already been completed. In Germany, Dräger Medical GmbH was merged into Drägerwerk AG & Co. KGaA. Further mergers in Germany and abroad are set to follow.

The merger of the previously separate legal entities of the safety division and of the medical division required amendments to the previous segment reporting: From the first quarter of 2015, the results of the medical and safety divisions are calculated on the basis of product attribution to the medical or safety division instead of on the basis of the legal entities as had been the case previously.

This results in the following changes to our reporting in the income and loss statement:

- Net sales are no longer based on the consolidated net sales of the sub-groups (including internal Group net sales); instead reporting is now based solely on third-party net sales. This means that it is no longer necessary to eliminate intersegment net sales during the consolidation process, for example.
- Non-product-related costs, including headquarter costs, previously recognized in the Drägerwerk AG & Co. KGaA / Other Companies segment, are now allocated to the two divisions on the basis of the planned net sales.
- The Drägerwerk AG & Co. KGaA / Other Companies segment, as well as the need for consolidation in the reporting process, therefore no longer applies.

In the balance sheet, only items that can be attributed to the products of the medical or safety divisions or their customers are reported for each segment:

- Balance sheet items not allocated to products in the medical and safety divisions or to their customers are now only reported at Group level.
- Reporting capital employed in segment reporting is based on the key influencing factors of net working capital (trade receivables, inventories including prepayments received). Long-term capital such as property, plant and equipment is no longer included in segment reporting, as it can no longer be allocated to the segments following the merger of the legal units.

Please find below a list of the differences in figures between the old and new reporting systems in fiscal year 2014 for the segments.

↗ Please refer table “Effects on Segment Reporting”
≣ For further details please refer to Note 3.

OTHER CHANGES TO REPORTING

The way in which marketing and selling expenses and general administrative expenses are reported has changed. Until now, administrative expenses at the sales companies in

EFFECTS ON SEGMENT REPORTING

Twelve months 2014	Dräger medical division		Dräger safety division		Drägerwerk AG & Co. KGaA/ Other companies		Consolidation		Dräger Group	
in € million	old	new	old	new	old	new	old	new	old	new
Net sales	1,585.4	1,577.2	890.9	857.5	13.4	–	– 55.1	–	2,434.7	2,434.7
EBIT	128.9	107.6	88.4	71.0	121.6	–	– 160.3	–	178.6	178.6
Depreciation / amortization	28.3	49.8	29.2	27.2	19.5	–	–	–	77.0	77.0
Capital Employed [1]	679.5	721.5	256.3	292.1	804.9	–	– 633.5	–	1,107.2	1,107.2
DVA	69.2	47.2	66.1	47.6	–	–	–	–	81.6	81.6

[1] Capital employed in segments = trade receivables, inventories incl. prepayments received;
Capital employed Group = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities

the regions have been charged as a lump sum to marketing and selling expenses. Following the successful introduction of our new reporting system with a corporate chart of accounts applicable throughout the Group, these costs will now also be reported in the regions as administrative expenses. This does not affect the sum total of marketing and selling expenses and administrative expenses.

↗ Please refer table “Effects on Functional Costs”

Group structure and control system

The parent company of the Dräger Group and the medical division is Drägerwerk AG & Co. KGaA. It holds all shares in the parent company of the safety division (Dräger Safety AG & Co. KGaA). All the shareholdings which form part of the global operations of the two divisions are either directly or indirectly owned by the respective parent. In addition, Drägerwerk AG & Co. KGaA also holds some equity investments which do not form part of the two divisions’ operations. Central functions and jointly used services are pooled at Drägerwerk AG & Co. KGaA.

Please refer to Note 55 in the notes

Dräger is represented in more than 190 countries on all continents. It has its own sales and service companies in more than 50 countries. The Group operates development and production sites in Germany (Lübeck), China (Shanghai and Beijing), Great Britain (Blyth), Norway (Oslo) and the US (Andover, Pittsburgh – set to close in 2016 – and Telford) as well as production sites in Germany (Hagen), Brazil (São Paulo), Chile (Santiago de Chile), Great Britain (Plymouth), Sweden (Svenljunga), South Africa (King William’s Town) and the Czech Republic (Chomutov and Klášterec).

As of December 31, 2015, 13,936 people were employed worldwide, of whom 52.9 percent work in sales, marketing and service, 25.4 percent in production, quality assurance, logistics and purchasing, 10.2 percent in research and development and 11.5 % in administration.

OPERATING ACTIVITIES OF THE MEDICAL DIVISION

In the medical division, Dräger develops, produces, and markets system solutions, equipment and services for acute point of care (APOC): for perioperative care (products and services connected to the operating room), intensive care and neonatal care, as well as emergency care. Our portfolio comprises products for therapy, monitoring, information management and process support. We are one of the global market leaders with our products for ventilation, anesthetics and warming therapy as well as related accessories

EFFECTS ON FUNCTIONAL COSTS

Twelve months 2014	Dräger Group	
in € million	old	new
Marketing and selling expenses	–625.2	–549.2
General administrative costs	–124.0	–200.0
Total	**–749.2**	**–749.2**

and consumables. In recent years, we have strengthened our expertise as a system provider with products such as integrated IT solutions for the operating room and gas management systems.

OPERATING ACTIVITIES OF THE SAFETY DIVISION

Our safety division develops, produces and markets products, system solutions and services for personal protection, gas detection technology and integrated hazard management. The majority of our customers are companies in the chemical and petrochemical industries, mining and the public sector such as fire services, police and disaster protection. Our portfolio includes stationary and mobile gas detection systems, personal protective equipment, professional diving systems, alcohol and drug testing devices, and a varied range of training and services, in addition to projects such as fire training systems and interchangeable special units for tunnel rescue trains.

VALUE-DRIVEN MANAGEMENT THROUGH DRÄGER VALUE ADDED

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). This performance indicator is reported for the Group and for the medical and safety divisions. The main targets we want to achieve with DVA are:

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

DVA is the difference between EBIT over the preceding twelve months and calculated capital costs (basis: average capital employed in the past twelve months). We calculate capital costs on the basis of average costs for equity and debt before taxes. The weighted average cost of capital (WACC) used for calculating the cost of capital in 2015 was 9.0 percent (2014: 9.0 percent). We revalued the WACC in 2015 to take into account the fall in interest rates. As a result, the weighted average cost of capital is to fall to 7.0 percent from 2016.

DVA is the central key management figure which we use to measure the development of the Company's added value and that of its various units. It is used as a basis for strategic decisions on increasing the value of the Company. In addition, the major portion of management's annual variable remuneration is measured by DVA performance.

Another important figure is days working capital (DWC), which we use to measure the coverage of net current assets. To calculate this figure, trade receivables are added to inventories, and trade payables and prepayments received (respective averages of the past twelve months) are deducted from the total. The amount is then displayed as a ratio of net sales.

Our key performance indicators are DVA, DWC, net sales and EBIT margin. At the current time, we only use financial performance indicators as key management figures.

ROLLING FINANCIAL FORECAST

The rolling financial forecast comprises an estimate of net sales, gross margin and functional cost development up until the end of the respective current year. We also prepare a detailed plan for the subsequent year towards the end of the

EXECUTIVE BOARD RESPONSIBILITIES AS OF JANUARY 1, 2016

Stefan Dräger Chairman of the Executive Board	**Gert-Hartwig Lescow** Vice-Chairman of the Executive Board	**Rainer Klug**	**Dr. Reiner Piske**	**Anton Schrofner**
Regional responsibilities				
		Americas	Europe	Africa, Asia, Australia
Functional responsibilities				
Corporate Auditing Corporate Communications Corporate Strategy and Business Development Legal, Compliance and Data Protection Real Estate	Accounting Controlling Customs and Export Control Insurances Investor Relations IT Risk Management Taxes Treasury	Custom Project Business Logistics Manufacturing Purchasing	Human Resources	Intellectual Property Product Management Quality Research and Development

third quarter. Current business performance is analyzed based on this forecast. Appropriate countermeasures are taken whenever performance remains behind expectations.

NEW MANAGEMENT SYSTEM FROM FISCAL YEAR 2016

Until the end of fiscal year 2015, the Company was managed through the two divisions: the medical division and the safety division. An expanded functional Executive Management Team (EMT) was responsible for the operating management of the two divisions.

We are realigning our organizational and management system to put the spotlight on the customer even more and make our internal decision-making processes more efficient. At the start of fiscal year 2016, the Executive Board replaced the EMT as the central management body. Three Executive Board members are each responsible for business performance in countries and regions; they assume regional responsibility in addition to their functional tasks. In future, the Company headquarters will concentrate on strategic management and defining standards. The countries themselves are responsible overall for operative business. In each country with Dräger subsidiaries, a manager makes decisions on site as a Managing Director on all aspects of business and in all functions within the scope of the corporate strategy. The Managing Director usually reports directly to the regional organization.

Segment reporting will change from 2016 with the change to the management approach. Future segment reporting will be aligned with the responsibilities for business of the three Executive Board members with regional responsibility.

Regional responsibilities were restructured for fiscal year 2016. Rainer Klug is now responsible for the Americas region, Dr. Reiner Piske for Europe and Anton Schrofner for the Middle East, Africa and Asia / Pacific regions. Until the end of 2015, Gert-Hartwig Lescow was responsible for the Americas region while Dr. Herbert Fehrecke, and Stefan Dräger following Dr. Fehrecke's departure, held responsibility for Europe. The Executive Board member with regional responsibility maintains contact to customers and bridges the gap between thinking globally and acting locally. What's more, this structure also provides cross-functional balance.

This ensures the clearer allocation of tasks and responsibilities, the promotion of an entrepreneurial attitude and the acceleration of decision-making processes. This all goes hand in hand with our aim of reducing costs and streamlining our administrative structures.

↗ Please refer to chart "Executive Board responsibilities as of January 1, 2016"

Strategy and goals

We have been committed to turning technology into "Technology for Life" for over 125 years now – it is a vital part of our corporate identity. Our products protect, support and save lives. This is the basis from which Dräger has grown in the past and on which we will also build moving forward. To ensure our successful longevity, we will continue to consolidate the interests of our target groups: our customers, suppliers, employees, shareholders, banks and those in our direct vicinity.

The Company's principles are and remain our guidance. They determine a key part of our decisions. We will remain an independent, self-determining, pioneering, value-creating and attractive Company.

Our four Corporate Aspirations represent our vision of Dräger in ten years' time.

CORPORATE ASPIRATIONS

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

We have a truly global footprint
We offer a high level of service to our customers wherever they are located in the world. To serve our global markets, work with our suppliers, and support our sales channel partners in an optimal way, we have implemented the right organization and processes. We encourage our people to bring out their talent wherever they are and in whatever function they operate. Our balanced sales and expenses across the geographies make us more resilient. We think globally and act locally.

We are networking across borders as entrepreneurs
We see the big picture, share our knowledge and expertise, support and collaborate with each other, and learn from each other. We are all part of a highly professional and social network working across departmental, legal entity, and country borders. This goes beyond our company and includes customers, suppliers, and sales channel

partners. We manage the challenge to be connected. Our entrepreneurial spirit is based on our individual judgment and common sense.

We get things done

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

MEDICAL DIVISION

In the medical division, we support our customers with products and solutions for optimal acute care in a hospital environment.

More-effective workflows

With our workstation concepts and the expertise of our employees, we improve our customers' workflows in operating rooms and on hospital wards; all of our products are closely coordinated with the individual customer's requirements. We help them to become more efficient. At the same time, we increase patient safety and the satisfaction of hospital staff.

Improving clinical results

We want to show our customers the benefits of our innovative hospital solutions and improve treatment results. We always keep an eye on external factors, such as the characteristics of our customers' remuneration systems (key term: flat rate per case).

Appealing to price-conscious customers

Our approach of meeting customer desires and requirements across the board enables us to work more efficiently. This puts us in a position to offer solutions to price-conscious customers, too.

SAFETY DIVISION

We orient the Company and our portfolio specifically towards the requirements of various markets and optimize our sales channels. In doing so, we can improve access to our customers. We are systematically developing the Dräger brand and will become a global partner to our customers for integrated system solutions. Internationality is the key to meeting customer requirements and ensuring our success as a Company, especially in industries such as oil and gas, chemicals and mining.

Oil and gas

We act as a trusted partner for our customers in their infrastructure projects. We are constantly working on expanding our range of solutions and services to cement this position. The focus remains firmly on providing strategic services to major global customers.

Chemical industry

We provide a holistic support model for all occupational health and safety processes at our customers' sites. Our intention moving forward is to become the sole port of call for our customers. We can achieve this by expanding our equipment rental business, on-site services and management of production stops. Our worldwide sales network enables us to provide services to multinational chemical corporations and global infrastructure projects.

Mining

With a wealth of experience in mine rescue, we have a key role to play in establishing and expanding emergency management systems, particularly in emerging markets. Our occupational safety and safety management solutions help our customers to guarantee that their mines are running safely over the long term.

Fire services

We know what counts in day-to-day firefighting. Equipped with our considerable expertise and experience, we are our customers' side as a trusted partner. We provide products and services whenever they are required by fire services, including before and after the job such as in training situations and for maintenance purposes.

Application-driven markets

By focusing on a handful of industries, we counteract the heterogeneity of our customers outside of the aforementioned market segments. Here, the priority is on efficient market cultivation, the selection of optimal sales channels and the provision of solutions for specific customer applications.

MEDIUM-TERM COMPANY GOALS

Our medium-term Company goals are geared towards both financial and non-financial key figures. They are based on our corporate aspirations. In the medium term, we focus on the following areas:

Net sales growth, regional and industry focus

Our medical and safety technology markets constitute growth markets. The North and South America and Asia / Pacific regions are the drivers of our growth. These regions' share of net sales is set to increase significantly in the medium term. We want to outperform market growth here, particularly in the safety market. In mining, the chemical industry and the oil & gas sector, our aim is to boost our market share significantly in the medium term.

EBIT and DVA

The strategic initiatives and efficiency programs, which we launched at Dräger in 2014 and 2015, are aimed at putting us in the position to increase the EBIT margin significantly and over the long term in an increasingly competitive market. One consequence of this will be a major rise in Dräger Value Added.

Net Promoter Score

The Net Promoter Score (NPS) system is being used for the first time as a measure of customer loyalty (intention to recommend Dräger). In addition to measures for specific customer segments, a specially developed internal program is also aimed at helping us to improve customers' experiences with Dräger across all points of contact. We are aiming to improve the NPS system accordingly.

Time to market

We want to improve our innovation while keeping the costs of research and development in check. Shorter innovation and market-entry cycles strengthen our competitiveness.

For fiscal year 2016 we have also defined quantified targets for a range of these indicators.

Please see the “Outlook” section on pages 125 et seq. of this management report for more details on this and a more precise forecast.

Business performance

General economic conditions

WEAK DEVELOPMENT IN EMERGING ECONOMIES SLOWS DOWN GLOBAL ECONOMY

The Organization for Economic Cooperation and Development (OECD) expects global economic growth to continue to decline and has adjusted its forecasts accordingly. According to the OECD, development in important emerging markets is a particular factor in the bleak outlook. The OECD believes that the slowdown in global trade should be seen as a warning sign. The Institute for the World Economy (IfW) also agrees with this assessment: It believes that global economic development will be dampened by weak development in emerging economies, particularly in China. The driving forces behind economic growth are moving more towards developed economies in which loose monetary policy continues to have a stimulating effect. According to the IfW's analysis, the global economy's rate of expansion in 2015 is likely to have fallen slightly compared to prior years to 3.3 percent; slightly higher growth of 3.7 percent is expected in 2016. By contrast, moderate recovery is continuing in the eurozone and the upturn is spreading across the continent. Here, the IfW is forecasting rises in gross domestic product of 1.5 percent and 1.7 percent in 2015 and 2016 respectively. So far, Germany has defied the unsettled global economic climate and, according to the IfW, is on course for a boom in economic development. Growth of 1.8 percent is expected in 2015, while 2016 could see this figure rise to 2.1 percent.

ECB STICKS TO STRATEGY, FED HERALDS INTEREST TURNAROUND

The European Central Bank (ECB) had lowered its benchmark interest rate to a record-breaking low of 0.05 percent in early September 2014. It also increased the penalty rate it charges banks to deposit excess liquidity from 0.2 percent to 0.3 percent in 2015. In addition, the ECB announced that it would be extending its quantitative easing program, in which it acquires bonds from public issuers worth EUR 60 billion per month, by a further six months to March 2017. By contrast, the US Federal Reserve (Fed) ended its monthly bond-buying program in October 2014 and has since been preparing the market for an interest rate hike. Following the Fed's decision in September to postpone the planned interest rate hike due to the latest developments in the global economy, particularly concerning the uncertainty in China, it raised its benchmark rates marginally in mid-December – marking the first rise since the financial crisis.

EXTREMELY LOW INFLATION, EURO WEAK AGAINST THE US DOLLAR BUT STRONG AGAINST EMERGING ECONOMY CURRENCIES

Bolstered by low energy costs, rates of inflation remained extremely low in 2015. In Germany, prices only rose by 0.3 percent year on year in 2015; in certain months, the eurozone even saw negative month-on-month inflation. The rate of inflation in the eurozone came to 0.0 percent in the reporting year. The euro lost a considerable amount of ground against the US dollar once again: The euro had traded at approximately USD 1.21 at the end of the prior year, but it fell to under USD 1.10 by the end of 2015. However, the euro did increase in value against several emerging market currencies over the course of the year – in some cases significantly.

MEDICAL DIVISION – INDUSTRY PERFORMANCE

The medical technology industry performed well overall in 2015. Sales volumes in the US market rose slightly in spite of huge cost-cutting measures in the healthcare sector, largely thanks to an increase in population and an ageing society. Moderate growth also continued in emerging economies, even though development slowed considerably in the second half of the year. Demand for medical technology in the Chinese market remained high and was boosted by numerous investments in the restructuring and expansion of the Chinese health care sector. However, not all manufacturers were able to profit from Chinese market growth to the same extent, as new government regulations favored domestic producers over international manufacturers. Demand in Northern and Southern Europe developed positively once again, as was the case in the Middle East, where – as in China – major investment was made in the expansion of the healthcare sector. By contrast, growth in Central and South America stagnated.

SAFETY DIVISION – INDUSTRY PERFORMANCE

The relevant sectors for the safety division also experienced slight positive development in 2015. Growth in the US stagnated, with the oil and gas industry suffering from falling returns in the wake of a sharp fall in crude oil prices. As a result, investment in new projects was sluggish and crude oil production lost significant momentum in the second half of the year. Another issue was the strength of the US dollar, which impacted exports of US industrial firms and had an effect on demand for safety technology. In China, however, the market for safety technology products experienced moderate growth. Industrial production in China may have seen a substantial slowdown in growth compared to 2014, but sales of safety technology products were still able to benefit from the growth trend. Sales in Northern and Southern Europe also experienced slightly positive growth. Growth in Central and South America stagnated, while sales in the Middle East rose sharply once again.

TRENDS WITH AN INFLUENCE ON OUR BUSINESS PERFORMANCE

We constantly monitor and analyze the most important factors that influence our business. Aside from economic aspects, these factors include the three most important megatrends at the current time: globalization, health and connectivity.

Globalization

Globalization refers to the ever-closer linkage of markets across the world. Manufacturers offer their goods and services globally and are constantly tapping into new sales markets. As a result, not only are sales markets shifting from industrialized nations to emerging economies, production locations are too, not least due to intensive global competition and rising cost pressure in companies. The general shift towards emerging markets is also stimulating local economies and generating a growth spurt; the standard of living in these countries is rising. More and more people are gaining access to medical services, while occupational health and safety standards are also rising in line with prosperity. On balance, globalization is leading to a long-term increase in the demand for medical and safety products.

Health

Nowadays, health is not just about avoiding illness; the term now describes a state of physical, mental and social well-being. This is fueled by the realization that quality of life into old age depends on daily well-being. The desire to maintain good health, coupled with population growth and issues of aging populations in many societies, is also boosting demand for medical care. Given that health as a trend is not simply limited to people's private lives, but encompasses the working world too, statutory health and safety standards for dangerous workplaces are also rising. In view of these influences, the outlook for the medical and safety technology industries remains good over the medium and long term.

Connectivity

A growing state of digital connectivity has been shaping the economy for years. The widespread use of connected devices and the availability of rapid internet connections open up a wealth of opportunities for businesses, but also pose a number of challenges in terms of innovation and competitiveness. In hospitals, for example, demand for connected medical technology devices and IT systems to simplify and enhance clinical processes and their management is rising; in the safety technology industry, the wireless transfer of

MAJOR CURRENCY CHANGES SORTED BY THEIR IMPACT ON DRÄGER'S EARNINGS

Average rates compared to the euro	12 months 2014	12 months 2015	Changes	Dräger exposure	Earnings effects for Dräger (EBIT)
US dollar	1.32	1.10	–16.4%	Short	↓
Chinese yuan	8.16	6.95	–14.9%	Long	↑
Saudi riyal	4.96	4.15	–16.4%	Long	↑
Russian ruble	52.01	68.77	32.2%	Long	↓
Brazilian real	3.11	3.74	20.3%	Long	↓

safety-relevant data from measurement equipment to IT systems is becoming increasingly important.

OVERALL ASSESSMENT OF FRAMEWORK CONDITIONS

Global economic growth fell short of expectations in 2015. A certain degree of economic recovery was observed in industrialized economies, particularly the eurozone. However, many emerging economies have recorded a slowdown in growth momentum, meaning that many emerging markets' currencies lost value – some substantially – over the course of the year. At the same time, the recent divergence in monetary policy in the US and Europe has resulted in the euro losing a significant amount of its value against the US dollar. In 2015, this meant that fluctuations in exchange rates had a positive impact on our net sales but a negative overall effect on earnings development.

↗ see table "Major currency changes sorted by their impact on Dräger's earnings"

Business performance of the Dräger Group

↗ see table "Business performance of the Dräger Group" on page 69

OVERALL MANAGEMENT ASSESSMENT OF BUSINESS PERFORMANCE

The year 2015 was marked by slower global economic growth than expected. Growth rates in industrialized economies rose slightly, whereas declines in growth were recorded in emerging economies such as in China and Brazil. Once again, there were major changes in commodity prices and exchange rates in 2015. The devaluation of the euro against the US dollar continued, while the euro increased in value against many emerging economy currencies, considerably in some cases.

Against this backdrop, order intake rose year on year by 4.8 percent. Our net sales rose somewhat more sharply by 7.2 percent and reached a new record level of EUR 2.6 billion. Exchange rate development also had an impact on our business performance in fiscal year 2015. Order intake only rose slightly by 0.8 percent net of currency effects, while net sales increased by 2.9 percent net of currency effects. Net sales growth in the medical division outperformed growth in the safety division.

In terms of earnings, we recorded a decline in earnings before interest and taxes (EBIT) in fiscal year 2015 of 62.7 percent to EUR 66.7 million (2014: EUR 178.6 million). As a result, our EBIT margin fell from 7.3 percent to 2.6 percent. Besides negative currency effects, the increase in functional costs and one-off effects, including one-off expenses for our "Fit for Growth" efficiency program, also played a role here. Dräger Value Added (DVA), the most important key management figure, declined significantly in fiscal year 2015. As of December 31, we had generated a DVA of EUR –46.3 million (2014: EUR 81.6 million).

In light of the reliability of our forecast, the following conclusions can be drawn when comparing forecast figures with actual figures:

We were forced to adjust our forecasts midway through the year due to demand failing to meet expectations and the weak earnings trend. In terms of net sales development, we were able to wrap up 2015 within the originally forecast range and at the upper end of the range by posting an increase of 2.9 percent net of currency effects, thanks to an extremely strong final quarter. We also had to lower our EBIT margin forecast during the year. This was due to negative currency effects from the devaluation of the US dollar and the devaluation of a range of emerging economy currencies. Our rise in costs also impacted EBIT. What is more, the third quarter also saw the Company incur one-off expenses. Our EBIT margin in fiscal year 2015 came within the corrected range and also already included expenses for our efficiency program from the fourth quarter, which were not yet able to be determined when the forecast was corrected. The fall in EBIT did not result in the anticipated slight improvement in DVA; in fact, DVA declined considerably as a consequence.

Our other forecast figures developed as follows:

At 44.9 percent, our gross margin was down on the prior-year figure in accordance with the corrected forecast. A less-favorable product mix, weaker price performance and negative currency effects had an impact here. Our R&D expenses in 2015 came in at EUR 231.1 million, slightly above the originally anticipated figure. The somewhat higher expenses were due to exchange rate developments. We also had to adjust the forecast operating cash flow as a percentage of EBIT due to a disproportionately high rise in working capital over the course of the year. The acquisition of Norwegian company GasSecure AS in spring 2015 also had an impact on our forecasts for investment volume and net financial debt, which we adjusted accordingly. What is more, the fall in earnings also contributed to the rise in net financial debt. The interest result, the effective tax rate and the equity ratio all developed as expected in fiscal year 2015.

↗ see table “Comparison of forecast figures and actual figures”

The development of Dräger’s business is considered in detail as follows.

ORDER INTAKE

In fiscal year 2015, Dräger’s order intake increased year on year by 0.8 percent (net of currency effects) to EUR 2,532.2 million (2014: EUR 2,415.5 million). Both the medical division and the safety division achieved slight increases in order intake, net of currency effects.

In Group-wide terms, order intake only increased in Europe including Germany by 2.2 percent. In Germany itself order intake actually rose by 4.2 %. However, orders in all other regions declined slightly net of currency effects.

↗ see table “Order intake” on page 70

NET SALES

In fiscal year 2015, Dräger net sales increased by 2.9 percent (net of currency effects) to EUR 2,608.9 million (2014: EUR 2,434.7 million). Net sales rose in all regions apart from the Americas region. Net sales growth in the Middle East, Africa and Other Countries region was above average, as it was in Europe and Germany. The Asia / Pacific region recorded slight growth net of currency effects. In the medical division net sales climbed by 3.1 percent net of currency effects, while in the safety division they increased by 2.7 percent net of currency effects.

↗ see table “Net sales” on page 70

COMPARISON OF FORECAST FIGURES AND ACTUAL FIGURES

	Forecast 2015 See AR 2014	Forecast 2015 Last published	Fiscal year 2015 Results achieved
Net sales	Growth of between 2 and 5% (net of currency effects)	Growth of between 1 and 3% (net of currency effects)	Growth of 2.9% (net of currency effects)
EBIT margin	Between 6 and 8%	Between 2.5 and 4.5%[1]	2.6%[2]
DVA	Moderate improvement (2014: EUR 81.6 million)	Decline	EUR –46.3 million
Other forecast figures:			
Gross margin	On a par with prior year (2014: 46.7%)	Down on prior year	44.9%
Research and development costs	EUR 220 million to EUR 230 million	EUR 220 million to EUR 230 million	EUR 231.1 million
Interest result	Slight improvement (2014: EUR –25.0 million)	Slight improvement	EUR –17.2 million
Effective tax rate	Between 30 and 33%	Between 30 and 33%	32.8%
Operating cash flow	>70% of EBIT	>50% of EBIT	59.8% of EBIT
Investment volume	EUR 110 million to EUR 130 million	EUR 170 million to EUR 190 million	EUR 196.8 million
Equity ratio	>40%	>40%	40.9%
Net financial debt	Slight improvement (2014: EUR 10.7 million)	Decline	EUR 145.3 million

[1] Excluding expenses for the efficiency program in Q4
[2] After the recognition of expenses for the efficiency program in Q4

EARNINGS

Our gross profit rose by EUR 33.6 million in fiscal year 2015 to EUR 1,171.7 million, and thereby less than net sales. At 44.9 percent, our gross margin was 1.8 percentage points lower than in the prior year. Both divisions contributed to this drop in margin. The decline was due to lower pricing in several areas, particularly in business with government agencies and in major projects in the medical division. Higher quality costs continued to have an impact on earnings. What is more, the US dollar remained strong, while currencies in emerging economies devalued further. All in all, currency effects had a negative impact on the development of our gross margin.

Our functional costs increased by 13.5 percent in the fiscal year. One-off expenses for our “Fit for Growth” efficiency program, which were mostly incurred in the fourth quarter, impacted earnings in the amount of EUR 34.8 million. Changes in exchange rates also resulted in a rise in functional costs. Net of these effects, functional costs rose by 5.4 percent. Net of currency effects, sales and marketing costs were up year on year (+6.6 percent). The increase was the result of the full-year effect of the 2014 headcount increase and the recruitment in 2015. In addition, risk provisions and running costs for the acquired company GasSecure AS were also responsible for the rise. Research and development (R&D) costs climbed by 3.7 percent as anticipated net of the change in exchange rates (+9.0 percent in nominal terms). The ratio of R&D costs to net sales (R&D ratio) therefore stood at 8.9 percent (2014: 8.7 percent). Net of currency effects and one-off expenses for our efficiency program, our administration costs rose by 4.5 percent. The lower allocation of IT costs into the regions’ selling costs also led to higher administration costs. Personnel expenses

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Fourth quarter			Twelve months		
		2015	2014	Changes in %	2015	2014	Changes in %
Order intake	**€ million**	**637.2**	**672.1**	**–5.2**	**2,532.2**	**2,415.5**	**+4.8**
Net sales	**€ million**	**825.4**	**769.7**	**+7.2**	**2,608.9**	**2,434.7**	**+7.2**
EBITDA [1]	**€ million**	**88.9**	**119.8**	**–25.8**	**150.9**	**255.6**	**–41.0**
Depreciation / amortization	€ million	–22.4	–22.4	–0.0	–84.2	–77.0	+9.4
EBIT [2]	**€ million**	**66.5**	**97.3**	**–31.7**	**66.7**	**178.6**	**–62.7**
Interest result	€ million	–2.8	–7.2	–61.0	–17.2	–25.0	–31.4
Income taxes	€ million	–19.3	–28.0	–31.1	–16.2	–48.9	–66.8
Net profit	**€ million**	**44.4**	**62.1**	**–28.5**	**33.3**	**104.7**	**–68.2**
Earnings per share [3]							
per preferred share	€	2.47	3.39	–27.1	1.89	5.73	–67.0
per common share	€	2.46	3.37	–27.0	1.83	5.67	–67.7
Earnings per share on full distribution [4]							
per preferred share	€	2.04	2.70	–24.6	1.46	4.58	–68.2
per common share	€	2.03	2.68	–24.4	1.40	4.52	–69.1
Research and development costs	€ million	56.2	56.6	–0.8	231.1	212.0	+9.0
Equity ratio [5]	%	40.9	40.1		40.9	40.1	
Cash flow from operating activities	€ million	47.1	117.0	–59.8	39.9	188.0	–78.8
Net financial debt [5]	€ million	145.3	10.7	+1,262.6	145.3	10.7	+1,262.6
Investments	€ million	40.0	40.6	–1.3	196.8	124.7	+57.8
Capital employed [5,6]	€ million	1,269.3	1,107.2	+14.6	1,269.3	1,107.2	+14.6
Net working capital [5,7,8]	€ million	582.3	539.4	+7.9	582.3	539.4	+7.9
EBIT [2] / Net sales	%	8.1	12.6		2.6	7.3	
EBIT [2,9] / Capital employed [5,6] (ROCE)	%	5.3	16.1		5.3	16.1	
Net financial debt [5] / EBITDA [1,9]	Factor	0.96	0.04		0.96	0.04	
Gearing [10]	Factor	0.15	0.01		0.15	0.01	
DVA [9,11]	€ million	–46.3	81.6	–156.7	–46.3	81.6	–156.7
Headcount on December 31		13,936	13,737	+1.4	13,936	13,737	+1.4

1 EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
2 EBIT = earnings before interest and taxes
3 On the basis of the expected dividend
4 Based on an imputed actual full distribution of earnings attributable to shareholders
5 Value at end of period
6 Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
7 Net working capital = current, non-interest-bearing assets plus non-current trade receivables less current, non-interest-bearing debt
8 The prior-year figures have been adjusted due to a change in definition of net working capital, which now includes non-current trade receivables.
9 Value of the last twelve months
10 Gearing = Net financial debt / equity
11 Dräger Value Added = EBIT less cost of capital

ORDER INTAKE

in € million	Fourth quarter 2015	Fourth quarter 2014	Changes in %	Net of currency effects in %	Twelve months 2015	Twelve months 2014	Changes in %	Net of currency effects in %
Europe	368.5	379.0	–2.8	–2.7	1,391.1	1,355.6	+2.6	+2.2
thereof Germany	135.7	131.9	+2.9	+2.9	503.6	483.4	+4.2	+4.2
Americas	129.2	136.0	–5.1	–9.4	496.8	461.1	+7.7	–1.3
Asia / Pacific	97.4	108.3	–10.1	–14.4	425.6	392.7	+8.4	–0.8
Middle East, Africa & Others	42.1	48.8	–13.7	–15.7	218.7	206.1	+6.1	–0.2
Total order intake	**637.2**	**672.1**	**–5.2**	**–6.9**	**2,532.2**	**2,415.5**	**+4.8**	**+0.8**

NET SALES

in € million	Fourth quarter 2015	Fourth quarter 2014	Changes in %	Net of currency effects in %	Twelve months 2015	Twelve months 2014	Changes in %	Net of currency effects in %
Europe	435.3	435.8	–0.1	–0.2	1,420.9	1,360.4	+4.5	+4.0
thereof Germany	161.3	148.1	+8.9	+8.9	516.3	486.6	+6.1	+6.1
Americas	160.6	149.2	+7.7	+2.9	509.2	470.7	+8.2	–1.1
Asia / Pacific	153.7	120.6	+27.4	+18.9	448.7	402.4	+11.5	+1.9
Middle East, Africa & Others	75.7	64.1	+18.0	+11.7	230.1	201.1	+14.4	+7.0
Total net sales	**825.4**	**769.7**	**+7.2**	**+4.4**	**2,608.9**	**2,434.7**	**+7.2**	**+2.9**

within the Group rose year on year by 8.6 percent. This increase was due in particular to expenses for our efficiency program and to a rise in personnel. Increases in wages and salaries, including raises in accordance with wage agreements in the metal and electrical industries in Germany, and changes in exchange rates also had an effect on nominal personnel costs.

The other financial result (EUR –6.8 million) had a significantly negative impact on earnings, unlike the prior year (2014: EUR +7.8 million). This was the result of currency-related valuation losses on balance sheet items in foreign currencies.

Our Group earnings before interest and taxes (EBIT) fell to EUR 66.7 million (2014: EUR 178.6 million) due to the decline in the gross margin, high cost increases and the drop in the financial result. The EBIT margin fell from 7.3 percent in the prior year to 2.6 percent.

The interest result improved to EUR –17.2 million (2014: EUR –25.0 million). The tax rate went up to 32.8 percent

INVESTMENTS / DEPRECIATION AND AMORTIZATION

in € million	2015 Investments	2015 Depreciation / amortization	2014 Investments	2014 Depreciation / amortization
Intangible assets	67.9	12.1	21.8	11.1
Property, plant and equipment	128.9	72.1	102.9	65.9

(2014: 31.8 percent), while earnings after income taxes came to EUR 33.3 million (2014: EUR 104.7 million).

INVESTMENTS

In fiscal year 2015, we invested EUR 128.9 million in property, plant and equipment (2014: EUR 102.9 million) and EUR 67.9 million in intangible assets (2014: EUR 21.8 million). In addition to investments in goodwill and the patents of the acquired company GasSecure AS (total investments, EUR 60.5 million) we report further additions to property, plant and equipment as a result of the modernization of the Lübeck production site within the scope of the “factory of the future” project and the construction of a new reception and administration building (EUR 45.9 million). Some EUR 3 million was invested in the merger of companies in the Netherlands in the course of the “One Dräger” project.

Please refer to Note 7 in the notes

Depreciation and amortization totaled EUR 84.2 million as of the end of 2015 (2014: EUR 77.0 million). Investments covered 233.6 percent of depreciation (adjusted for the acquisition of GasSecure AS, 161.8 percent), meaning that non-current assets rose by EUR 112.5 million net.

↗ see table “Investments / depreciation and amortization”

Cash flow statement

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.

In fiscal year 2015, we generated cash flow from operating activities of EUR 39.9 million (2014: EUR 188.0 million). The reduction in earnings before net interest result, income taxes, depreciation and amortization (EBITDA) – adjusted for changes to cash-neutral provisions and other non-cash earnings / expenses – by EUR 40.1 million to EUR 186.7 million was a primary factor in this development. In addition, trade receivables increased by EUR 44.6 million after falling by EUR 1.6 million in the prior year. Trade payables fell by EUR 22.8 million, and other liabilities declined by EUR 12.0 million. In the prior year, trade payables had risen by EUR 25.2 million and other liabilities by EUR 10.6 million. By contrast, income tax payments decreased from EUR 43.3 million to EUR 29.2 million.

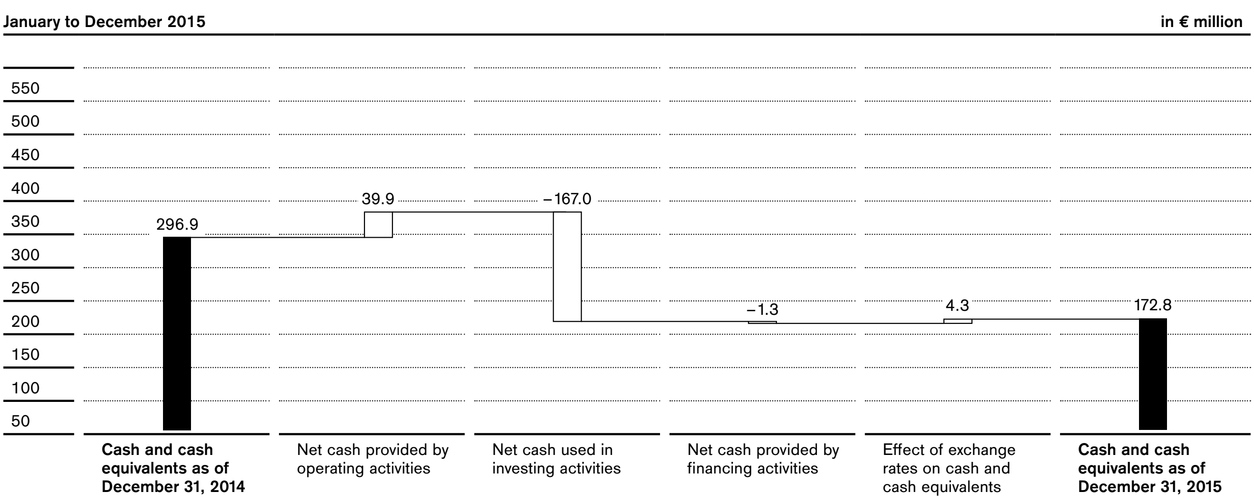
Cash outflow from investing activities increased to EUR 167.0 million (2014: EUR 102.6 million). Cash outflow for 2015 includes the EUR 58.1 million purchase price payment for the shares in GasSecure AS. In addition, investments in property, plant and equipment rose as a result of the construction of the new reception and administration building and several other modernization measures at the

FINANCIAL POSITION OF THE DRÄGER GROUP

in € million	2010	2011	2012	2013	2014	2015
Cash flow from operating activities[1]	219.1	161.7	176.8	68.3	188.0	39.9
Cash flow from investing activities[1]	–52.2	–67.4	–65.5	–86.5	–102.6	–167.0
Free cash flow	166.9	94.2	111.3	–18.2	85.4	–127.1
Cash flow from financing activities	–210.1	–4.6	–192.0	–70.8	–26.3	–1.3
Change in liquidity (excluding exchange rate effects)	–43.2	89.7	–80.7	–88.9	59.0	–128.4

[1] Equipment leased out has been recognized in property, plant and equipment since 2012. The figures for 2011 were adjusted accordingly.

CASH FLOW RECONCILIATION

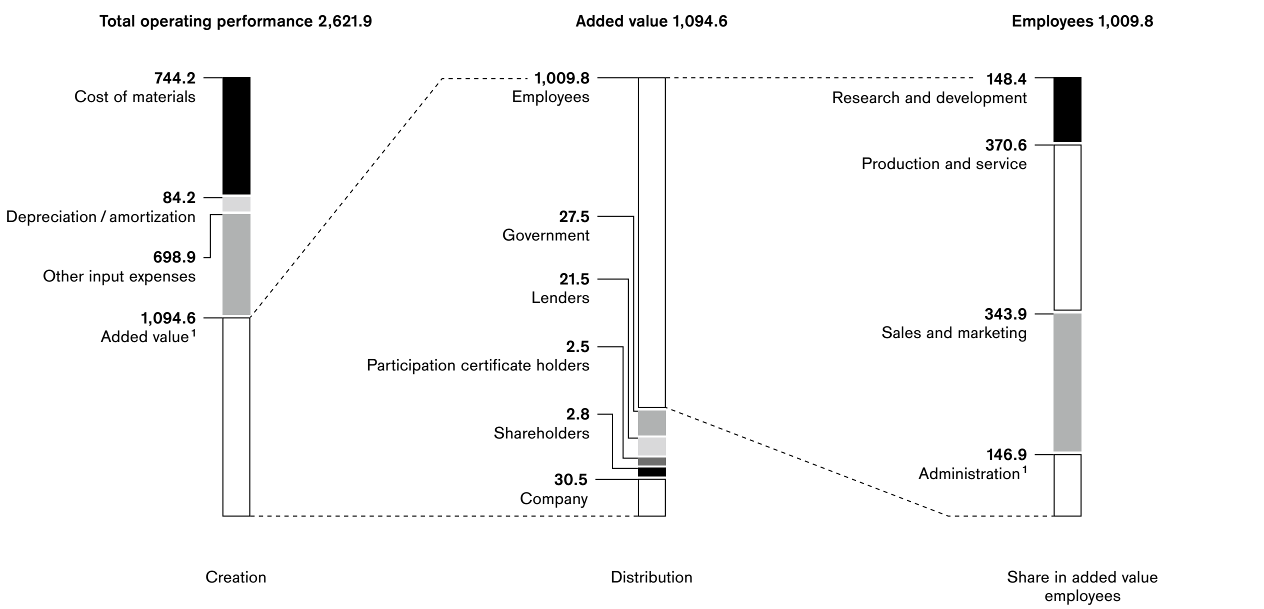


Lübeck production site within the scope of the "factory of the future" project totaling EUR 45.9 million (2014: EUR 45.5 million) and renovation of existing buildings at the Lübeck site.

The reduced cash outflow from financing activities of EUR 1.3 million from EUR 26.3 million in the prior-year period was primarily the result of borrowing activities and the utilization of current account credit lines totaling EUR 114.2 million (2014: EUR 16.5 million). This amount includes KfW loans of EUR 43.1 million to finance the "factory of the future" project. At the same time, loans of EUR 105.5 million (2014: EUR 56.3 million) were repaid, including note loans of EUR 86.5 million (2014: EUR 50.0 million).

ADDED VALUE STATEMENT OF THE DRÄGER GROUP

in € million



[1] Excluding expense for the efficiency program

In addition, the Group also received EUR 31.5 million from the exercising of ten options on preferred shares (2014: eleven options for EUR 34.9 million). The acquisition of the remaining shares in a Turkish subsidiary also led to a payment of EUR 4.0 million. The distribution of dividends to our shareholders had an impact of EUR 34.6 million on cash outflows (2014: EUR 19.8 million).

Please refer to Note 5 in the notes

Cash and cash equivalents as of December 31, 2015 exclusively comprised cash, of which EUR 8.9 million (December 31, 2014: EUR 8.4 million) was subject to restrictions.

↗ see table “Financial position of the Dräger group” as well as charts “Cash flow reconciliation” and “Added value statement of the Dräger Group”

Financial management

BORROWING

Our existing bilateral credit lines to secure working capital requirements over the medium term stood at EUR 358.0 million at the end of the reporting year. The terms of these credit lines remain until October 30, 2018. These credit lines were utilized as sureties in Germany and abroad and as cash facilities.

In addition, internal Group cash pools exist in several different currencies through which liquidity is equalized within the Group. On December 31, 2015, short-term loans amounted to EUR 169.7 million (December 31, 2014: EUR 127.7 million).

Dräger uses note loans in addition to bilateral credit lines for its medium and long-term financing. In the reporting year, Dräger repaid due note loans totaling EUR 86.5 million. As of December 31, 2015, total note loans amounted to EUR 95.9 million (December 31, 2014: EUR 182.3 million).

In order to finance new construction projects for low-energy buildings, we took out three further redeemable loans from the KfW Energy Efficiency Program. The loans dated May 19, 2015 and May 21, 2015, each of EUR 10.3 million, and the loan dated May 20, 2015 of EUR 22.5 million all have terms until June 30, 2025. At present, Dräger does not have a rating from agencies such as Standard & Poor's, Moody's or Fitch.

BILATERAL CREDIT LINES WITH TERMS UNTIL OCTOBER 30, 2018

↗ see table "Bilateral credit lines with terms until October 30, 2018"
Please refer to Notes 39 and 43 of the notes for details on Dräger Group's loan liabilities.

LIQUIDITY FORECAST

Liquidity came to EUR 172.8 million at the end of the year (December 31, 2014: EUR 296.9 million). For its medium and long term planning, Dräger forecasts a positive development of cash and cash equivalents. This will be influenced by a planned increase in operating cash flow – reflecting expected business developments – and solid financing, which has already been arranged for the coming years as a prudent measure. Future payment obligations from note loans falling due, which will result in payments of EUR 57.5 million in 2016 and EUR 38.5 million in 2018, will have a negative impact on liquidity. The Dräger Group's short- and medium-term liquidity is secured by existing cash in hand and bank balances as well as the existing credit lines, of which most have a term of more than one year.

TASKS AND STRUCTURE OF THE TREASURY DEPARTMENT

The treasury department is responsible for treasury management, secures the Group's liquidity and credit facilities, and manages its interest and currency risks. The department acts as a service center with a focus on corporate risks. The organizational structures and processes and the Group's internal treasury policy ensure transparency and security. Responsibilities for trading and completing financial transactions are separated. For example, the treasury back office reviews and approves all financial transactions that were traded in the treasury front office. Controlling calculates Group-wide currency exposure as the basis for hedging transactions.

BILATERAL CREDIT LINES WITH TERMS UNTIL OCTOBER 30, 2018

Type of credit	€ million	Intended use	Lender
Cash	206.0	Secure working capital requirements	Commerzbank, Deutsche Bank, HSBC, Helaba, RBS, SEB, Svenska Handelsbanken, Sparkasse zu Lübeck, Deutsche Apotheker- und Ärztebank
Sureties	152.0	Within the context of conducting business activities	Commerzbank, Deutsche Bank, HSBC, RBS
Total	**358.0**		

FINANCIAL FIGURES

in € million	December 31, 2015	December 31, 2014	Changes in %
Total assets	2,311.4	2,234.1	+3.5
Equity	945.9	896.6	+5.5
Equity ratio	40.9 %	40.1 %	
Capital employed	1,269.3	1,107.2	+14.6
Net financial debt	145.3	10.7	+1,262.6

NET ASSETS OF THE DRÄGER GROUP

		2010	2011	2012	2013	2014	2015
Non-current assets	€ million	681.0	690.2	710.4	717.2	781.5	907.2
Current assets	€ million	1,295.9	1,425.0	1,389.8	1,347.8	1,452.6	1,400.9
thereof cash and cash equivalents	€ million	320.0	412.3	332.4	232.1	296.9	172.8
Equity	€ million	636.6	729.6	729.7	816.0	896.6	945.9
Debt	€ million	1,340.3	1,385.6	1,370.4	1,249.0	1,337.5	1,365.5
thereof liabilities to banks	€ million	407.5	449.8	387.2	332.8	296.2	307.8
Total assets	€ million	1,976.9	2,115.2	2,100.1	2,065.0	2,234.1	2,311.4
Long-term equity-to-fixed-assets ratio [1,2]	%	254.5	249.2	239.2	233.7	230.4	196.8

[1] Long-term equity-to-fixed-assets ratio = total equity and long-term debt divided by intangible assets and property, plant and equipment
[2] Equipment leased out has been recognized in property, plant and equipment since 2012. The figures for 2011 were adjusted accordingly.

DERIVATIVE FINANCIAL INSTRUMENTS

We generally use financial instruments for hedging purposes only 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.

Please refer to Note 46 of the notes for detailed information on the derivatives used by the Company.

NET ASSETS

In fiscal year 2015, equity rose by EUR 49.3 million to EUR 945.9 million. The equity ratio came to 40.9 percent as of December 31, 2015, slightly up on the figure as of December 31, 2014 (40.1 percent). Ten options (500,000 preferred shares) were exercised in the second quarter of the year. This resulted in a total increase in equity of EUR 31.5 million (of which capital stock EUR 1.3 million). Equity also rose as a result of currency translation effects. Dividend payments for shares and participation certificates reduced equity.

↗ see tables “Net assets of the Dräger Group” as well as “Financial figures”

In fiscal year 2015, total assets rose by EUR 77.3 million to EUR 2,311.4 million. On the assets side, intangible assets increased by EUR 57.5 million, largely due to the acquisition of GasSecure AS. Property, plant and equipment climbed by EUR 56.4 million, largely due to investments in the "factory of the future." Trade receivables increased by EUR 53.9 million, while cash and cash equivalents fell by EUR 124.1 million.

On the liabilities side, interest-bearing loans and liabilities to banks increased by EUR 11.5 million, with note loans of EUR 86.5 million being repaid on schedule and substituted by short-term bank loans. Current provisions climbed by EUR 43.7 million, whereas trade payables decreased by EUR 14.9 million.

DRÄGER VALUE ADDED

Our Dräger Value Added fell year on year to EUR −46.3 million (2014: EUR 81.6 million) as of December 31, 2015. Our EBIT was insufficient to cover the cost of capital. EBIT declined by over 60 percent, while cost of capital increased by EUR 15.9 million. The rise in capital employed was due to the increase in fixed assets caused by investments, increased inventories and higher trade receivables. This trend is also reflected in days working capital (coverage of current assets), which rose by 2.9 days to 121.2 days.

Business performance of the medical division

↗ see table "Business performance of the medical division"

ORDER INTAKE

In fiscal year 2015, order intake in the medical division increased by 0.6 percent (net of currency effects). A positive demand trend in Europe, Germany and the Middle East, Africa and Other Countries region was offset by a decline in demand in the Asia / Pacific region. Order intake in the Americas region was stable.

Order intake rose in fiscal year 2015, especially for respiratory care and thermoregulation products. Demand rose in certain European countries, the Africa, Middle East and Other Countries region and North America, but declined in Central and South American countries. Order intake in the patient monitoring and clinical data management business increased slightly. This was partly due to a rise in demand in the Asia / Pacific region, with demand in Europe falling. Orders in the service business rose slightly on the back of positive development in Europe, South America and the Asia / Pacific region, while a decline in service orders was recorded in the US. Order intake in the hospital consumables business fell slightly short of the prior-year figure net of currency effects. The strong orders situation in Europe was unable to compensate for weak business in the Africa, Middle East and Other Countries region. We reported a moderate decline in order intake for anesthesiology devices. An increase in demand in the Africa, Middle East and Other Countries region was offset by weak development in certain European countries and the Americas region. In the strongly project-oriented workplace infrastructure business, we recorded a significant decline in orders. Demand fell in some countries in the Europe and Asia / Pacific region.

In the Europe including Germany region, our order intake rose by 1.3 percent (net of currency effects). Germany, Romania, Turkey and Italy recorded particularly high increases in demand, while demand declined in the Netherlands and Azerbaijan.

Order volume in Germany increased by 2.6 percent. Particular growth was recorded in service business, the hospital consumables business and the respiratory care and thermoregulation business. On the other hand, demand fell in the patient monitoring and clinical data management business.

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Fourth quarter			Twelve months		
		2015	2014	Changes in %	2015	2014	Changes in %
Order intake from third parties	**€ million**	**411.0**	**437.1**	**–6.0**	**1,646.0**	**1,569.8**	**+4.9**
Net sales with third parties	**€ million**	**550.6**	**514.1**	**+7.1**	**1,698.8**	**1,577.2**	**+7.7**
EBIT [1]	**€ million**	**55.3**	**71.8**	**–23.0**	**46.2**	**107.6**	**–57.1**
Research and development costs	€ million	39.8	40.1	–0.8	165.9	151.5	+9.5
Capital employed [2,3]	€ million	761.6	721.5	+5.6	761.6	721.5	+5.6
EBIT [1] / Net sales	%	10.0	14.0		2.7	6.8	
EBIT [1,4] / Capital employed [2] (ROCE)	%	6.1	14.9		6.1	14.9	
DVA [5]	€ million	–19.5	47.2	–141.4	–19.5	47.2	–141.4

[1] EBIT = earnings before interest and taxes
[2] Capital Employed in segments = trade receivables, inventories incl. prepayments received
[3] Value at end of period
[4] Value of the last twelve months
[5] Dräger Value Added = EBIT less cost of capital

Order intake in the Americas region was stable (net of currency effects). An increase in some Latin American countries was offset by a significant decline in demand in Brazil in particular. Orders also declined slightly on the strong prior-year figure in North America.

Order intake in the Asia / Pacific region fell by 2.1 percent (net of currency effects) in 2015, partly on account of extremely weak development in the fourth quarter. Orders rose in Indonesia, New Zealand and Thailand, whereas demand in China and Japan declined significantly.

In the Middle East, Africa and Other Countries region, order intake was up by 2.7 percent (net of currency effects). A significant rise in orders in Iran, the United Arab Emirates, Pakistan, India and Morocco more than compensated for the decline in other countries in this region such as Saudi Arabia and Egypt.

↗ see table "Order intake"

NET SALES

In the medical division, we increased our net sales by 3.1 percent (net of currency effects) in fiscal year 2015 on the back of a strong fourth-quarter performance.

A significant increase in net sales was recorded in business with hospital consumables, with countries from all regions contributing to this trend. Deliveries of respiratory care and thermoregulation products also rose, particularly thanks to development in certain European countries and in North America, while net sales in the Asia / Pacific region declined significantly. We also recorded an increase in net sales in the workplace infrastructure business, which was generated exclusively on the basis of deliveries in the Asia / Pacific region. Our service business continued its growth trend. Growth was primarily achieved in Europe and in the Asia / Pacific region, while service business in the US declined. We generated a moderate rise in net sales in patient monitoring and clinical data management driven by an increase in demand in the Asia / Pacific and Americas

ORDER INTAKE

in € million	Fourth quarter 2015	2014	Changes in %	Net of currency effects in %	Twelve months 2015	2014	Changes in %	Net of currency effects in %
Europe	221.1	230.0	–3.9	–3.8	841.3	827.9	+1.6	+1.3
thereof Germany	85.4	87.8	–2.8	–2.8	330.8	322.5	+2.6	+2.6
Americas	92.6	97.5	–5.0	–8.9	347.4	320.2	+8.5	+0.0
Asia / Pacific	64.4	76.5	–15.8	–20.0	289.8	269.3	+7.6	–2.1
Middle East, Africa & Others	32.9	33.1	–0.6	–3.6	167.5	152.4	+9.9	+2.7
Total order intake	**411.0**	**437.1**	**–6.0**	**–7.7**	**1,646.0**	**1,569.8**	**+4.9**	**+0.6**

NET SALES

in € million	Fourth quarter 2015	2014	Changes in %	Net of currency effects in %	Twelve months 2015	2014	Changes in %	Net of currency effects in %
Europe	260.5	271.3	–4.0	–3.9	847.8	819.1	+3.5	+3.2
thereof Germany	94.9	94.3	+0.6	+0.6	325.5	314.5	+3.5	+3.5
Americas	118.8	110.9	+7.1	+2.8	358.6	332.4	+7.9	–0.9
Asia / Pacific	110.0	83.2	+32.3	+23.1	314.8	274.7	+14.6	+4.0
Middle East, Africa & Others	61.2	48.7	+25.7	+17.5	177.6	150.9	+17.7	+9.1
Total net sales	**550.6**	**514.1**	**+7.1**	**+3.9**	**1,698.8**	**1,577.2**	**+7.7**	**+3.1**

region, while deliveries in Europe declined. Net sales in the anesthesiology business failed to match the prior-year level (net of currency effects). An increase in the Middle East, Africa and Other Countries region was unable to compensate for the decline in other regions.

In Europe, including Germany, net sales rose by 3.2 percent (net of currency effects). Solid growth in Germany, Turkey, Italy, the UK and Romania was offset by a sharp decline in net sales in Poland and Switzerland.

In Germany, we increased net sales by 3.5 percent. This trend was largely the result of hospital consumables business, service business and anesthesiology business, while net sales declined in patient monitoring and clinical data management.

Our deliveries fell slightly in the Americas region (net of currency effects). An increase in net sales in the US, Paraguay and Chile was offset by a significant decline in Canada and Brazil.

The Asia / Pacific region recorded net sales growth of 4.0 percent, boosted by an extremely strong fourth quarter (net of currency effects). Deliveries in Indonesia, New Zealand and Thailand increased in particular, while net sales in China, Japan and South Korea declined considerably.

Net sales in the Middle East, Africa and Other Countries regions grew by 9.1 percent (net of currency effects). Higher deliveries in Iran, Saudi Arabia and the United Arab Emirates were able to compensate for the declines in Egypt and Iraq.

↗ see table “Net sales”

EARNINGS

In fiscal year 2015, gross profit in the medical division was up on the prior-year figure despite a lower gross margin (–1.6 percentage points). Net sales growth more than compensated for the decline in margins. The decline in the gross margin was partly due to lower pricing in project business. Margins also came under pressure in certain countries such as China and Japan. In addition, a less-favorable product mix, provisions for quality costs related to batteries in respiratory care devices and currency effects also negatively impacted the gross margin.

At 12.7 percent, functional costs (net of one-off restructuring effects and currency effects: 4.3 %) in the medical division rose disproportionately to net sales in 2015.

R & D expenses were 9.5 percent higher than the prior-year figure (+ 3.2 percent net of currency effects). In the US, these costs were particularly impacted by the weak euro against the US dollar. The R & D ratio increased marginally to 9.8 % (2014: 9.6 %).

EBIT fell by a total of 57.1 percent to EUR 46.2 million (2014: EUR 107.6 million). The EBIT margin of 2.7 percent was significantly down on the previous year’s figure (2014: 6.8 percent).

FINANCIAL POSITION AND NET ASSETS

As of December 31, 2015, capital employed increased by EUR 40.1 million to EUR 761.6 million (December 31, 2014: EUR 721.5 million). The primary reason for this was a rise in trade receivables.

DRÄGER VALUE ADDED

Our DVA in the medical division fell by EUR 66.7 million to EUR –19.5 million year-on-year in the twelve months to December 31, 2015 (12 months to December 31, 2014: EUR 47.2 million). This drop in DVA was primarily caused by the EUR 61.4 million fall in EBIT. Cost of capital for the higher average capital employed pushed DVA down by a further EUR 5.3 million.

Business performance of the safety division

↗ see table “Business performance of the safety division”

ORDER INTAKE

In fiscal year 2015, order intake in the safety division rose by 1.3 percent (net of currency effects). Demand rose in Germany and the Europe and Asia / Pacific regions, while declines were recorded in the Africa, Middle East and Other Countries and Americas regions.

There was a significant increase in demand in business with government agencies in 2015. Demand for alcohol testing devices was particularly high in Europe, the Asia / Pacific region and the Americas region. Order intake for personal protection products for fire services rose in all regions except for the Americas region; in North America, the lack of a distribution permission for the self-contained breathing apparatus (SCBA) had a negative impact on business. We recorded a moderate rise in order intake for plant safety equipment. This was primarily due to demand in maintenance and equipment rental business, but orders for stationary gas detection systems also climbed slightly.

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Fourth quarter			Twelve months		
		2015	2014	Changes in %	2015	2014	Changes in %
Order intake from third parties	**€ million**	**226.2**	**235.0**	**–3.7**	**886.2**	**845.7**	**+4.8**
Net sales with third parties	**€ million**	**274.8**	**255.7**	**+7.5**	**910.1**	**857.5**	**+6.1**
EBIT [1]	**€ million**	**11.2**	**25.5**	**–56.1**	**20.5**	**71.0**	**–71.2**
Research and development costs	€ million	16.4	16.5	–0.6	65.2	60.5	+7.8
Capital employed [2, 3]	€ million	328.8	292.1	+12.6	328.8	292.1	+12.6
EBIT [1] / Net sales	%	4.1	10.0		2.2	8.3	
EBIT [1, 4] / Capital employed [2] (ROCE)	%	6.2	24.3		6.2	24.3	
DVA [5]	€ million	–6.7	47.6	–114.1	–6.7	47.6	–114.1

[1] EBIT = earnings before interest and taxes
[2] Capital Employed in segments = trade receivables, inventories incl. prepayments received
[3] Value at end of period
[4] Value of the last twelve months
[5] Dräger Value Added = EBIT less cost of capital

Demand in industrial health and safety declined in all regions; only in Europe was a marginal rise recorded. Order intake in the engineered solutions business also declined slightly. The increase in orders in the Asia / Pacific and Europe regions was insufficient to compensate for the decline in the Africa, Middle East and Other Countries and Americas regions. There was a significant decrease in the service and spare parts business in all regions.

In the Europe including Germany region, our order intake rose by 3.6 percent (net of currency effects). This was due to the extremely positive demand trend in Turkey, Italy, certain countries in South East Europe and Germany. This demand was able to compensate for the drop in order volume in the UK, Spain and the Netherlands.

In Germany, order intake rose considerably by 7.3 percent. In business with government agencies, demand for alcohol testing devices and personal protection products for fire services was stronger than in 2014. In terms of plant safety equipment, we recorded an increase in maintenance and equipment rental orders. Business with stationary gas detection products, on the other hand, declined.

In the Americas region, order intake decreased by 4.4 percent (net of currency effects). This was caused by declines in demand in major North and South American markets. Rising order volumes in countries such as Peru, Colombia, Argentina and Ecuador were unable to compensate.

Order intake in the Asia / Pacific region rose by 2.0 percent (net of currency effects). Rising demand in Taiwan, Malaysia and China was offset by a significant decline in demand in South Korea and Indonesia.

In the Middle East, Africa and Other region, order intake was down by 8.4 percent (net of currency effects). An increase in order intake in India and Algeria was unable to make up for the considerable decline in Saudi Arabia, South Africa and Zambia.

↗ see table "Order intake"

ORDER INTAKE

in € million	Fourth quarter 2015	2014	Changes in %	Net of currency effects in %	Twelve months 2015	2014	Changes in %	Net of currency effects in %
Europe	147.4	148.9	–1.0	–1.0	549.8	527.7	+4.2	+3.6
thereof Germany	50.3	44.1	+14.3	+14.3	172.7	160.9	+7.3	+7.3
Americas	36.6	38.6	–5.2	–10.6	149.5	140.9	+6.1	–4.4
Asia / Pacific	33.0	31.8	+3.6	–1.1	135.8	123.4	+10.0	+2.0
Middle East, Africa & Others	9.2	15.7	–41.4	–41.3	51.2	53.7	–4.6	–8.4
Total order intake	**226.2**	**235.0**	**–3.8**	**–5.3**	**886.2**	**845.7**	**+4.8**	**+1.3**

NET SALES

in € million	Fourth quarter 2015	2014	Changes in %	Net of currency effects in %	Twelve months 2015	2014	Changes in %	Net of currency effects in %
Europe	174.8	164.5	+6.3	+6.0	573.1	541.3	+5.9	+5.3
thereof Germany	66.4	53.8	+23.5	+23.5	190.8	172.0	+10.9	+10.9
Americas	41.8	38.3	+9.1	+3.1	150.6	138.3	+8.9	–1.6
Asia / Pacific	43.7	37.5	+16.6	+9.7	133.9	127.7	+4.9	–2.7
Middle East, Africa & Others	14.5	15.4	–6.2	–6.5	52.5	50.2	+4.5	+0.6
Total net sales	**274.8**	**255.7**	**+7.5**	**+5.3**	**910.1**	**857.5**	**+6.1**	**+2.7**

NET SALES

In fiscal year 2015, net sales in the safety division increased by 2.7 percent (net of currency effects). Net sales increased in Germany and the Middle East, Africa and Other Countries region, but fell in the Asia / Pacific and Americas regions.

In the engineered solutions business, net sales in Germany increased significantly as a result of partial invoicing for tunnel rescue train orders for Deutsche Bahn and for fire training systems. Net sales with government agencies also increased significantly. This applies particularly to alcohol testing devices and personal protection equipment for fire services. Net sales of plant safety equipment rose slightly. There was a substantial increase in maintenance and equipment rental business in all regions, while stationary gas detection business was stable. There was a slight decline in industrial occupational health and safety business, with deliveries down in all regions, particularly in the Americas region. There was a moderate decrease in the service business in all regions.

In Europe, including Germany, net sales rose by 5.3 percent (net of currency effects). Deliveries increased in some countries in South Eastern Europe, Turkey, Russia, Germany, France and Scandinavia, while net sales were down in Switzerland, the UK, the Netherlands and Spain.

We increased net sales in Germany significantly by 10.9 percent. This trend was driven by the partial invoicing of tunnel rescue trains for Deutsche Bahn in the area of engineered solutions, together with increases in sales to government agencies. Only in service and spare parts business did net sales decline.

The Americas region saw a slight decrease in net sales (net of currency effects). Deliveries increased in some Central and South America countries, but net sales fell in Mexico, Brazil and the US – significantly in some parts.

Net sales in the Asia / Pacific region declined by 2.7 percent (net of currency effects). In South Korea, Thailand and Japan, deliveries fell significantly year on year. Marginally positive net sales development was recorded in China, whereas net sales in Australia and New Zealand were stable.

Net sales in the Middle East, Africa and Other Countries region increased by 0.6 percent (net of currency effects). This was primarily due to a rise in deliveries in Qatar, India and Saudi Arabia. Net sales declined in Iraq, the United Arab Emirates and Zambia.

↗ see table “Net sales”

EARNINGS

Gross profit in the safety division was 1.2 percent up on the prior year in fiscal year 2015, while the gross margin fell by 2.2 percentage points. The drop in margin was predominantly due to a less-favorable product mix as well as extraordinary effects in project business. Margins in the engineered solutions business were impacted by higher costs while an unfavorable product mix and lower pricing pushed down gross margins in business with government agencies. In addition, expenses were incurred through investments in the quality of these products. However, the increase in net sales volume was able to compensate for the negative margin development.

Functional costs were 14.9 percent up on the prior year (net of one-off expenses for restructuring and currency effects: +7.6 percent). Research and development expenses rose by 7.8 percent (net of currency effects: +5.0 percent) and resulted in a R&D ratio of 7.2 percent (2014: 7.1 percent).

In view of these developments, EBIT in the safety divisions decreased to EUR 20.5 million in total (2014: EUR 71.0 million). The EBIT margin declined from 8.3 percent in the prior year to 2.2 percent in 2015.

FINANCIAL POSITION AND NET ASSETS

As of December 31, 2015, capital employed increased by EUR 36.7 million to EUR 328.8 million (December 31, 2014: EUR 292.1 million). The main reason for this was a rise in trade receivables and inventories.

DRÄGER VALUE ADDED

At EUR –6.7 million, DVA in the safety division was significantly down year on year in the twelve months to December 31, 2015 (12 months to December 31, 2014: EUR 47.6 million). This was largely caused by the EUR 50.5 million fall in EBIT. Cost of capital rose slightly to EUR 3.8 million.

Functional areas

Research and Development

Dräger attaches a great deal of importance to its research and development (R&D) activities. We expanded our R&D capacities in 2015 in order to increase our competitiveness and profitability.

Our research and development expenses rose last year by EUR 19.1 million to EUR 231.1 million (2014: EUR 212.0 million). This equates to an 8.9 percent share in net sales (2014: 8.7 percent). Currency effects were largely responsible for this rise; net of currency effects, research and development expenses increased by 3.7 percent. In addition, we increased our commitment to developing system functions.

As of December 31, 2015, 1,416 employees worked in Research and Development in the medical and safety divisions worldwide (December 31, 2014: 1,406). A total of 57 people worked in Central Basic Research and Patents in Lübeck at that time (December 31, 2014: 61). In 2015, patent and trademark offices around the world issued 147 new patents to Dräger (2014: 140). We applied for another 93 patents at international patent and trademark offices (2014: 106). Our basic research experts analyzed over 130 new technologies in 2015 in 27 technological fields and evaluated their relevance for Dräger. In a number of different projects focused on the development of new technologies, our experts prepared the product innovations of the future.

MEDICAL DIVISION

In fiscal year 2015, Dräger again developed numerous new and existing products: eight new and extended devices (2014: 8) and four new accessory products (2014: 3). We devoted particular attention to the development of new monitoring, systems and therapy device components and products.

In the second quarter of 2015 we introduced the “IACS VG4.0” software. This update ensures that “IACS” meets the requirements of the IEC-60601-3rd Edition directive and ISO standards[1]. In addition to regulatory compliance, the software release includes performance enhancements for our “IACS.”

Our “Vista 120” provides cost-effective patient monitoring and data management solutions for the upper basic segment. “Vista 120” offers a number of additional functions compared to the previous version, strengthening its area of application in intensive care monitoring.

In addition, we launched a new generation of miniature measurement modules for anesthetic gases and oxygen (“Dräger Mini Modules”) as an OEM variant. This technology is now globally available for the Dräger product portfolio as well as for external partners. This underlines our technological expertise in the development and marketing of innovative and highly integrated measurement technology in the area of anesthesia.

RESEARCH AND DEVELOPMENT

R&D costs in € million	2010	2011	2012	2013	2014	2015
Dräger Group	148.4	160.5	197.3	201.5	212.0	231.1
in % of net sales	6.8	7.1	8.3	8.5	8.7	8.9
Headcount	1,005	1,109	1,267	1,423	1,406	1,416

[1] International Electrotechnical Commission (Internationale Elektrotechnische Kommission) and International Organization for Standardization (Internationale Organisation für Normung)

The “Innovian Solution Suite VF8” is a data management system for capturing, displaying and recording anesthesiological and intensive care treatment information in electronic form for documentation purposes as well as for internal and cross-department communication and therapy planning and to provide support in clinical decisions. In this version, the “Innovian Solution Suite VF8” integrates the “SmartSonar Sepsis” launched in 2014 for automated sepsis screening and supports hospital employees in infection management at arterial and venous access points. In addition, the software also contains general enhancements and additional functions requested by customers around the world in product surveys.

At MEDICA, the world’s largest medical technology trade fair, we unveiled the “Polaris 600” as the latest model in our range of operating room lights in 2015. The streamlined design follows on from the “Polaris 100 / 200,” but offers a range of additional functions such as adjustable color temperature, different light field diameters and a high-resolution integrated camera. The HD video signal is transferred wirelessly, which provides the ideal framework for simple installation and also enables retrofitting without too many difficulties.

With “Tcore” we launched an innovation in 2015 that allows the non-invasive monitoring of core body temperature. “Tcore” makes use of a unique dual heat flow sensor, which continuously measures core body temperature after a short warm-up phase so precisely that “Tcore” is even capable of replacing previously recommended invasive measurement methods. Precise and continuous core temperature monitoring is extremely important, particular during operations, as there is a danger that a patient’s body temperature may fall below 36 °C during the surgical procedure. This can lead to a variety of complications, which are proven to delay the recovery process, extent patient bed time and therefore increase the cost of treatment.

SAFETY DIVISION

Many product launches shaped 2015 in R&D in the safety division, too. In total, we launched 13 new products (2014: 13).

We further optimized the range of “Dräger Tubes,” a product used to measure gases. We have expanded the lower end of the benzene measurement range with the introduction of the new “Dräger Tube for Benzene 0.25 / a.” This ensures that the measurement of threshold values meets legislative requirements, particularly those in the chemical and petrochemical industries. The measurement time is significantly shorter, while the color display on the tube has also been improved. At the same time, the development of a single tube has made using the product much simpler for customers than with a double tube.

At the end of 2013, the National Fire Protection Association (NFPA) introduced a thermal imaging camera standard for the US market (NFPA 1801), for which our “UCF 9000” received immediate approval. In 2015, we also received approval for our “UCF 6000,” “UCF 7000” and “UCF 8000” small-format thermal imaging cameras. This means that we have a refined portfolio of thermal imaging cameras for the fire service market.

The new “Dräger DrugCheck 3000” allows five narcotic substances to be tested using a single saliva sample within a short space of time. The compact test is easy to use, extremely hygienic and manipulation-proof. It can also be deployed very quickly and is therefore perfect for roadside drug testing and drug testing in safety-relevant workplaces.

Our “Parat 3000” filter detector tubes have been developed to include a model specially designed for use in tropical climates. The devices and filters are supplied in vacuum-sealed aluminum protective packaging. By replacing the protective packaging after a period of six years, the detector tubes can be used for a total of twelve years.

We have also added a new model to our range of fire escape hoods: The “Dräger PARAT 5550” is a fire escape hood in a flame-retardant holster. It was specifically developed for fire rescue teams for use in victim rescue. The main advantage: The combination of fire escape hood and holster is an approved accessory for all Dräger breathing apparatus according to EN 137:2006, Type 2.

We have adapted the SGR process cuvette, an accessory for our “PIR 7x00” gas detector, to meet customer requirements. The SGR process cuvette helps to record gases emitted in special process applications, such as those in the printing and coating industry. The SGR process cuvette can be fitted into the optical beam path of the “PIR 7x00” for the monitoring of industrial processes, has improved stability under negative pressure and is significantly easier to clean. In addition, we have made significant improvements to the CO_2 variant “PIR 7200” in terms of its durability in corrosive atmospheres, meaning that the “PIR 7200” can now also be deployed in extremely aggressive environments such as in potash mining.

The new “Dräger PSS 4000” is a professional respiratory protective device for firefighters that meets the highest standards. The set is light weight and comfortable to wear. The target market is professional firefighting in emerging markets and volunteer services.

The “Dräger X-dock Series” provides support in maintaining, testing and managing mobile gas detection instruments, which are used in a wide variety of industries. With the “X-dock Software Update,” we have opened up brand-new opportunities for our customers to simplify their processes and, at the same time, improve the way they document and control them. For example, device parameters can be corrected immediately during the daily gas detection instrument tests.

The “Dräger REGARD 3910 C” is part of a control system for the detection of toxic and explosive substances. It can monitor signals from up to 16 gas detection instruments and provides warnings when alarm or fault conditions occur. The “Dräger REGARD 3910 C” has now also been approved by the China Certification Center for Fire Products (CCCF).

Purchasing, Production and Logistics

In September 2015, we pooled together Purchasing, Production and Logistics into a single function within the Executive Board. By doing so, we can ensure the even closer integration of customer areas and a further increase in efficiency in our value chain.

PURCHASING

At Dräger, Strategic Purchasing is responsible for obtaining all of the materials and services required at the Company: from plastic and machining and complex mechatronic systems such as cockpits to IT services or fleet management. In fiscal year 2015, our purchasing volume came to EUR 1,178 million (2014: EUR 1,055 million), roughly half of which can be attributed to production materials.

In the prior year, Purchasing developed further strategies for goods groups such as cast parts and batteries together with Production, Logistics, R&D and Quality Management. In these strategies, we define our preferred suppliers; in the case of projects concerning the development of new products, this means that decisions in favor of particular suppliers can be made quickly and efficiently and market entry accelerated.

SUPPLIER QUALITY AND RELIABILITY

We implemented a number of improvements in the prior year in terms of supplier quality, with the rate of supplier-caused defects to end products delivered to customers cut by around 12 percent year on year. Our day-to-day work with our suppliers is paying off – as is our SQIP (supplier quality improvement program), which we launched four years ago.

Close cooperation with our suppliers enabled us to optimize the supply chain for further components and modules using logistical models. This boosted loyalty among suppliers and availability in the consignment warehouse.

COMPETITIVENESS

Outstanding quality is a primary feature of our products, especially when compared with the competition. The standards we set for our suppliers are just as high. However, when purchasing production materials, services and systems, we expect competitive prices and terms and conditions. We regularly apply value management methods to our purchasing activities both in relation to series production and in terms of developing new products. Value and target price analyses help us to identify areas in which we can improve our suppliers' technologies and manufacturing processes as well as cut costs.

The introduction of the catalog module from the e-purchasing platform SAP Ariba in October 2015 represented a major improvement in purchasing indirect materials. From services to non-production materials and capital goods – we can now order all of these products electronically and with SAP integration. The main benefits of the new platform are reduced costs and increased transparency on cross-functional expenditure, as well as time and cost savings through automated ordering processes.

PRODUCTION AND LOGISTICS

In 2015, the focus of our efforts in Production and Logistics was on increasing the efficiency of our processes.

The shift of the production of masks and chemical protection suits from the Lübeck site to Klášterec in the Czech Republic is proceeding according to schedule. All mask production lines have been in operation since mid-2015. We have also begun relocating chemical protection suit production, which will be completed by early 2016.

In the US, we have started transferring production lines from Pittsburgh to the Lübeck, Blyth and Telford sites. Some production lines, such as the gas detection instrument line, have already been commissioned in Lübeck and Telford. The relocation will be completed in the first half of 2016.

We continued with the renovation of existing production buildings at the Lübeck production site and commenced the construction of the new factory of the future for configurable medical technology devices. This project is set to be completed in the first half of 2016. These measures will allow us to combine processes across the entire value chain even further and bring production and logistics even closer together.

Last but not least, we pressed ahead with our efforts to increase efficiency at all production and logistics sites, simplified order processing structures and further standardized processes and IT systems.

Quality

People entrust our products with their most valuable possession: their lives. As a result, they have to be able to trust in our products and their quality at all times. We meet the highest quality requirements in all process steps – from development and production to delivery, sales and service.

CONTINUOUS IMPROVEMENT IN QUALITY

Ambitious quality targets apply to our products and product groups, but in our opinion quality is not a static parameter. In fact, constantly improving the quality of our products from year to year is part of our fabric as a business. A result of years of work, standard, reliable, Company-wide processes and control cycles ensure that quality improvement measures are initiated and implemented systematically and without any delays. We place great value on constructive cooperation among all Company functions, such as R&D, Purchasing, Production and all those involved in the quality organization. All of these measures are geared towards the requirements of our customers. By remaining in close contact with the people who operate and use our products, we are able to make adjustments to positively influence product quality for the benefit of our customers at early stages of development. In addition, we push for components and sub-systems to be tested earlier than they normally would be. This is supported by the organizational consolidation of competencies required for licensing activities. As a result, we reduce risks and costs, while increasing product reliability, by identifying and eliminating defects and potential for defects at an earlier stage.

In 2015, we once again succeeded in boosting the quality of the Company in spite of significant expenses for some individual measures and achieving further improvements both in terms of products and in terms of important quality figures.

DEVELOPMENT OF THE QUALITY MANAGEMENT SYSTEM

In 2015, we continued consolidating processes from the previously separate medical and safety divisions. For the certification of our quality management system, we pooled together our production, sales and service sites into two certification groups for reasons of efficiency. The introduction of these groups means that key external certifications are only required once for each group, significantly reducing the costs of certification. By the end of the fiscal year, 85 companies worldwide had an ISO 9001-certified quality management system. All production, sales and service sites for medical technology products also have ISO 13485 certification, an international standard focusing specifically on the design and manufacturing of these products. In addition, the majority of our production and a large proportion of our sales and service sites have both ISO 14001 certification, an international standard for environmental management systems, and OHSAS 18001 certification, an international standard for occupational health and safety. Our management systems have been and continue to be reviewed and their efficiency validated by means of internal and external audits.

You will find more information on our certifications on our company website at www.draeger.com/certificates.

Marketing, Sales and Service

MARKETING FOCUS: WORLDWIDE COOPERATION

One of the key focal points of our marketing activities is recognizing customer requirements and trends, assessing and implementing them into services in collaboration with the respective departments and, ultimately, marketing the products. Our aim is to increase the benefit for customers worldwide over the long-term, to positively influence the customer's purchasing behavior and, in doing so, put Dräger at a competitive advantage. These tasks had previously been housed separately in each division. As part of the "Marketing Next Level" program, we spent the past fiscal year allocating these to roles coordinated worldwide.

At Dräger, international marketing specialists teams draw up solutions for their respective areas, such as digital marketing. This gives us the opportunity to make decisions and act on these decisions as internationally as necessary but also as locally as possible. The variety of opinions aids problem solving and promotes the degree of creativity required for innovation. These intercultural teams have a wide variety of experience and add knowledge on local markets to the discussions. These measures enable us to strengthen the international network of our employees and therefore customer intimacy.

CUSTOMER OPINIONS – CUSTOMER SATISFACTION

The long-term success of our Company is strongly dependent on the satisfaction of our customers. This is why we have introduced the Net Promoter Score (NPS) system. NPS is a way in which we can continuously measure the strength of our customer relationships and customer loyalty. Last year, we surveyed over 6,000 customers worldwide and asked for their opinion on Dräger and our products. Aside from closed questions with predefined responses, customers also had the opportunity to tell us what they think in the form of open questions.

The results from our customer surveys flow directly into operative customer relations management. On the basis of these surveys, we have already been able to improve local processes, such as the order process, for the benefit of our customers. Customers who expressed their dissatisfaction over the order process were linked via interface to the local Dräger EDI platform within a short space of time. They can now send their orders to Dräger through their own ERP system and review order statuses at any time.

OIL & GAS: EVEN GREATER CUSTOMER INTIMACY

We are always pursuing the best possible combination of customer intimacy and customer benefit, which is why we decided last year to move global management for our "Oil & Gas" customer segment to Houston, Texas (USA). The Texan city is known as the energy capital of the world and all major energy multinationals and their suppliers have a presence there.

SALES AND SERVICES – BETTER NETWORK WORLDWIDE

As globalization takes hold, many customers and partners would like to work with Dräger towards a common goal across national and in some cases also regional borders. In 2015, we worked on a number of areas in Sales and Services, which promise a great deal when it comes to profitable growth.

In Global Key Account Management, we have enhanced the way in which national sales and service organizations are networked. This enables us to provide a better service to selected global customers from key industrial sectors and, in doing so, establish Dräger as a competent partner worldwide.

We will continue to develop our customer relationships in growth markets in the current fiscal year. In terms of Global Key Accounts, the current trend is moving towards standardized product portfolios. The aim is to boost efficiency by pooling purchasing volumes, reducing the number of individual suppliers and minimizing training requirements. We are actively supporting this trend and expect to draw positive net sales effects from it.

Our OEM (original equipment manufacturer) business, in which we license Dräger patents and products to selected manufacturers, also performed well in 2015. We successfully acquired a number of new customers in the medical and safety divisions through our innovations and enhancement of the OEM portfolio. Prospects for success and growth in OEM business are therefore positive moving into 2016.

In Sales and Service, Dräger works closely together with a number of different partners worldwide. In 2015, we refined the process of selecting and assessing these partners by carrying out pilot tests in a handful of countries; this process is now being rolled out globally. In the current fiscal year, we will look into how we can cooperate more intensively with existing partners, who already work for and with Dräger in various countries, as well as how we can integrate new partners into our sales and service network. In addition, we are also planning to provide our partners with more focused and comprehensive information through country-specific portals as well as enhanced training programs for partners' employees. In the medium-term, we expect to generate net sales growth and improve margins in key markets.

The Dräger Services customer area has continued on its positive development course. We successfully concluded a program focused on improving and developing our already extensive range of services and improving service efficiency. In addition, we put the organizational framework in place to implement the comprehensive international expansion of a business that is pivotal to Dräger's future. Important growth drivers include more sophisticated services, such as multi-vendor service projects which involve supplying entire hospitals, or rental & safety services, in which Dräger provides extensive support in the controlled shutdown of major industrial facilities, such as those in the chemical industry.

CUSTOMER RELATIONSHIP MANAGEMENT

Last year we introduced our customer relationship management (CRM) system in further sales companies, increasing the system's global coverage even further. At the same time, we enhanced the CRM's functions. For example, we mapped sales partner management processes in the system, as well as processes for the performance of maintenance and repairs. The aim is to integrate the major customer touchpoints in terms of customer contact, customer acquisition and customer service in the CRM system and, by doing so, seize all of the benefits offered by comprehensive customer management.

Sustainability

Employees

Dräger takes responsibility: not simply for people who rely on our technology for life day after day, but also for those who develop this technology. As a family-run company, this is a matter very close to our hearts. After all, the success of our Company is based on the commitment and competency of our employees. That is why our employees are the focal point of our human resources (HR) goal, which applies worldwide: "attracting the right candidates for the right roles – keeping our people motivated, committed and healthy for Dräger over the long term."

SUPPORT AND DEVELOPMENT

Dräger operates on a worldwide scale. Customer orientation, an entrepreneurial approach, flexibility and an international focus are the principles for our employees' day-to-day work. That is why we teach and reinforce these fundamental principles in individual and group-based training courses. We identify potential and goals for development with each individual employee – particularly during annual employee meetings – and reach binding agreements on them.

In 2015, our personnel development costs were on a par with the prior year at EUR 16.7 million (2014: EUR 16.6 million). Costs for further training amounted to EUR 7.9 million (2014: EUR 8.6 million).

We constantly review the development of our Company and our workflows in order to cement our competitiveness. When implementing changes, we deploy Change Managers who have undergone in-house training. The advantage of such Change Managers is that they understand Dräger's business and can apply their methodological and social competencies to change processes.

TRAINING AND TALENT-SPOTTING

In order to guarantee a long-term stream of highly talented employees, we take responsibility for training young people ourselves. We offer young people a wide range of career opportunities in the form of twelve vocational training subjects, seven dual study courses and our own international graduate trainee program "life." In 2015, we recruited 90 trainees and dual students in Germany.

At the end of September 2015, the Minister of School and Professional Education for the Federal State of Schleswig-Holstein, Britta Ernst, and Stefan Dräger officially opened an "info truck," the new mobile careers hub of the two major employers associations in the northern German metal industry, Nordmetall and AGV Nord, on the Dräger site. The impressive info truck helps students understand their career opportunities using the latest multimedia technology and experimentation stations. It travels from school to school and attends events all over northern Germany.

We secure access to high-potential young people in relevant employment markets by positioning ourselves as an interesting employer and systematically developing Dräger as an employer brand. We appeal to applicants who fit in with our value-oriented corporate culture: people who are interested in work that makes a difference.

HEALTH AND SAFETY

The working conditions at our Company and the health of all employees worldwide are matters very close to our hearts. Our comprehensive medical care, measures for preventing accidents and illness, and systematic occupational health management far exceed minimum statutory obligations. All of these things have a positive impact on job satisfaction, employee motivation, absences and the accident rate.

In 2015, the ratio of reportable accidents per one million working hours at Dräger in Germany was at 3.9 lower than in the prior year (2014: 4.38) and remained at a low level in comparison with the rest of the industry (Employer's Liability Insurance Association for the Energy, Textile, Electronic and Media Industries 2014: 11.8; 2013: 12.2; 2012: 13.0). Our long-term aim is to reduce the accident rate by 20 percent within the next five years.

An ever-increasing number of employees are making use of the health center, which was opened at the Dräger headquarters in Lübeck in 2013. In addition to housing various public doctors' offices and the Company medical services, the health center also features a gym. Financially supported by the Company, the health center gives employees the chance to keep fit and healthy in close proximity to their workplace. In 2015, 3,021 employees took part in one of Dräger's prevention or health promotion programs. Health-related absences again remained low in Germany in 2015 on 5.4 percent of work days (2014: 5.2 percent).

EMPLOYEES IN NUMBERS

As of December 31, 2015, 13,936 people worked for the Dräger Group worldwide, 199 more than in the prior year (December 31, 2014: 13,737); this equates to a 1.4 percent rise in headcount. In Germany, the number of people working for the Dräger Group rose by 149, while the number of people working abroad rose by 50. As of December 31, 2015, 53.6 percent (December 31, 2014: 54.0 percent) of employees worked outside of Germany.

We expanded the workforce worldwide in light of our long-term growth strategy, above all in Sales (+114) and in Service (+70).

In Germany, we employed a total of 149 more employees as of December 31, 2015 than the year before, with 52 new employees recruited in Sales. Due to the recruitment of temporary employees in short-term project business relating to industrial inspections, the number of employees in Rental & Safety Services increased by 22. Moreover, we recruited 34 new employees in R&D.

WORKFORCE TREND

		Headcount as of the balance sheet date	
		December 31, 2015	December 31, 2014
Number of employees		13,936	13,737
Percentage of female employees	%	28.9	29.2
Part-time employees		775	842
Average years with Dräger in Germany	Years	14	13
Average age of employees	Years	42	42
Turnover of employees	%	5.0	3.6
Sick days of work days in Germany	%	5.4	5.2
Accidents in Germany (accidents at work and while commuting to work) Time off sick > 3 days		40	44

WORKFORCE TREND

		Headcount as of the balance sheet date		Headcount (average)	
		December 31, 2015	December 31, 2014	2015	2014
Germany		6,473	6,324	6,376	6,278
Other countries		7,463	7,413	7,479	7,299
Dräger Group total		**13,936**	**13,737**	**13,855**	**13,576**
Women		4,033	4,006	4,017	3,979
Men		9,903	9,731	9,838	9,598
Dräger Group total		**13,936**	**13,737**	**13,855**	**13,576**
Personnel development costs	**€ million**	**16.7**	**16.6**		
thereof training expenses	€ million	7.9	8.6		

Of the additional 50 employees outside of Germany, 11 are attributed to the acquisition GasSecure AS in Norway. 62 new employees were recruited to strengthen Sales and 57 to work in Service. In other areas personnel was reduced, especially in Production (–27), in Purchasing and Logistics (–25) as well as in R&D (–24).

Personnel expenses within the Group rose by 12.8 percent year on year (net of currency effects: +8.6 percent) to EUR 1,040.8 million. This was primarily the result of recruitment and pay raises, including raises in accordance with wage agreements in the metal and electrical industries in Germany. The personnel cost ratio in fiscal year 2015 was 39.9 percent (2014: 37.9 percent).

↗ see tables “Workforce trend”

Environment

Protecting the environment is not just an empty promise at Dräger, it is a core element of the corporate strategy, which is geared towards increasing value in the long term. We have laid down our guiding principles in the directive "We take responsibility – quality, environment, employees, society." This directive has been published in 21 languages across the Group to enable as many employees as possible to understand and apply it every single day.

We have also anchored our company principles of quality, environmental protection and occupational health and safety in our processes by means of an integrated management system. By doing so, we ensure that we not only comply with legal requirements, but that we also systematically identify and seize potential for improvement. In 2015, TÜV Nord once again validated the effectiveness of our environmental and occupational health and safety management system in accordance with ISO 14001 and OHSAS 18001. In 2015, we also recertified our sales companies in Brazil, India, Canada, Mexico and Spain. For smaller, non-certified units, we have also defined appropriate worldwide Dräger standards.

ENVIRONMENTALLY FRIENDLY PRODUCT DESIGN

Dräger products are subject to the strict regulatory requirements applicable to medical and safety products. Our customers expect long periods of use and low operating costs from our devices. That is why we design products to save energy and resources without compromising on safety and functionality. In 2015, we organized comprehensive training courses on environmentally friendly product development. We systematically use the "Life Cycle Assessment" instrument so that we are able to consider the impact of our products on the environment throughout their entire life cycle at the development stage.

We offer professional maintenance and repair services through Dräger Service all across the world and ensure a long-term supply of replacement parts and software updates so that our customers can make full use of their Dräger devices' long service life. Dräger pursues a policy of safe recycling and disposal of used devices through specific recycling passports and our product takeback unit, which is a certified waste management company. We also take back consumables such as filters, Dräger tubes or soda lime for recycling wherever this makes logistic sense.

All electrical and electronic medical devices in the European Union must comply with the substance-related restrictions of the RoHS[1] II Directive (2011 / 65 / EU). We implemented these requirements within the given time frame. The majority of electronic safety devices have to comply with the regulations stipulated in the RoHS II Directive by July 22, 2017 at the earliest. However, all new developments and changes are already designed to meet RoHS II requirements, securing the long-term availability of devices. We assess existing devices in cooperation with our suppliers and revise them as and when necessary. All materials considered "Substances of Very High Concern" under the EU REACH[2] regulation, which will be subject to mandatory approval in the future, and contained in Dräger tubes have been replaced by alternative materials, even though special regulations apply to such applications.

In order to continue to meet stricter requirements relating to product ingredients at a global level in the future, too, we have introduced a systematic monitoring system for materials on which restrictions are foreseeable or under discussion, and take this "early warning system" into consideration in the product development process.

ENVIRONMENTAL PROTECTION IN PRODUCTION, SALES AND SERVICE

The Dräger production processes are classified as having a low impact on the environment overall. The largest impact

[1] EU regulation "Restriction of the use of certain hazardous substances in electrical and electronic equipment"
[2] EU regulation "Registration, Evaluation, Authorisation and Restriction of Chemicals"

on the environment results from direct and indirect carbon dioxide emissions through the use of electricity, heating and transportation.

Energy

Direct CO_2 emissions occur predominantly in the generation of heat and power. At our central production site in Lübeck, we operate a highly efficient gas-powered combined heat and power plant and use district heat generated from landfill gas and biogas. Through its strategic project "Energy 20+", Dräger is aiming to cut heat energy and electricity by 20 percent at its ten most important sites across the world. To meet this goal, Dräger has analyzed the buildings and the technology in the buildings from every angle. In 2013, the inaugural year of the project, we succeeded in cutting energy consumption of some 77 million kWh / year by approximately 23 percent; this equates to a saving of roughly 7,500 tons of CO_2 per year.

Dräger is currently investing EUR 70 million in the construction of a "factory of the future" in Lübeck, which will have a number of significant environmental benefits: The new building's energy consumption values are 20 percent lower than those stipulated in statutory energy standards. A heat recovery plant reduces exhaust losses by some 75 percent. The new factory also has a photovoltaic system, which generates up to 250 kWp (kilowatt peak) in renewable power. Buildings are fitted with LED lighting, which can be controlled depending on the time of day and occupancy of rooms. In addition, there will no longer be a need for any transport between two previously separate production sites. Energy-efficient ventilation has also been installed in existing production buildings as part of the project.

In spring 2015, Dräger successfully commissioned a new central administration building at its headquarters in Lübeck. It is much more energy-efficient compared to the old building. At the Shanghai site, we have already succeeded in reducing our energy consumption by over 20 percent. In the Czech Republic, we constructed a brand-new production site in Klášterec in 2014, which meets the latest standards. We are now gradually moving the production facilities still located at nearby Chomutov over to the new site.

Indirect CO_2 emissions largely occur through transportation processes. We are counteracting the rise in sales performance by transferring overseas deliveries from air freight to sea freight. To avoid business travel, Dräger has also invested in video conference systems through "Skype for Business", which is used by over 10,000 employees worldwide. In an annual survey conducted by Deutsche Umwelthilfe of how environmentally friendly the company car fleets of listed firms as well as small and medium sized enterprises are, Dräger was among the front-runners. The vehicle fleet at Dräger's Lübeck site includes electric vehicles and electric bicycles.

We measure and assess the CO_2 emissions of our most important production, service and sales processes across the Company and once again voluntarily took part in the "Carbon Disclosure Project"[1] in 2015 .

↗ Please refer chart "Global CO_2 emissions (2014)"

Water

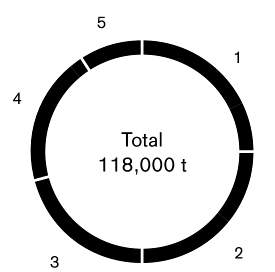
We mainly use water for sanitary purposes. Larger quantities of process water are used regularly in only a handful of production areas, such as for manufacturing soda lime and particle filters. Despite the rising headcount and increased production volumes, we have succeeded in cutting water consumption considerably over the past few years by introducing extensive closed-loop circulation and implementing measures to boost efficiency (–13.8 percent compared to 2014).

Waste

Waste from our production processes and other activities is predominantly considered harmless and can be recycled. The main waste categories are cardboard / paper, metals,

[1] The Carbon Disclosure Project (CDP) is an independent reporting organization for information on climate change.

GLOBAL CO_2 EMISSIONS (2014)[1]



in %

1. Electricity	25	4. Vehicle use	20
2. Central sales logistics	25	5. Heating and production gas	9
3. Air / rail travel	21		

[1] Data for each period become available in the middle of the following year.

soda lime and typical household rubbish. We regularly review our waste disposal processes in internal and external audits to ensure compliance with the law. The waste disposal unit at our most important production site in Lübeck is a certified waste collection company. In 2015, a total of 3,890 tons of waste (210 tons or 6 percent more than in the prior year) was produced in Lübeck. This rise is largely due to the expansion of our production activities and the increase in product takeback at the end of life cycles. The recycling rate came to 97.3 percent.

Air emissions

Air emissions from Dräger sites are primarily the result of the power supply. Dräger does not produce hazardous air emissions that would have to be recorded in the European Pollutant Release and Transfer Register (E-PRTR). The installation and service work carried out in most areas of production does not release any harmful materials into the air. Only at a handful of production sites are cleaning agents, adhesives and coatings containing solvents used.

At our production site in Blyth (UK), we paint compressed gas containers. Here, an electrostatic paint robot is installed with UV curing, which allows us to significantly reduce paint consumption and as a consequence also solvent emissions and energy consumption. As part of the relocation of chemical protection suits production from Lübeck to Klášterec (Czech Republic), we were also able to reduce solvent emissions even further thanks to the thermal exhaust system installed at the new site. Dräger employs highly efficient technology to scrub the exhaust air from soda lime and activated carbon production in Lübeck. Residual emissions (non-carbon pollutants) here are well below one ton per year, meaning that concentration levels are 95 percent below the statutory maximum limit.

Corporate Social Responsibility

We regularly fulfill our corporate social responsibility by donating medical and safety equipment; so also last year.

In May we received an urgent request for assistance from the volunteer fire service in Bützow, Mecklenburg-Vorpommern (Germany). On May 5, an F3-category tornado tore through the town, destroying large swathes of the town center and injuring 30 people. When conducting a dangerous inspection of the damage caused, the local fire service required a gas detector. As soon as it received the request, Dräger got involved straight away and donated a mobile gas detector with personal protection accessories.

In June, we supported the Doctors for Madagascar aid association in its efforts to establish a healthcare system on the African island nation by donating two anesthesiology devices. Together with its partners on the ground in Madagascar, the association is systematically developing the "Hopitaly Zoara" hospital in Fotadrevo in the south-west of the country, which was opened in March 2012. A number of new buildings were constructed in 2015, including one building containing two operating rooms in which our equipment is now being used.

We also played a role in training local fire services in Dar es Salaam (Tanzania). As part of its twin city status with Dar es Salaam, the city of Hamburg sent firefighters to Tanzania to train the City Fire Brigade of Dar es Salaam in rescue diving; Dräger donated two sets of diving apparatus to enable the training to take place.

In the 2013 annual report, we reported on a project in Bolivia, which we launched in collaboration with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). The program, which is part of the Federal Ministry for Economic Cooperation and Development's (BMZ) "develoPPP.de" project, focuses on the expansion of the healthcare system, particularly in terms of pediatric heart surgery. So far, it has been extremely successful. Thanks to the anesthesia and ventilation equipment we donated and the training we provided to medical personnel, pediatric heart operations can be performed in La Paz at short notice for the first time. Children and young people living in the Bolivia's highlands often suffer from hereditary heart conditions. The project is set to run for three years.

We also initiated another three-year "develoPPP.de" project in 2015, this time in Rwanda in collaboration with the Deutsche Investitions- und Entwicklungsgesellschaft (DEG) and the BMZ. This project involves the installation of an aircraft fire training system at Kigali International Airport in spring 2016. Dräger will also be offering local fire services the chance to train using this simulator system.

Aside from donations in kind, we also continue to provide financial support to a number of facilities in northern Germany. Last year, we were able to help children and young people at a curative school for disabled children take part in an organized vacation project on the Danish North Sea coast. We also made a donation to a regional care center for children and young people for its commitment to helping people cope with grief. These are a few examples of our donation activities.

Corporate Governance Report

At Dräger, “corporate governance” 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. The recommendations of the Government Commission of the German Corporate Governance Code are applied in all areas.

Dräger attaches great importance to corporate governance. In an effort to emphasize this, we apply the German Corporate Governance Code – which is aimed at stock corporations – to Drägerwerk AG & Co. KGaA. The corporate governance report describes the features of the management and control structure of Drägerwerk AG & Co. KGaA as well as the significant rights of the shareholders and explains the special features compared to a stock corporation.

PARTNERSHIP LIMITED BY SHARES

“A partnership limited by shares (KGaA) is a company with a separate legal personality where at least one partner is fully liable to the Company’s creditors (general partner) and the remaining shareholders have a financial interest in the capital stock, which is divided into shares, without being personally liable for the company’s liabilities (limited shareholders)” (Sec. 278 [1] AktG). 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 has a two-tier management and oversight structure by law. The general partner manages the company and its operations, and the supervisory board oversees the company’s management. The main differences compared to a stock corporation are the general partner, which essentially manages operations, the absence of an executive board and the restricted rights and obligations of the supervisory board. While a supervisory board at a stock corporation appoints the executive board, the supervisory board of a partnership limited by shares does not have this authorization. This means that the supervisory board does not appoint the general partner or its management bodies and does not determine their contractual conditions. In a partnership limited by shares, the supervisory board may not adopt rules of procedure for the company’s management or a catalog of 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.

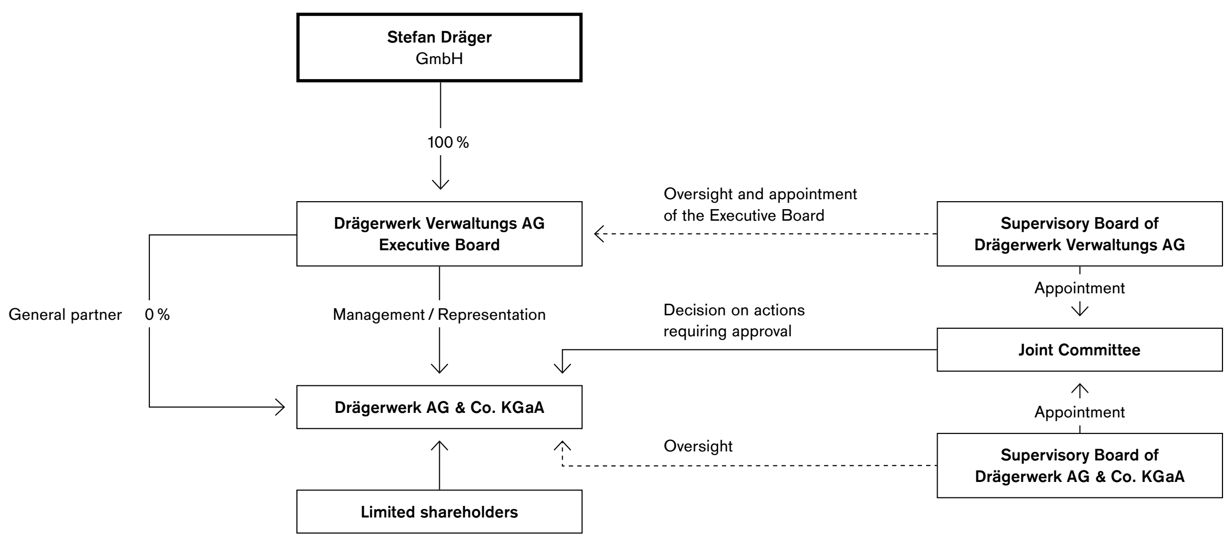
The sole general partner of Drägerwerk AG & Co. KGaA is Drägerwerk Verwaltungs AG, which is a wholly owned company of Stefan Dräger GmbH. Drägerwerk Verwaltungs AG manages the operations of Drägerwerk AG & Co. KGaA and represents it. To do so, it acts through its Executive Board. Drägerwerk Verwaltungs AG does not hold an equity interest in Drägerwerk AG & Co. KGaA.

↗ Please refer chart “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 11, 2015. It states that the

DRÄGERWERK AG & CO. KGAA



Company applied the recommendations of the Government Commission of the German Corporate Governance Code in all areas.

The declaration was published on December 18, 2015, with the following wording:

“The recommendations of the German Corporate Governance Code Government Commission were designed with stock corporations in mind. Dräger applies these recommendations to Drägerwerk Verwaltungs AG wherever they are relevant to the general partner and bodies of the AG & Co. KGaA following the change in legal form.

The general partner, represented by its Executive Board, and the Supervisory Board declare that Drägerwerk AG & Co. KGaA has acted on the recommendations of the German Corporate Governance Code Government Commission, as amended on June 24, 2014, from the date of the issue of its previous declaration of conformity on December 18, 2014 until June 11, 2015 and has acted and will continue to act on the recommendations as amended on May 5, 2015, from the date of the issue on June 12, 2015.”

SUPERVISORY 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. 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 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 has six members who are elected by Stefan Dräger GmbH and are also the shareholder representatives on the Supervisory Board of Drägerwerk AG & Co. KGaA. The Supervisory Board of Drägerwerk Verwaltungs AG therefore does not have any employee representatives. It appoints the Executive Board of Drägerwerk Verwaltungs AG.

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

The Supervisory Board of Drägerwerk AG & Co. KGaA resolved that, when selecting its members pursuant to 5.4.1 of the Code, it would be guided by the following criteria that take into account diversity:

- Professional and personal qualifications,
- Business management experience in German and foreign companies with a worldwide presence in various cultural regions,
- Experience as a representative of family-owned as well as listed companies,
- A proven track record in finance and accounting as well as in financing and capital market communication,
- Experience in marketing and sales in diversified technology companies,
- Intellectually and financially independent persons with a high degree of personal integrity who do not have a conflict of interest with the Company,
- The majority of shareholder representatives are independent members,
- Must be under 70 years of age for new election or re-election, and
- Usually no more than three terms on the Supervisory Board.

The last elections for shareholders' representatives took place at the annual shareholders' meeting on May 3, 2013. The criteria described above were taken into account and fulfilled without exception. It was ensured that a high proportion of Supervisory Board members have experience in representing family-run companies and listed companies as well as in marketing and sales at technology-led companies. According to the assessment of the Supervisory Board, all shareholder representatives are independent as defined by 5.4.2 of the German Corporate Governance Code.

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 statutory auditors and the results of the review by the Audit Committee. The Supervisory Board makes its recommendation to the annual shareholders' meeting for a resolution to approve the financial statements and the group financial statements.

The Joint Committee makes decisions on extraordinary management transactions by the general partner. The individual transactions requiring approval are defined in Sec. 23 (2) of the articles of association of the Company.

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 established an Audit Committee in accordance with 5.3.2 of the Code and a Nomination Committee in accordance with 5.3.3 of the Code. The Audit Committee consists of the Chairman of the Supervisory Board as well as four further members, of which two are shareholder representatives and two are employee representatives. 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 statutory auditors, the Audit Committee discusses the reports drawn up by the Executive Board during the year, the Company's financial statements and 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 Chairman of the Supervisory Board as well as two shareholder representatives are members of the Nomination Committee. It 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.

MANAGEMENT

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

In its role as managing body of Drägerwerk AG & Co. KGaA and of the Dräger Group, the Executive Board of Drägerwerk Verwaltungs AG makes decisions on corporate policy. It determines the Company's strategic focus, plans and sets budgets, is responsible for resource allocation and monitors business performance. It also compiles the quarterly reports and the financial statements of Drägerwerk AG & Co. KGaA and the Group. It works closely with the oversight bodies. The Chairman of the Supervisory Boards of the Company and of the general partner works closely with the Chairman of the Executive Board of the general partner. He regularly provides 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 Supervisory Board of Drägerwerk Verwaltungs AG approved the rules of procedure and its allocation of responsibilities for the Executive Board at its meeting on December 10, 2015.

RELATIONSHIP TO SHAREHOLDERS

The annual shareholders' meeting is held in the first eight months of the fiscal year. It approves the financial statements of Drägerwerk AG & Co. KGaA, among other things. In addition, it votes on profit appropriation, the exoneration of the general partner and of the Supervisory Board and the election of the statutory auditors. Furthermore, it also 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 also 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 three interim reports and the annual report.

COMPLIANCE

Dräger has stood for "Technology for Life" for over 125 years. The highest degree of professionalism and reliability also determine Dräger's conduct and values. The Company's Principles of Business and Conduct provide the framework for this. In terms of risk, we supplement these principles with business-specific rules, such as on the topics of corruption, antitrust law or conflicts of interest.

Compliance organization at Dräger consists of the Executive Board, the Corporate Compliance Committee, the Corporate Compliance Office, the regional coordinators, the country managers, local compliance committees and local compliance officers in selected countries. On the Executive Board, the Chairman is responsible for compliance. The Executive Board makes the strategic decisions necessary for the establishment and development of compliance, the implementation of which is guaranteed by the Corporate Compliance Committee; the necessary measures are executed by the Corporate Compliance Office or the local Compliance agent.

Employee training was regularly carried out on compliance issues such as anti-corruption and antitrust law in 2015, both in the form of events on location and online training courses able to be accessed worldwide.

The compliance helpline e-mail address also offers employees assistance when it comes to compliance issues. They also have the opportunity to ask questions or report concerns relating to certain business practices by telephone via a compliance helpline – anonymously if they wish. In addition, we have also established a process to assess the level of compliance risk involved with sales partners.

Further components of the Compliance Program include compliance reviews and decentralized compliance reports concerning the effectiveness of compliance-related measures. We will continue to develop and adapt the Dräger Compliance Program in the future in order to meet updated legal and ethical demands at all times.

Remuneration report

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

EXECUTIVE BOARD REMUNERATION

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

This report provides an overview of the amount and structure of Executive Board remuneration at Dräger and outlines the joint remuneration system for the Executive Board members and the top management levels in the Group (Top Management Incentive, TMI). Dräger's remuneration system complies with the requirements of the German Stock

Corporation Act (AktG) and the German Corporate Governance Code (DCGC):

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

CONTRACTS AND RESPONSIBILITIES

Stefan Dräger was appointed member and Chairman of the Executive Board of Drägerwerk Verwaltungs AG for a further five years from March 1, 2015 until February 29, 2020 by Supervisory Board resolution in January 2015. Dr. Herbert Fehrecke retired as of March 31, 2015 as planned. Rainer Klug was appointed member of the Executive Board for three years in March 2015. He began his role as new Chief Supply Chain Officer (CSCO) at Dräger on August 1, 2015. Dr. Reiner Piske was appointed as a new member of the Executive Board responsible for HR for three years in June 2015. He began his role at Dräger on November 1, 2015. Gert-Hartwig Lescow was appointed member and Vice Chairman of the Executive Board for a further five years until March 31, 2021 in December 2015.

DRÄGER VALUE ADDED AS A KEY MANAGEMENT FIGURE

Since 2010, Dräger has geared the management of the Company towards a long-term, sustainable increase in Company value. We introduced the Company-related key figure Dräger Value Added (DVA) as a key performance indicator to measure this. DVA is the result of EBIT in the past twelve months less calculated cost of capital (basis: average capital employed in the past twelve months). DVA management has been integrated into all management processes. The maxim of value added is particularly important for the definition of strategies, planning, regular reporting and when making investment and business decisions. Consequently, performance-related variable remuneration of the Dräger management also reflects DVA. As a result, Dräger has already adjusted the existing management and Executive Board remuneration systems by setting all quantitative targets so as to have a direct and positive impact on DVA or operating cash flow. Targets can also be defined on the basis of other key performance indicators for individual functions.

NEW REMUNERATION STRUCTURE IN 2015

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

From fiscal year 2015, the monetary remuneration components comprise three components: (i) fixed annual remuneration, (ii) an annual bonus based on the annual DVA target and a KPI-based annual bonus and (iii) a long-term bonus based on DVA development over a three-year period. The DVA-based bonus therefore represents the core component of variable remuneration for all Executive Board members. Upper limits are defined for all remuneration components, ensuring that the absolute value of the remuneration is limited. A long-term measurement limit applies to the majority of variable salary components.

- Fixed remuneration is paid monthly as a salary. The fixed remuneration of existing Executive Board members was determined upon their appointments or at the time their contracts were extended and has remained unchanged since.

- Of the variable target remuneration, 50 percent comprises an annual bonus and 50 percent a long-term bonus.
- In turn, half of the annual bonus is based on a DVA target and the other half on one or more KPI targets. Both targets are defined every year by the Supervisory Board. Target achievement of 0 to 200 percent is possible for the annual bonus and its component targets.
- The DVA target is at least EUR 50 million for 100 percent target achievement; in the case of 200 percent target achievement, the target is at least EUR 50 million above the 100 percent DVA target. If DVA is negative, there is no bonus payment for the DVA target.
- For 2015, KPI targets were based on three component targets: (i) business development in North America and selected growth markets, (ii) the expansion of global service business and (iii) the achievement of the cost targets set for 2015.
- The long-term bonus is based on the average achievement of DVA targets for the last three fiscal years and the achievement of a fixed DVA target figure defined at the start of a three-year period. For the long-term bonus, target achievement of 0 percent to 300 percent is possible.

The new remuneration system, including its long-term components, takes full effect from fiscal year 2017. Until then, the one-year remuneration component of 100 % is used as a basis for the calculation of the variable remuneration for fiscal year 2015 and fiscal year 2016.

The variable remuneration is restricted to 250 percent of the benchmark amount.

It has been agreed with Dr. Herbert Fehrecke that he will receive variable remuneration for the year of his departure on a pro rata basis assuming full target achievement.

The variable remuneration target system also forms the basis for roughly 230 managers at the Company. However, the focus here is on remuneration with one-year targets for DVA and KPIs and only on the defined DVA target of the three-year period to a lesser extent.

BONUS RESERVE

In fiscal year 2014, the Supervisory Board resolved to abolish the bonus reserve. The bonus reserve from 2011 to 2014 was as follows: Stefan Dräger: EUR –1,470,609; Dr. Herbert Fehrecke: EUR –553,330; Gert-Hartwig Lescow: EUR –284,572; Anton Schrofner: EUR –538,339. Bonus reserve amounts were not settled or carried forward for members of the Executive Board.

EMPLOYEE SHARE PROGRAM

The employee share program launched in Germany in 2013 was once again offered in fiscal year 2015. This program grants members of the Executive Board one bonus share for every three acquired shares. As was the case when the program was launched in 2013, the number of shares is limited to nine acquired packages each containing three shares, meaning that a maximum of nine bonus shares were issued per employee. The shares have a two-year holding period and are reported in the table as share-based, long-term variable remuneration.

ADDITIONAL BENEFITS AND REMUNERATION COMPONENTS

Additional benefits, which Executive Board members receive in addition to the aforementioned remuneration, include contributions for pension, care and health insurance premiums and preventative health care as well as a company car for business and private use. The use of the company car is calculated using the 1 percent method plus the benefit for trips between home address and place of work, and taxed individually. The Executive Board members are responsible for paying the incurred payroll tax. Furthermore, additional benefits to Executive Board members Rainer Klug and Dr. Reiner Piske also include one-off expenses payments to compensate costs associated with moving to Lübeck. The Company has also taken out group accident insurance for Executive Board members and pays the premium for the D&O for members of the Executive Board; these policies do not constitute part of the Executive Board's remuneration. The financial loss liability insurance includes a deductible, which has been set since 2010 at one-and-a-half times the amount of gross fixed annual remuneration in accordance with the Act on the Appropriateness of Executive Board Remuneration (VorstAG).

REMUNERATION TABLES

In accordance with the requirements of the German Corporate Governance Code and German Accounting Standard 17, Executive Board remuneration has been presented in the form of three separate tables for sufficient clarity. Fixed remuneration and additional benefits are based on the agreed fixed amount. For the variable remuneration, the "Granted allowances" table includes a target value for achieving 100 percent as well as minimum and maximum remuneration.

SEVERANCE PAYMENTS

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

↗ see tables "Executive board remuneration – granted allocations", "Executive board remuneration – contribution", "Executive board remuneration – DRS 17"

EXECUTIVE BOARD REMUNERATION – GRANTED ALLOCATIONS

in €	2015	2015 Minimum	2015 Maximum	2014
Stefan Dräger, Chairman of the Executive Board, since March 1, 2005				
Fixed remuneration	600,000	600,000	600,000	600,000
Additional benefits	10,963	10,963	10,963	10,793
Total fixed remuneration	**610,963**	**610,963**	**610,963**	**610,793**
One-year variable remuneration	1,400,000	0	2,800,000	1,400,000
Share-based remuneration	1,409	1,409	1,409	0
Long-term variable remuneration	0	0	700,000	0
Total variable remuneration	**1,401,409**	**1,409**	**3,501,409**	**1,400,000**
Pension cost	171,234	171,234	171,234	144,509
Total remuneration	**2,183,606**	**783,606**	**4,283,606**	**2,155,302**
Gert-Hartwig Lescow Finance and IT, since April 1, 2008				
Fixed remuneration	400,000	400,000	400,000	400,000
Additional benefits	24,374	24,374	24,374	22,882
Total fixed remuneration	**424,374**	**424,374**	**424,374**	**422,882**
One-year variable remuneration	702,500	0	1,405,000	710,000
Share-based remuneration	1,409	1,409	1,409	0
Long-term variable remuneration	0	0	350,000	0
Total variable remuneration	**703,909**	**1,409**	**1,756,409**	**710,000**
Pension cost	31,102	31,102	31,102	20,264
Total remuneration	**1,159,385**	**456,885**	**2,211,885**	**1,153,146**
Anton Schrofner Research and Development, Innovation and IP, since September 1, 2010				
Fixed remuneration	400,000	400,000	400,000	400,000
Additional benefits	40,419	40,419	40,419	36,290
Total fixed remuneration	**440,419**	**440,419**	**440,419**	**436,290**
One-year variable remuneration	700,000	0	1,400,000	700,000
Share-based remuneration	0	0	0	0
Long-term variable remuneration	0	0	350,000	0
Total variable remuneration	**700,000**	**0**	**1,750,000**	**700,000**
Pension cost	29,858	29,858	29,858	18,329
Total remuneration	**1,170,277**	**470,277**	**2,220,277**	**1,154,619**

in €	2015	2015 Minimum	2015 Maximum	2014
Rainer Klug Purchasing, Production and Logistics, since August 1, 2015				
Fixed remuneration	166,667	166,667	166,667	0
Additional benefits	83,685	83,685	83,685	0
Total fixed remuneration	**250,352**	**250,352**	**250,352**	**0**
One-year variable remuneration	291,667	0	583,333	0
Share-based remuneration	0	0	0	0
Long-term variable remuneration	0	0	350,000	0
Total variable remuneration	**291,667**	**0**	**933,333**	**0**
Pension cost	0	0	0	0
Total remuneration	**542,018**	**250,352**	**1,183,685**	**0**
Dr. Reiner Piske HR, since November 1, 2015				
Fixed remuneration	50,000	50,000	50,000	0
Additional benefits	53,322	53,322	53,322	0
Total fixed remuneration	**103,322**	**103,322**	**103,322**	**0**
One-year variable remuneration	100,000	0	200,000	0
Share-based remuneration	0	0	0	0
Long-term variable remuneration	0	0	300,000	0
Total variable remuneration	**100,000**	**0**	**500,000**	**0**
Pension cost	0	0	0	0
Total remuneration	**203,322**	**103,322**	**603,322**	**0**
Dr. Herbert Fehrecke Purchasing, Quality and Technology, from April 1, 2008 to March 31, 2015				
Fixed remuneration	100,000	100,000	100,000	400,000
Additional benefits	5,331	5,331	5,331	21,138
Total fixed remuneration	**105,331**	**105,331**	**105,331**	**421,138**
One-year variable remuneration	175,000	0	350,000	702,350
Share-based remuneration	0	0	0	0
Long-term variable remuneration	0	0	0	0
Total variable remuneration	**175,000**	**0**	**350,000**	**702,350**
Pension cost	5,000	5,000	5,000	20,000
Total remuneration	**280,331**	**105,331**	**455,331**	**1,143,488**

EXECUTIVE BOARD REMUNERATION – CONTRIBUTION

in €	2015	2014
Stefan Dräger, Chairman of the Executive Board, since March 1, 2005		
Fixed remuneration	600,000	600,000
Additional benefits	10,963	10,793
Total fixed remuneration	**610,963**	**610,793**
One-year variable remuneration	154,000	224,000
Share-based remuneration	1,409	0
Total variable remuneration	**155,409**	**224,000**
Pension cost	171,234	144,509
Total remuneration	**937,606**	**979,302**
Anton Schrofner Research and Development, Innovation and IP, since September 1, 2010		
Fixed remuneration	400,000	400,000
Additional benefits	40,419	36,290
Total fixed remuneration	**440,419**	**436,290**
One-year variable remuneration	256,923	316,528
Share-based remuneration	0	0
Total variable remuneration	**256,923**	**316,528**
Pension cost	29,858	18,329
Total remuneration	**727,200**	**771,147**
Dr. Reiner Piske HR, since November 1, 2015		
Fixed remuneration	50,000	0
Additional benefits	53,322	0
Total fixed remuneration	**103,322**	**0**
One-year variable remuneration	0	0
Share-based remuneration	0	0
Total variable remuneration	**0**	**0**
Pension cost	0	0
Total remuneration	**103,322**	**0**

	2015	2014
Gert-Hartwig Lescow Finance and IT, since April 1, 2008		
Fixed remuneration	400,000	400,000
Additional benefits	24,374	22,882
Total fixed remuneration	**424,374**	**422,882**
One-year variable remuneration	88,750	142,000
Share-based remuneration	1,409	0
Total variable remuneration	**90,159**	**142,000**
Pension cost	31,102	20,264
Total remuneration	**545,635**	**585,146**
Rainer Klug Purchasing, Production and Logistics, since August 1, 2015		
Fixed remuneration	166,667	0
Additional benefits	83,685	0
Total fixed remuneration	**250,352**	**0**
One-year variable remuneration	0	0
Share-based remuneration	0	0
Total variable remuneration	**0**	**0**
Pension cost	0	0
Total remuneration	**250,352**	**0**
Dr. Herbert Fehrecke Purchasing, Quality and Technology, from April 1, 2008 to March 31, 2015		
Fixed remuneration	100,000	400,000
Additional benefits	5,331	21,138
Total fixed remuneration	**105,331**	**421,138**
One-year variable remuneration	468,254	431,243
Share-based remuneration	0	0
Total variable remuneration	**468,254**	**431,243**
Pension cost	5,000	20,000
Total remuneration	**573,585**	**872,381**

EXECUTIVE BOARD REMUNERATION – DRS 17

in €	2015	2014
Stefan Dräger, Chairman of the Executive Board, since March 1, 2005		
Fixed remuneration	600,000	600,000
Additional benefits	10,963	10,793
Total fixed remuneration	**610,963**	**610,793**
One-year variable remuneration	700,000	154,000
Share-based remuneration	1,409	0
Total variable remuneration	**701,409**	**154,000**
Total remuneration	**1,312,372**	**764,793**
Anton Schrofner Research and Development, Innovation and IP, since September 1, 2010		
Fixed remuneration	400,000	400,000
Additional benefits	40,419	36,290
Total fixed remuneration	**440,419**	**436,290**
One-year variable remuneration	350,350	285,841
Share-based remuneration	0	0
Total variable remuneration	**350,350**	**285,841**
Total remuneration	**790,769**	**722,131**
Dr. Reiner Piske HR, since November 1, 2015		
Fixed remuneration	50,000	0
Additional benefits	53,322	0
Total fixed remuneration	**103,322**	**0**
One-year variable remuneration	50,000	0
Share-based remuneration	0	0
Total variable remuneration	**50,000**	**0**
Total remuneration	**153,322**	**0**

	2015	2014
Gert-Hartwig Lescow Finance and IT, since April 1, 2008		
Fixed remuneration	400,000	400,000
Additional benefits	24,374	22,882
Total fixed remuneration	**424,374**	**422,882**
One-year variable remuneration	350,540	89,460
Share-based remuneration	1,409	0
Total variable remuneration	**351,949**	**89,460**
Total remuneration	**776,323**	**512,342**
Rainer Klug Purchasing, Production and Logistics, since August 1, 2015		
Fixed remuneration	166,667	0
Additional benefits	83,685	0
Total fixed remuneration	**250,352**	**0**
One-year variable remuneration	145,833	0
Share-based remuneration	0	0
Total variable remuneration	**145,833**	**0**
Total remuneration	**396,185**	**0**
Dr. Herbert Fehrecke Purchasing, Quality and Technology, from April 1, 2008 to March 31, 2015		
Fixed remuneration	100,000	400,000
Additional benefits	5,331	21,138
Total fixed remuneration	**105,331**	**421,138**
One-year variable remuneration	184,130	322,050
Share-based remuneration	0	0
Total variable remuneration	**184,130**	**322,050**
Total remuneration	**289,461**	**743,188**

PENSION OBLIGATIONS FOR ACTIVE EXECUTIVE BOARD MEMBERS

	Addition	Obligation	Addition	Obligation
in €	2015	December 31, 2015	2014	December 31, 2014
Dräger, Stefan	242,525	3,125,055	1,188,611	2,882,530
Fehrecke, Dr. Herbert (until March 31, 2015)	40,374	384,698	118,230	344,324
Lescow, Gert-Hartwig	123,707	908,126	385,953	784,419
Schrofner, Anton	10,702	460,058	166,444	449,356
Klug, Rainer (since August 1, 2015)	12,749	12,749	0	0
Piske, Dr. Reiner (since November 1, 2015)	3,946	3,946	0	0
Executive Board members in total	**434,003**	**4,894,632**	**1,859,238**	**4,460,629**

THIRD-PARTY PAYMENTS AND CLAIM REIMBURSEMENTS

In the fiscal year, no payments were made or promised by a third party to any member of the Executive Board in relation to duties as member of the Executive Board. If Executive Board remuneration is paid by Drägerwerk Verwaltungs AG, pursuant to Sec. 11 (1) and (3) of the articles of association of Drägerwerk AG & Co. KGaA it is entitled to claim reimbursement from Drägerwerk AG & Co. KGaA monthly. Pursuant to Sec. 11 (4) of the Company's articles of association, the general partner receives a fee, independent of profit and loss, of 6 percent 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 2015, this remuneration amounts to EUR 86,761.84 (2014: EUR 83,498.48) plus potentially incurred VAT.

DEFINED BENEFIT PLANS

Obligations to the Executive Board members from the pension plan remain unchanged at Drägerwerk AG & Co. KGaA pursuant to the terms and conditions of individual contracts. Defined benefit plans for members of the Executive Board are performance-based and are agreed individually, based on "Führungskräfteversorgung 2005", which has been in effect within the Group since January 1, 2006. The defined benefits under the pension plans offered to the members of the Executive Board are based on the basic annual salary and years of service on the Executive Board. It is based on an annual contribution of up to 15 percent of the basic annual salary. From April 2015, the annual contribution of Gert-Hartwig Lescow increased by up to 15 percent of pensionable earnings, depending on the Group EBIT margin. Under the deferred compensation option, an additional annual contribution of up to 20 percent of the basic annual remuneration is possible. These personal contributions were as follows in fiscal year 2015: Stefan Dräger: EUR 120,000 (2014: EUR 120,000); Dr. Herbert Fehrecke: EUR 7,500 (2014: EUR 30,000); and Gert-Hartwig Lescow: EUR 24,000 (2014: EUR 80,000). Stefan Dräger receives a further contribution of 50 percent from Drägerwerk AG & Co. KGaA on deferred compensation, but no more than 8 percent of his basic annual salary. From April 2015, Gert-Hartwig Lescow also received a further contribution of the same amount of his deferred compensation, but no more than 5 percent of his basic annual salary. These further contributions are progressive if the Group EBIT margin equals 5 percent or more of net sales.

EUR 3,144,049.45 was paid to former members of the Executive Board and their surviving dependents (2014: EUR 3,304,845.91). Pension commitments to former members

SUPERVISORY BOARD REMUNERATION

	2015				2014			
in €	Fixed	Variable	Other	Total	Fixed	Variable	Other	Total
Schweickhart, Prof. Dr. Nikolaus (Chairman)	60,000	0	10,000	70,000	60,000	36,720	10,000	106,720
Kasang, Siegfrid (Vice-Chairman)	30,000	0	10,000	40,000	30,000	18,360	10,000	58,360
Fett, Klaus-Dieter	20,000	0	0	20,000	10,000	6,120	0	16,120
Friedrich, Daniel	20,000	0	0	20,000	20,000	12,240	0	32,240
Fürstenberg, Klaus-Dieter	0	0	0	0	10,000	6,120	0	16,120
Grenz, Prof. Dr. Thorsten	20,000	0	20,000	40,000	20,000	12,240	20,000	52,240
Klein, Stefan	20,000	0	0	20,000	20,000	12,240	0	32,240
Lauer, Stefan	20,000	0	0	20,000	20,000	12,240	0	32,240
Lüders, Uwe	20,000	0	0	20,000	20,000	12,240	0	32,240
Rauscher, Prof. Dr. Klaus	20,000	0	10,000	30,000	20,000	12,240	10,000	42,240
Rickers, Thomas	20,000	0	0	20,000	20,000	12,240	0	32,240
Tinnefeld, Ulrike	20,000	0	10,000	30,000	20,000	12,240	10,000	42,240
Zinkann, Dr. Reinhard	20,000	0	0	20,000	20,000	12,240	0	32,240
Total	**290,000**	**0**	**60,000**	**350,000**	**290,000**	**177,480**	**60,000**	**527,480**

of the Executive Board and their surviving dependents amounted to EUR 44,969,123 (2014: EUR 48,674,558).

↗ see chart “Pension obligations for active Executive board members”

PENSION OBLIGATIONS FOR ACTIVE SUPERVISORY BOARD MEMBERS

The annual shareholders’ meeting of Drägerwerk AG & Co. KGaA has specified the remuneration of members of the Supervisory Board of Drägerwerk AG & Co. KGaA in the articles of association with effect from fiscal year 2011.

↗ see chart “Supervisory board remuneration”

In accordance with Sec. 21 (1) of the articles of association of Drägerwerk AG & Co. KGaA, each Supervisory Board member receives compensation for expenses incurred plus annual remuneration, which is composed of fixed remuneration of EUR 20,000 (2014: EUR 20,000) and variable remuneration. The variable component is 0.015 percent of DVA, but no more than EUR 20,000 (as in 2014).

Pursuant to Sec. 21 (2) and (3) of the articles of association of Drägerwerk AG & Co. KGaA, the remuneration of members of the Supervisory Board is distributed according to the following principles: Its chairman is entitled to three times and the vice chairman to one and a half times the amount. The members of the Audit Committee receive an additional fixed annual remuneration of EUR 10,000 and the Chairman of the Audit Committee an additional EUR 20,000. The members of the Nomination Committee do not receive any additional remuneration. Since fiscal year 2009, the Company no longer pays Supervisory Board members a per diem. The Company concludes a D&O financial loss liability insurance policy, liability insurance policy and a legal expense insurance policy for Supervisory Board members;

DIRECTORS' DEALINGS

Date	Name	ISIN	Units	Type	Price	Volume
July 17, 2015	Prof. Dr. Thorsten Grenz	DE0005550602 St.	300	Buy	EUR 90.00	EUR 27,000.00
October 14, 2015	Prof. Dr. Thorsten Grenz	DE0005550602 St.	300	Buy	EUR 61.26	EUR 18,378.00

it is not part of the Supervisory Board's remuneration. The deductible for Supervisory Board members is one and a half times their fixed annual remuneration.

In fiscal year 2015, the total remuneration of the six members of the Supervisory Board of the general partner, Drägerwerk Verwaltungs AG, amounted to EUR 135,000 (2014: EUR 135,000) as well as additional flat fees for out-of-pocket expenses totaling EUR 55,000 (2014: EUR 55,000). No remuneration was paid to Supervisory Board members of Group companies.

SHARES OWNED BY THE EXECUTIVE AND SUPERVISORY BOARDS

As of December 31, 2015, the members of the Executive Board of Drägerwerk Verwaltungs AG and their related parties directly held 6,144 preferred shares in Drägerwerk AG & Co. KGaA, equivalent to less than 0.04 percent of the Company's total shares, and 114,605 common shares, corresponding to 0.65 percent of the Company's total shares.

Dr. Heinrich Dräger GmbH held around 67.19 percent of common shares of Drägerwerk AG & Co. KGaA with 68.31 percent attributable to the Chairman of the Executive Board Stefan Dräger, whereby 67.19 percent are attributable to him in accordance with the terms of Sec. 22 (1) Sentence 1 No. 1 WpHG (Wertpapierhandelsgesetz – German Securities Trading Act).

As of December 31, 2015, the members of the Supervisory Board and their related parties directly or indirectly held a total of 916 preferred shares, equivalent to less than 0.01 percent of the Company's total shares). They did not hold any common shares, either directly or indirectly.

DIRECTORS' DEALINGS

In fiscal year 2015, the Company was informed about the following business transactions with executive employees pursuant to Sec. 15a WpHG (Wertpapierhandelsgesetz – German Securities Trading Act).

↗ see table "Directors' Dealings"

Announcements of transactions with executive employees pursuant to Sec. 15a WpHG (Wertpapierhandelsgesetz – German Securities Trading Act) are published at www.dgap.de in the Directors' Dealings section.

Subsequent events

SUBSEQUENT EVENTS

There were no significant events in the new fiscal year up to the time the management report was prepared.

DISTRIBUTIONS

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 365.976 million for fiscal year 2015 a dividend of EUR 0.13 per common share and EUR 0.19 per preferred share: This equates to a total dividend of EUR 2.765 million. The remaining amount of EUR 363.211 million will be carried forward to new account. The preferred share dividend also governs the dividend for participation certificates, which will amount to EUR 1.90 each – ten times the preferred share dividend.

Potential

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

RISK AND OPPORTUNITY MANAGEMENT

Our risk and opportunity management system has two aims: to systematically take advantage of opportunities and to identify risks at an early stage and manage them with concrete measures. Dräger intends to utilize this approach to permanently increase the value of the Company.

Dräger regularly updates its risk assessments, especially with regard to developments that could threaten the existence of the Company. Dräger's opportunity and risk management comprises long-term as well as medium and short-term analysis.

Dräger takes relevant opportunities and risks into consideration in its strategic corporate planning. On this basis, and in consideration of Dräger's strengths and weaknesses, Dräger develops measures focusing on the development of products and the market positioning of these products over the course of their respective life cycles.

IDENTIFYING AND CONSIDERING RISKS

An essential element of Dräger's risk management is the early identification of potential strategic and operating risks, determining the scope of these risks, and monitoring and managing them. The basis of our risk management system is strategic corporate planning: Our risk reporting process is integrated into the planning process and into the financial rolling forecast. We specify potential uncertainties in our assumptions at the planning stage and report on both negative (risks) and positive (opportunities, see page xx) deviations from the plan or from the rolling financial forecast. All operating areas of the Company report at least twice a year on risks and opportunities using specified criteria; Group Controlling then summarizes these at Company level. Risk reporting is complemented by ad-hoc reporting, so that Dräger can act upon material risks as quickly as possible. The risk committee supports the responsible risk owners, usually the departments, in assessing and managing risks. The Risk Committee is the link between the Chief Risk Officer and the departments. The members of the Risk Committee possess extensive knowledge of the departments and the Company's risk situation. In addition, the Risk Committee is also tasked with improving the risk management system by monitoring it across all departments. Essentially, risks may not be entered into if they threaten the existence of Dräger, if they could lead to significant damage to Dräger's reputation, or if the risk is greater than the associated opportunity. In terms of risk recording, EBIT risks are given priority. However, material cash flow risks are also reported on, as are strategic or reputation risks, which are difficult to quantify.

Thanks to the exchange of information on risks and opportunities between the respective process owners, the Executive and Supervisory Boards, action can be taken at short notice. The internal audit department and the Supervisory Board complement risk management and monitor its effectiveness. As an element of our risk management system, our early risk identification system is also part of the annual audit.

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

DEFINITION AND ELEMENTS

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

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

The internal control system in the Dräger Group is supplemented by a risk management system. It comprises operational risk management and a systematic early-warning system for detecting business risks. In relation to the financial reporting process, risk management is also aimed at ensuring the use of correct information in the Group's accounts and external reports.

USE OF IT SYSTEMS

At Dräger, the consolidated subsidiaries prepare individual financial statements on the basis of the relevant accounting information. Consolidated subsidiaries mainly use SAP and Microsoft standard software. This ensures that each 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 this, we use a Group-wide, standardized accounts structure, which also stipulates which reconciliation methods are to be used for the financial statements. Local accounting methods are adjusted to comply with IFRS either in the local accounting systems or by reporting adjustments on a Group level. Once the data have been translated into the Group currency euro, all internal business transactions are consolidated. Dräger assesses the IT environment, identifies potential risks and reports them at least two times a year to the Executive Board within the scope of the risk management system. In addition, the auditors of the Group financial statements carry out an audit of the IT control system, change management, IT operations, access to programs and data, and system development once a year.

ESSENTIAL REGULATORY MEASURES AND CONTROLS

With our internal control system, we check whether 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. To do this, we clearly allocate responsibilities and control mechanisms, provide transparent accounting and reporting guidelines, and use highly reliable IT accounting systems in the Group companies. The monthly Group financial statements contain comprehensive system validations. 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 consolidated in the Group financial statements use the same standard. These apply to general accounting policies, balance sheet, income statement, consolidated statement of comprehensive income and notes. The accounting policies are regularly updated to comply with current EU legislation.

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

In our accounting systems we have separated administrative, executive and authorization functions by issuing different access profiles. This allows us to reduce the potential for fraudulent acts against the Company by employees. Group accounting determines the scope of consolidation and the reporting packages prepared by Group companies. The Group companies and local auditors, who examine and comment on compliance with Dräger accounting policies, are provided with additional information, schedules and deadlines for the financial statements at the latest by October of the reporting year. This ensures that the Group financial statements can be prepared in good time and in accordance with all applicable reporting standards and laws. Our subsidiaries enter their local financial statements into the SAP SEM-BCS consolidation system, where validation rules guarantee a high degree of data quality. Subsidiaries send other reporting packages in electronic form to Group Accounting in Lübeck, where the data are reviewed on the basis of internal checklists and passed on to the auditor of the Group financial statements for final approval.

RISK ASSESSMENT

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

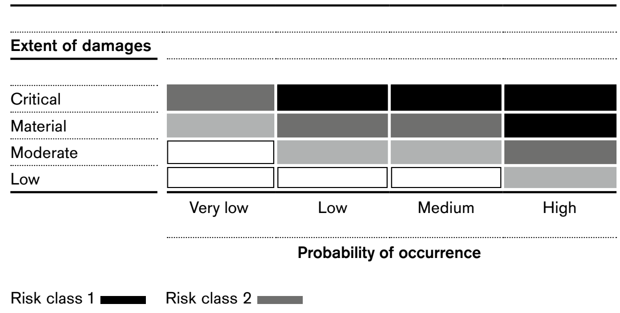
For the purposes of risk classification in the risk matrix, both the probability of occurrence and the potential extent of damages are taken into consideration. These factors are described in more detail in the following tables.

The due date for reported risks is December 31, 2015, whereby the risk assessment is based on the update of the internal risk report. While the earnings forecast period is one year, Dräger assesses quantitative risk over a period of two years.

The risks and the impact they may have on the Company as described below are not necessarily the only risks Dräger is exposed to. Risks that are not known or have been considered immaterial as of the reporting date may also affect the business activities of Dräger in the future. In the opinion of the Company, the risks referred to here in risk classes 1 and 2 are material risks. Immaterial risks from financing instruments are also reported in accordance with IFRS 7.

↗ Please refer charts "Risk matrix", "Key to probability of occurrence", "Key to extent of damages"

RISK MATRIX



KEY TO PROBABILITY OF OCCURRENCE

Probability of occurrence		Occurrence
Very low	≤ 5 %	No more frequently than once in 20 years
Low	> 5 % – 25 %	No more frequently than once in 4 years / more frequently than once in 20 years
Medium	> 25 % – 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 25 million	Negative impact on earnings
Moderate	< EUR 10 million	Limited negative impact on earnings
Low	< EUR 5 million	Immaterial negative impact on earnings

RISK CATEGORIES

MATERIAL RISKS

Risk category	Risk class	Development
Political, financial and social development	1	→
Information security and IT risks	1	→
Procurement	2	→
Research and development	2	→
Compliance and legal	2	→
Currency risks	1	→
Risks from financial instruments	4	→
Risks of receivable losses	2	→
Other risks	2	→

POLITICAL, FINANCIAL AND SOCIAL DEVELOPMENT

The global economy experienced moderate growth of 3.1 percent in 2015, an increase that was 0.3 percentage points down on the prior year's growth. The rate of growth was somewhat higher in emerging economies than in industrialized economies, but this difference was not as high as it has been in the past. The International Monetary Fund (IMF) slightly lowered its forecast for 2016, but still anticipates year-on-year growth to rise to 3.4 percent. The rate of growth is anticipated to rise by a small amount both in industrialized nations and in emerging economies.

Given the political instability in the Middle East, recession in Brazil and a slowdown in economic development in Asia, there is a risk that we will not achieve our planned growth. Furthermore, a lack of financing options in certain emerging markets, the reduced purchasing power of oil-exporting countries on account of the fall in the price of oil and continued strong competition could negatively impact Dräger's net sales and margin.

For more details on the overall economic outlook, see page 125.

A number of other factors, including regional political, religious or cultural conflicts can affect macroeconomic factors and international capital markets and therefore shape demand for Dräger's products and services. The Dräger Group depends on the investment budgets of public authorities in both divisions since a large proportion of our customer base is made up of domestic and foreign public institutions such as public hospitals, fire services, the police force and disaster management. Public spending volume has been cut in numerous industrialized countries over the last few years, for example in the US and Europe. This trend could continue given the current market environment. Dräger is meeting these challenges through customer orientation, innovation, high product and service quality and reliability as well as through cooperation agreements and acquisitions. This way, Dräger intends to reinforce and expand its market position.

Over the past few years, the share of net sales attributed to emerging economies has constantly been rising, with China playing a particularly major role in this trend. However, recently China has recorded falling growth rates. There is a risk that we will not achieve our planned net sales growth there and market momentum will drop off even further. The current fight against corruption in China may also lead to decisions on public sector orders being postponed or orders being divided up between different suppliers. What is more, local competition is also increasing. Chinese suppliers may therefore be given preferential treatment when it comes to order placement.

Dräger operates in future-oriented industries with strong growth in which it 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. Large, diversified conglomerates among other primary competitors have strong market positions in certain segments and regions due to the wide range of products and services they offer. New competitors, particularly from Asia, are also a factor; the quality of their products has increased significantly over the past few years, meaning that they are now competing with Dräger in the lower and middle performance and price segment. Therefore, we must enhance our product portfolio, sales channels, and service offering in order to remain successful in these customer segments over the long term. There is a certain amount of risk that, in doing so, we will jeopardize products from higher performance segments (Risk class 1).

INFORMATION SECURITY AND IT RISKS

Information, and the processing of this information, plays a pivotal role in Dräger's business. Usually, strategic and operative functions and tasks are IT-supported. However, Dräger also processes information in other ways (paper, meetings). The loss, unavailability or misuse of information could cause serious problems for Dräger.

As a result, reliable IT systems are a decisive factor in our business processes, as system failure through overloading or external disruption (such as a hacker attack) can impair critical processes and lead to short-term production outages.

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

Database security is also important in minimizing IT risks. Read and write authorizations are essential for the security of data relating to customers, production, and suppliers. Against this backdrop, defined workflows are installed to safeguard the central systems and, when necessary, are systematically improved through the use of electronic systems. These improvements are subject to defined standards and are gradually being rolled out across all of our sites (Risk class 1).

PROCUREMENT

Procurement risks at Dräger consist of supplier and material price risks in particular. For our current and planned product portfolio, we cooperate extensively with reliable and competent suppliers. Dräger integrates suppliers into its processes as the level of vertical integration in its business model has been reduced to the necessary core technologies and the assembly of purchased parts and components. Strict quality standards apply to supplier selection and purchasing processes. Dräger has concluded binding price agreements with all of its strategic suppliers, which usually apply for a period of one year and guarantee planning security for a certain period of time.

In the case of components and modules that our suppliers stop manufacturing as standard, we will purchase the estimated number of components or modules required for the remaining product life cycle and store these components and modules either with Dräger or with the supplier. In our medical division, we analyze potential risks relating to purchased module components across multiple functions. In some cases, Dräger will purchase these from a single supplier. As module components are used in a number of Dräger products, bottlenecks in the supply of these components can cause production to be interrupted for a certain period of time. In such cases, established crisis management processes – for example the deployment of a task force – are implemented to minimize the effects. The potential bankruptcy of suppliers can also lead to production outages and additional costs (Risk class 2).

RESEARCH AND DEVELOPMENT

It is important for our profitability that the product portfolios of both divisions are 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 Dräger continuously invests in research and development in order to keep the proportion of new products as high as possible. This means that Dräger must develop top technological solutions and also products that appeal to the requirements of a large section of the market. Dräger optimizes its operating processes, from development, sales and order fulfillment through to maintenance of the product portfolio. This way, we can produce a high-quality product portfolio. Risks may therefore arise from factors such as the unexpectedly high complexity of development projects, delayed product launches, and changes in market requirements. Quality issues with our products can lead to increased costs and loss of net sales in future (Risk class 2).

COMPLIANCE AND LEGAL

Dräger companies are subject to various legal provisions that frequently change in all countries in which Dräger operates. Obligations can arise from public law, such as tax law, or from civil law. Laws to protect intellectual property and third-party concessions, varying approval and licensing regulations for products, competition rules, regulations in connection with awarding of contracts, export control regulations and more are also relevant to business operations. Drägerwerk AG & Co. KGaA is also subject to legal regulations governing capital markets. The measures Dräger has to take to be aware of, adhere to, and comply with all of these regulations can result in significant operating costs. Dräger's business policies and code of conduct are intended to ensure that business is conducted responsibly and in accordance with legal requirements. We have also established a Company-wide compliance program. Despite the control and prevention mechanisms in place in our compliance structure, there remains a risk that we are in breach of certain laws. In addition, the increasing connectivity of our devices also raises the issue of data protection and the resulting risk of cyber attacks. Sales partners may assert compensation or equalization claims pursuant to respective applicable laws. Such claims are excluded in the sales agreements to the extent permitted by law.

see Compliance section in the Corporate Governance Report, page 100

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. In exceptional circumstances, assumption of liability can also be advisable when the customer is at fault in order to minimize consequential damages for Dräger. To counter such legal risks, Dräger has taken out liability insurance policies with coverage, which the Executive Board of the general partner considers appropriate and customary for the industry. In some regions, legal uncertainty could result from Dräger only having limited possibilities to assert its rights.

Additional regulatory requirements and rising local standards result in greater expenses for product licensing. Further risks in relation to this arise from the ongoing renewal of necessary, but time-limited licensing certificates and national adjustments. 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 this case, it is possible for licensing authorities to revoke the license, impose import bans on certain products or product areas or order installed devices to be changed. Dräger combats risks that arise in line with licensing requirements by adapting the respective organizational structures and processes in the product and quality management areas (Risk class 2).

CURRENCY RISK

Dräger conducts its business in a variety of currencies whose exchange rates to the euro vary greatly. As a result, Dräger's payment flows are exposed to corresponding currency risks. In addition, changes in exchange rates when converting earnings not generated in euros into the Group's operating currency (euro) can have a major impact on Group earnings. Risks develop in particular due to the fact that products are manufactured and sold in different currencies and volumes: Over half of the costs at Dräger are incurred in euros, while a large share of sales is generated in other currencies. The devaluation of the euro in 2012 had a positive impact on earnings, while the sustained increase in the euro's value in 2013 had a negative effect. The years 2014 and 2015 saw different trends: In 2015, the first half of the year brought a positive effect, while the second half of the year was impacted by a negative effect. All in all, the effect in fiscal year 2015 was negative.

↗ Please refer charts "Net sales and costs by currency (2015)", "Dräger currency basket (weighted according to net sales)"

Currency risks are hedged at Group level, some of which through currency hedges. The hedging strategy is redefined on an annual basis. Planned, risk-prone net foreign currency liquidity flows from legal units at the start of a fiscal year are hedged by a maximum of 80 percent (Risk class 1).

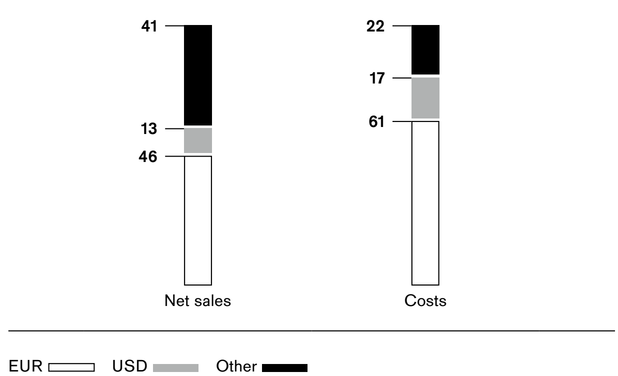
RISKS FROM FINANCIAL INSTRUMENTS

Our aim is to minimize liquidity risk and risk from financial instruments, i. e. interest rate, currency and credit risk. Dräger hedges liquidity risk, currency risk, and interest risk centrally at Drägerwerk AG & Co. KGaA. We mitigate against credit risk with regard to cash investments and derivatives centrally. Credit risk due to receivables from operating activities is managed partly centrally, partly decentrally by Group companies and is hedged by instruments such as letters of credit or guarantees.

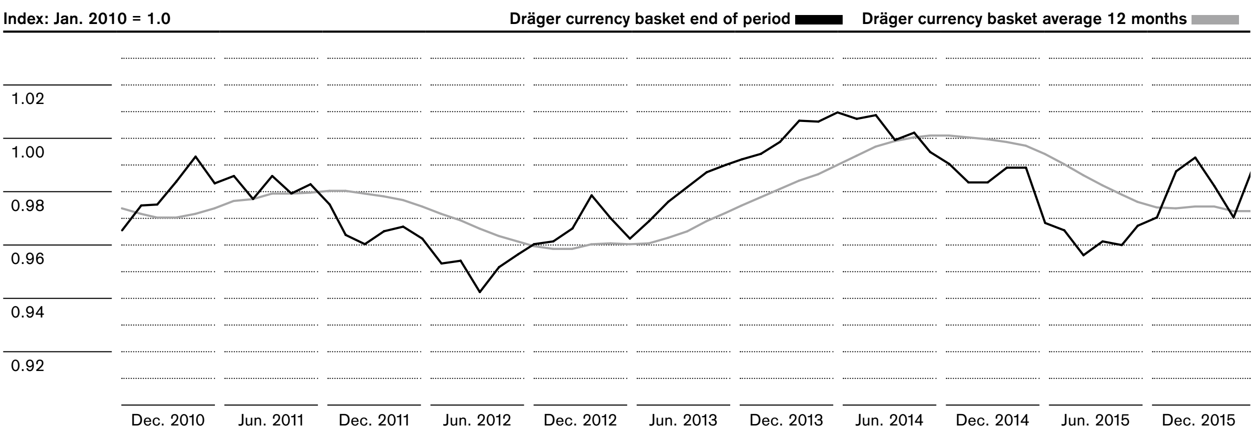
The only financial derivatives Dräger uses are marketable hedging instruments contracted with reputable banks as counterparties. Members of the Dräger Group may only employ such derivatives if they are covered by the Company's treasury guidelines or have been approved by the Executive Board.

NET SALES AND COSTS BY CURRENCIES (2015)

in %



DEVELOPMENT OF THE SALES-WEIGHTED CURRENCY BASKET



The Dräger Group uses note loans with various residual terms of up to five years in order to reduce liquidity risk. As of December 31, 2015, we have agreed on bilateral credit lines of EUR 362.5 million due on October 30, 2018 to secure liquidity. The framework agreement for the bilateral credit lines stipulates target values based on certain financial covenants. Should Dräger not comply with these, the banks are entitled to terminate the bilateral credit lines. The values have been specified so that we would only run the risk of being unable to meet them if our financial position was to deteriorate drastically. It is also possible for Dräger to obtain the banks' approval to exceed or undercut these key figures at an early stage. We continuously monitor key financial performance figures.

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

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

Please refer to Note 46 of the notes for more information on the management of financial risks.

RISKS OF RECEIVABLE LOSSES

In principle, Dräger is exposed to a very minor risk of financial crises, political upheaval or other events leading to large-scale receivable losses or defaults on payments. Specifically, such a risk of receivable losses currently exists in relation to our business activities in Saudi Arabia (Risk class 2).

OTHER RISKS

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

Recognizing opportunities

We observe opportunities within the scope of our strategic planning process, which involves identifying trends, determining strategic focuses, and defining measures. Dräger makes use of its so-called sales funnel, an overview of all potential orders, for the purpose of systematically pursuing medium- and short-term market opportunities and turning as many of them as possible into customer orders. The potential use of these opportunities also flows into our rolling financial forecast. Furthermore, we also established an integrated risk reporting process this year, in which the functional areas report on both risks and opportunities. Information on opportunities is integrated into the consolidated risk report.

see also the "Group structure and control system" section on page 58 et seq.

ACTIVITIES IN GROWTH MARKETS

The medical and safety markets in which Dräger operates are growth markets. Megatrends such as globalization, health, and the ever-expanding digital network foster this growth. For example, business opportunities arise from an increasing and aging population, the expansion of health infrastructure in emerging markets, increasing safety standards, and the growing importance of system solutions. Making targeted use of the Company's strengths allows Dräger to take advantage of opportunities. For example, Dräger uses the basis of installed Dräger equipment in order to expand its service and accessories business. And thanks to our high innovation intensity, we are able to continuously optimize our range of products.

see also the "Trends with an influence on business performance" section on page 65 et seq.

- Increasing and aging population: Increasing life expectancy and structural changes are causing rising demand for medical products not just in many industrialized countries, but also in a number of emerging markets. Population growth in many countries all over the world is also boosting demand for medical care.
- Growing affluence in emerging markets: Increasing incomes in emerging markets are coupled with higher standards of healthcare and workplace safety. Dräger's broad range of products in corresponding segments and our presence in respective markets means that it is well positioned to take advantage of this opportunity.
- Growing importance of system business: The increasing extent of digital networking is raising the standards in the medical and safety markets. Networked equipment and IT systems in hospitals provide support to medical processes and administrative processes alike. Secure, real-time data transfer to IT systems is also becoming increasingly important in safety markets.

HIGH MARKET ENTRY BARRIERS FOR COMPETITORS

The medical technology and safety technology markets both feature high market entry barriers: current and future approval requirements through government regulation, complex and often patented technologies, as well as the fact that many customers continue to prefer to implement tried and tested solutions. As an established provider, these barriers represent an opportunity for Dräger.

LEADING MARKET POSITIONS

Dräger considers itself one of the global market leaders in many market segments and product groups of its two divisions. We see opportunities for the continued growth of our market share by building on its extensive technological expertise, high product quality, brand awareness and long-term customer relationships. Alongside our established market segments, we focus in this respect not only on attractive market segments, but also on niches where the Company identifies above-average profitability and growth opportunities. We also strive to open up new markets by developing new products.

EXPANSION OF THE SERVICE AND ACCESSORIES BUSINESS

We are striving to increase the share of net sales we generate in the stable and attractive service and accessories business. In order to achieve this goal, we continue to improve customer support following equipment sales by offering services and products in the accessories and consumables business. Here, both of our divisions benefit from the large number of Dräger devices already in use around the world.

PROJECT BUSINESS

In the hospital business, an increasing number of opportunities are emerging from so-called turnkey projects, in which finished hospitals or hospital departments are realized together with all medical equipment. As a supplier of important medical devices, systems and components, Dräger can participate in this development in selected countries in conjunction with its turnkey partners.

As a global project player in the industrial business, we have a great number of opportunities to become involved in major oil and gas, chemical, and mining projects and, in doing so, secure the framework for sustained, positive business development. Investments aimed at expanding gas and oil capacities running into the billions of euros are currently at the implementation or planning stage, particularly in the Middle East. This is set to result in a rise in demand for safety technology products. We also see opportunities to acquire new projects concerning the construction of training facilities for fire and rescue services all over the world.

CHANGES TO THE PRODUCT PORTFOLIO

Changes to the product portfolio come with both risks and rewards. We want to increase the number of new products in our product portfolio and thus increase our profitability. At the same time, we are working towards the optimization of our product portfolio in order to meet demand, particularly from emerging markets.

SYNERGY EFFECTS AND PLATFORM STRATEGY

Opportunities also arise from synergy effects between our medical and safety divisions. We can take particular advantage of synergies at our sales and service companies, for example by consolidating administrative functions. Furthermore, by pooling demand, we can achieve more favorable procurement conditions in common purchasing for fleet or travel management in Europe.

We are also striving to reduce material costs through our platform strategy, which refers to the use of common components in different models. Dräger takes subsequent manufacturing costs into account as early as the product development phase.

2015 saw further enhancements to our standardized system infrastructure in customer relationship management (CRM). The performance of service orders in the first companies to utilize CRM is now supported, strengthening the link between marketing, sales and service in terms of a comprehensive customer management system. In addition, the first steps were taken to include customer and partner management from the indirect sales channel in the CRM, too. As a result, companies can now access more information on successful customer contact, customer acqui-

SWOT ANALYSIS – DRÄGER GROUP

Company-specific

Strengths

- Strong brand and long-term customer relationships
- Established presence in important growth markets in Asia, Central America and South America
- High installed device basis in many markets
- High innovation intensity (R&D ratio)
- Detailed understanding of all relevant markets and competitors
- Strong direct sales model with close-knit sales network
- Solid, long-term financing framework and good equity base
- Stable ownership structure
- Wealth of experience with complex product and service offerings
- High degree of diversification with some unused growth potential
- Wide range of products and services
- Close cooperation with suppliers, some joint development activities

Weaknesses

- Strong reliance on the European market; some market-leading positions in markets where growth is slow
- Niche provider status in some segments
- High complexity through broad product portfolio
- High cost base in euros and disproportionately high US dollar cost position
- Partial dependency on sales partners
- Low diversification of products for economic buyers

Market / sector-specific

Opportunities

- Progress in medical industry and aging society driving forward expenditure on medical technology
- Expansion of healthcare systems in emerging markets (as a result of increasing incomes)
- Continual increase in safety requirements for employees at hazardous workplaces
- Broadness of product portfolio and operating markets reduces the effects of economic fluctuations
- High market entry barriers for new competitors as a result of regulation, technology, patent protection

Risks

- Declining rates of economic growth in Asia and a trend towards the purchasing of medical technology equipment from domestic producers in China
- Economic risks from the financial crisis in various emerging economies
- Increasing complexity and requirements for local licensing and the ongoing certification of products
- Central purchasing strategy and increased purchasing power of companies operating worldwide
- Restrictions on domestic budgets and trend towards public companies forming purchasing cooperatives
- Some reliance on key suppliers
- Information security and IT risks
- Foreign currency losses due to exchange rate fluctuations
- Pressure on margins from increasing local competition

The aim of the SWOT analysis is to provide an overview of important aspects in the strategic environment. Not all risks and opportunities referred to in the report are included in the SWOT analysis. The manner in which the issues are listed does not represent any kind of weighting; related issues are simply listed together.

sition and customer service beyond national and functional boundaries from a single source.

DEVELOPMENT OF THE MACROECONOMIC SITUATION AND EXCHANGE RATES

Macroeconomic development and fluctuating exchange rates can bring both risks and rewards. Associated risks are presented on page 117 et seq.. The positive development of the described factors can also result in opportunities. For example, business in Iran could benefit from the lifting of trading sanctions.

OVERALL ASSESSMENT OF RISKS AND OPPORTUNITIES

Overall, risks resulting from economic and political developments in some regions, currency risks and regulatory risks are the most significant elements in Dräger's risk portfolio. However, Dräger mitigates these risks both through the regional spread and the diversification of the product and service offerings. Risks linked with information security have also increased steadily in importance over the years. We also limit performance risks from the completion of orders through good diversification strategies.

In total, the risks the Dräger Group is exposed to are manageable; the existence of the Company as a going concern is not at risk on the basis of known factors.

In Dräger's view, the number of opportunities outweighs the number of risks, especially the opportunities resulting from demographic changes, developments in emerging markets and the increasing importance of system business. As a result, the outlook for the future is optimistic.

↗ Please refer chart "SWOT analysis – Dräger Group"

Disclosures pursuant to Secs. 298 (4) and 315 (4) of the German Commercial Code (HGB) and explanations of the general partner

The following disclosures reflect circumstances on the balance sheet date.

COMPOSITION OF CAPITAL STOCK

The subscribed capital of Drägerwerk AG & Co. KGaA amounts to EUR 45,465,600. It consists of 10,160,000 voting bearer common shares and 7,600,000 non-voting bearer preferred shares, each with a EUR 2.56 share in capital stock. Shares of the same type carry the same rights and obligations. The rights and obligations of the shareholders are laid down in the German Stock Corporation Act, in particular in 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 percent of net liquidation proceeds in advance. The remaining liquidation proceeds are distributed evenly among all shares.

RESTRICTIONS RELATING TO VOTING RIGHTS OR THE TRANSFER OF SHARES

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

DIRECT OR INDIRECT SHAREHOLDINGS EXCEEDING 10 PERCENT

67.19 percent of the common shares of Drägerwerk AG & Co. KGaA, equivalent to 6,826,000 common shares or 38.43 percent of the total capital stock, belong to Dr. Heinrich Dräger GmbH, Lübeck. Its shares are mainly owned by members and shareholders of the Dräger family, so that the voting rights associated with the common shares are held by the Dräger family. 59.23 percent 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 for the general partner as well as 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 Article 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 Art. 8 of the articles of incorporation and bylaws of Drägerwerk Verwaltungs AG. The Executive Board of the general partner comprises at least two persons, the Supervisory Board of the general partner determines how many other members there are. The Supervisory Board of the general partner, elected by its annual shareholders' meeting, is responsible for appointing and removing members of the Executive Board. It appoints members of the Executive Board for a maximum of five years. Repeat appointments or extensions of the term of office are permissible.

The Supervisory Board of Drägerwerk AG & Co. KGaA is not authorized to adopt rules of procedure for management or to define a catalog of management transactions requiring 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 Article 23 (2) of the articles of association of Drägerwerk AG & Co. KGaA. The Supervisory Board of Drägerwerk AG & Co. KGaA represents the Company in dealings with the general partner.

Pursuant to Secs. 133, 179 AktG, amendments to the articles of association must be approved by the annual shareholders' meeting. Such 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 Art. 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 Article 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

By resolution of May 7, 2010, the annual shareholders' meeting conditionally increased the Company's capital stock by up to EUR 3,200,000 with the aim of issuing up to 1,250,000 new no-par preferred bearer shares (no-par shares) in return for cash and / or contributions in kind (conditional capital, Article 6 [5] of the articles of association). The capital stock will only be conditionally increased to the extent that applicable option rights are exercised. Dräger issued warrant bonds with option rights guaranteed in the form of warrants on account of the resolution on the authorization and instruction passed by the annual shareholders' meeting on May 7, 2010 regarding agenda point 7a). In the fiscal year, ten options were exercised, after which 500,000 new no-par preferred shares (no-par shares) were issued from authorized capital. Thus, of the initial 25 options, all were exercised.

In accordance with the resolution agreed upon at the annual shareholders' meeting on May 6, 2011, the general partner is entitled to increase the Company's capital until May 5, 2016, with the approval of the Supervisory Board, by up to EUR 21,132,800.00 (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 preferred shares, which carry the same status as the previously issued preferred shares with regard to the distribution of profits and / or Company assets. The statutory maximum as stipulated in Sec. 139 (2) AktG is to be taken into account: No more than half of the capital stock may be issued as preferred shares. Shareholders are principally given a subscription right in the case of a capital increase – unless the Company excludes subscription rights with the approval of the Supervisory Board. In the case of common and preferred shares being issued together, the right of holders of one share type to subscribe to the other type of shares ("crossed exclusion of subscription rights") can be excluded.

In accordance with the resolution agreed upon at the annual shareholders' meeting on May 4, 2012, the general partner is entitled, until May 3, 2017 and upon consent of the Supervisory Board, to acquire up to 10 percent in own shares of both types (common and / or preferred shares) and to use them for all legal purposes. The Company utilized this entitlement as part of its employee share program.

MATERIAL ARRANGEMENTS MADE BY THE COMPANY SUBJECT TO A CHANGE OF CONTROL IN THE WAKE OF A TAKEOVER BID

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

COMPENSATION AGREEMENTS MADE BY THE COMPANY WITH MEMBERS OF THE EXECUTIVE BOARD OF THE GENERAL PARTNER OR EMPLOYEES IN THE EVENT OF A TAKEOVER BID

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

Outlook

FUTURE MARKET ENVIRONMENT

The International Monetary Fund (IMF) corrected its global economic forecast for the third time in twelve months in mid-January. It expects total growth in 2015 to only stand at 3.1 percent, 0.3 percentage points lower than in the prior year. For 2016 and 2017, the IMF anticipates growth rates of 3.4 and 3.6 percent respectively, 0.2 percentage points down on the previous forecast from October 2015.

Economic growth in emerging economies fell to a new low for the fifth year in succession in 2015, while industrialized nations continued their moderate improvement in growth momentum. This is also due to the slight increase in economic recovery in the eurozone. Here, the IMF expects growth of 1.7 percent in 2016 and 2017. Growth forecasts were raised slightly, particularly for Germany, but recently lowered for the US. Emerging economies account for over two-thirds of global economic growth, but the IMF only expects moderate growth increases here. Of the major emerging economies, only India is experiencing dynamic growth. The Chinese economy continues to lose momentum and recorded its lowest growth rate in 25 years in 2015. Brazil and Russia are currently in the midst of a recession. In addition, weak development in oil-exporting countries due to the slump in oil prices is also contributing to sluggish growth.

According to the IMF, the risks for the global economy have increased further over the past few months. There are currently three major sources of uncertainty: the slowdown of the Chinese economy and its transformation from an export- and investment-driven growth to a more consumer- and service provision-based economy; the decline in energy prices and the prices of other commodities; the gradual departure from expansive monetary policy and the first interest rate hikes in the US. If the world economy is unable to rise to these challenges, the IMF believes that global growth could be under threat.

↗ see table "IMF – January 2016 Gross domestic product (Gdp) growth forecast"

According to the Deutsche Bundesbank, economic growth in Germany is currently being driven by high domestic demand, while export business is suffering from weak demand from emerging economies. However, the economic situation in Germany is likely to improve when the anticipated recovery materializes in sales markets outside of the eurozone and eurozone growth increases. For 2016 and 2017, the Deutsche Bundesbank forecasts growth of 1.8 percent and 1.7 percent respectively.

FUTURE SITUATION OF THE MEDICAL TECHNOLOGY INDUSTRY

We only expect the medical technology industry to experience marginally positive growth in 2016. In spite of sluggish macroeconomic development, industry growth in emerging economies is expected to be moderate due to the establishment and modernization of healthcare systems in these states. We regard the demand trend in North America as positive. Even though pressure to cut costs in the healthcare industry will remain high in 2016, rising demand on account of long-term trends such as an increasing and aging population and the spread of "lifestyle diseases" will overcompensate these effects. The growth outlook for the European medical technology market is cautious in our view. Growth momentum in 2016 is also largely dependent on the implementation of the European medicinal product directive. In spite of sluggish macroeconomic development, industry growth in emerging economies is expected to be moderate due to the establishment and modernization of healthcare systems in these states. Market growth in China is once again likely to be focused on the mid-market segment. We continue to regard business in Russia as difficult. In Latin America, we expect a slight increase in growth in the medical technology industry due to a need to modernize and replace equipment as this industry is likely to remain largely unaffected by the general economic slowdown in the region. The medical technology industry in the Middle East is likely to experience moderate growth.

IMF – JANUARY 2016 GROSS DOMESTIC PRODUCT (GDP) GROWTH FORECAST

in %	2015	2016	2017
Global economy	3.1	3.4	3.6
USA	2.5	2.6	2.6
Eurozone	1.5	1.7	1.7
Germany	1.5	1.7	1.7
Emerging economies	4.0	4.3	4.7
China	6.9	6.3	6.0

Source: International Monetary Fund (IMF)

FUTURE SITUATION OF THE SAFETY TECHNOLOGY INDUSTRY

We anticipate slightly positive development of the safety technology industry in 2016 overall. We consider the growth outlook in the US to be stable but low. The low price of oil is an important factor when it comes to economic development and therefore also for the safety technology industry. Although it is an important driver of growth in the chemical industry, the oil and gas sector is suffering against the backdrop of the low prices. As a result, the US chemical industry is on course for growth; the American Chemistry Council (ACC) expects production to increase by 4 percent in 2016. However, this growth will be offset by a decline in investments in safety technology in the oil and gas industry. In our opinion, sales opportunities in emerging economies are moderate. We believe that economic growth in emerging economies, particularly China, will experience a further slowdown in 2016, meaning that demand for safety products will also decline – despite rising health and safety standards. We expect there to be a slight rise in investment in safety technology products in the European market. All in all, we anticipate economic development in South Europe to recover and North Europe to experience an increase in growth momentum. The situation in South America continues to be determined by the development of the region's two largest economies, Brazil and Mexico. Investment in

Brazilian oil and gas business is declining and the country finds itself in the midst of a recession, whereas investments in the Mexican energy sector are climbing due to government reforms. We therefore regard market growth in South America as stagnating. By contrast, sales opportunities in the Middle East are positive in our eyes.

FUTURE SITUATION OF THE COMPANY

The following table contains an overview of our expectations in relation to the development of various forecast figures. The forecast period is generally based on a fiscal year.

After disproportionately high increases in net sales in 2015, particularly in the Europe region, we expect growth momentum to fade in 2016. In emerging economies and business areas strongly reliant on commodity prices when it comes to growth, we do not anticipate any significant improvement in net sales development in the current fiscal year. Due to the major decline in orders in hand at the end of the prior year, we believe that we will make a slow start to the first quarter. All in all, we believe that growth momentum will decline slightly year on year and anticipate net sales growth of between 0 percent and 3 percent net of currency effects in 2016. If there is no major change in exchange rates at the start of the fiscal year, we expect full-year currency effects to be negative, meaning that nominal net sales growth is likely to be 1 percentage point lower.

↗ see table “Expectations for fiscal year 2016”

The EBIT margin would also be negatively impacted by 0.5 percentage points if exchange rates remain the same as at the start of the year. In addition, our EBIT for 2016 will also be impacted by restructuring expenses of roughly EUR 10 million linked to our “Fit for Growth” efficiency program. Improvements from cost-cutting measures will be partially consumed by upcoming pay rises. Considering these effects, we anticipate an EBIT margin of between 3.5 percent and 5.5 percent.

EXPECTATIONS FOR FISCAL YEAR 2016

	Results achieved in 2015	Forecast 2016
Net sales	Growth of 2.9 % (net of currency effects)	Growth of between 0.0 and 3.0 % (net of currency effects)
EBIT margin	2.6 %	Between 3.5 and 5.5 %[1]
DVA	EUR – 46.3 million	Improvement
Other forecast figures:		
Gross margin	44.9 %	Down year on year
Research and development costs	EUR 231.1 million	EUR 225 million to EUR 235 million
Interest result	EUR – 17.2 million	On par with prior year
Effective tax rate	32.8 %	Between 30 and 33 %
Days working capital (DWC)	121.2 days	119 to 121 days
Operating cash flow	59.8 % of EBIT	> 60 % of EBIT
Investment volume	EUR 196.8 million	EUR 110 million to EUR 120 million
Equity ratio	40.9 %	Increase
Net financial debt	EUR 145.3 million	Improvement

[1] Based on exchange rates at the start of fiscal year 2016

We expect there to be a major improvement in Dräger Value Added (DVA) in fiscal year 2016, primarily on the basis of the improvement in EBIT.

We believe that our gross margin in 2016 will be slightly down on the prior-year level. Measures to boost margins from the efficiency program are only likely to partially compensate for the negative effect on our margins, the ongoing price and competitive pressure as well as the change of the product mix.

We will continue to invest in the future sustainability of our Company in 2016. Our research and development costs are likely to remain on a par with the prior-year figure. We plan to launch a total of nine new products or upgrades in the medical division and 14 new products or upgrades in the safety division.

Our interest result is set to remain stable year on year, assuming interest rates remain unchanged. We expect a tax rate of between 30 percent and 33 percent for fiscal year 2016.

We have taken a range of measures to make the use of current assets more efficient. Besides optimizing our inventories, we also intend to improve our receivables management further. We anticipate a slight improvement in days working capital in the range of 119 to 121 days in 2016.

We anticipate cash inflow of over 60 percent of EBIT in fiscal year 2016. This is due to the expected improvements in earnings and the further optimization of net financial current assets.

Investment volume is likely to be lower in 2016 than in the prior year. Total investment volume will continue exceed depreciation and amortization and stand at between EUR 110 million and EUR 120 million.

We expect the equity ratio to rise on the back of expected earnings development, the planned retention of most of 2015 profits and only a slight rise in total assets.

In spite of anticipated investment volume, we expect a further improvement in net financial debt thanks to an improvement in cash inflow from operating activities.

"FIT FOR GROWTH" EFFICIENCY PROGRAM

Already in 2014 we launched our efficiency program "Fit for Growth" comprising a wide range of measures to boost competitiveness and productivity in the next few years. Given the unsatisfactory cost and earnings trend in fiscal year 2015, we have decided to intensify the "Fit for Growth" program and add short- to medium-term cost-cutting measures.

We have pooled together the efficiency measures in three programs: SHAPE, FIT! and Global Footprint. Each program focuses on a particular issue.

- SHAPE: Functional process and structures, supplemented with restructuring measures
- FIT!: Innovation and "time to market"
- Global Footprint: Optimization of production and R&D sites

SHAPE

The SHAPE program involves reviewing and enhancing our worldwide structures and processes in sales, marketing and administration with a clear focus on our customers.

Cost-cutting targets have been set for 2016 and 2017 for the headquarters in Lübeck and foreign subsidiaries. Aside from reducing personnel expenses, we also intend to achieve these targets by reducing material expenses. For instance we are reviewing our expenses for external service providers as well as travel expenses and costs for trade fair attendance. Alongside these indirect areas, we are also cooperating intensively with our suppliers to reduce direct production costs. At the moment the country organizations are working on underpinning their targets with detailed measures. This will likely result in a reduction in the headcount at foreign subsidiaries by a total of roughly 150 jobs. In Lübeck, we plan to reduce the number of employees by an additional 200 by the end of fiscal year 2016. Only part of this amount will be able to achieve via natural employee turnover. Our aim is to organize redundancies in a manner as socially acceptable as possible and through mutual consent. As a result, we are offering a "volunteer redundancy program" at the Lübeck site, which comprises an attractive severance package and support in seeking new career opportunities. The program runs from February 1 to the end of April 2016 and is based on mutual consent, in other words on both the employer and employee agreeing to termination. The offer can be declined by either side without having to give a reason. We will assess the results of the program once it has been concluded. If the targeted number of redundancies is not achieved, further measures such as terminations for operating reasons would be considered.

In the medium term we will be making our structures and processes leaner and more efficient. In this context, we will be transferring operative responsibility from the headquarters to the operating units responsible for customers in their respective regions. We want to eliminate complex administrative processes in doing so. The first decisions on the new organization have already been made:

Besides changes in Executive Board responsibilities to strengthen the market and customer focus across the whole Company, the organizational structure in the countries and regions will also be realigned by the end of the first quarter. Below the regional board members, there are six regions each managed by a "Regional CEO". The countries will be managed by an overall "Managing Director" in the future. This ensures a clear, cross-function allocation of responsibilities for activities in a country or region, guaranteeing distinct and quick decision-making.

By restructuring our organization, we intend to create more transparency and boost commitment when it comes to market, business and process responsibility.

FIT!

The standards of our technology and product developments are constantly rising against the backdrop of dynamically changing markets and increasing regulation. The primary aim of our "FIT!" program is to reduce time to market – in other words, to bring the customer benefit onto the market more quickly. The program covers all phases of the product lifecycle, from the product idea or customer request to its development and successful market launch. The successful implementation of this program is also being complemented by the restructuring of research and development, which we carried out in the prior year. The strategic realignment goes even further with the "Faster. Connected. Innovative" mission, which pushes the interconnectedness of our applications and our innovation organization both internally and externally and, in doing so, boosts innovation. The resulting solutions also make a significant contribution to customer satisfaction.

GLOBAL FOOTPRINT

In the "Global Footprint" program, we continually review our range of sites worldwide with the aim of optimizing the site structure to accelerate the flow of materials and therefore increase our supply capability while reducing production costs. At our Lübeck site, we have invested in a more efficient production and logistics structure within the scope of our "factory of the future" project over the past two years. In mid-2016, production in the medical division will start to operate at the "factory of the future" at the Revalstraße site. The "factory of the future" is set to be fully operational by 2017. In addition, labor-intensive production processes in the area of masks and protective suits will be moved from Lübeck to our site in Klášterec in the Czech Republic in the first half of 2016. We will also be closing our US safety technology site in Pittsburgh towards the end of the second quarter of 2016. Customer-relevant activities such as marketing and sales have already been transferred to our site in Houston, and all other tasks are to be distributed across other Dräger sites in the US and in Europe.

DRÄGER MANAGEMENT ESTIMATE

The global economy should only experience moderate growth in 2016. The slight improvement in economic momentum in industrialized economies will support growth, while the contribution to growth from emerging economies is likely to be lower than it has been in the past. The diverging monetary policies in the US on the one side and the eurozone and Japan on the other could be the source of fluctuations on capital markets and with exchange rates in 2016. For the medical and safety markets, we anticipate a slight growth trend with regional differences in 2016 as well.

Our net sales are likely to experience slight growth in 2016 net of currency effects. We will continue to invest in the future sustainability of our Company in 2016. We are once again planning for high research and development expenses, while our capital investments – including those for the "factory of the future" in Lübeck – will remain above depreciation and amortization. We are driving forward our "Fit for Growth" efficiency program with the aim of boosting competitiveness and efficiency. We expect expenses in relation to our efficiency program to amount to up to EUR 10 million in 2016. In summary, we expect a Group EBIT margin of between 3.5 percent and 5.5 percent in fiscal year 2016, based on the exchange rates at the beginning of the fiscal year.

For fiscal year 2017, we expect net sales growth (net of currency effects) and a further improvement in the EBIT margin compared to fiscal year 2016, provided there is no deterioration in exchange rates and developments in the markets relevant to us.

Business performance of Drägerwerk AG & Co. KGaA

Within the scope of activities aimed at simplifying our corporate structures, Dräger Medical GmbH was subsumed into Drägerwerk AG & Co. KGaA with retroactive effect as of January 1, 2015 in August 2015. As a consequence, the business performance and the net profit of Drägerwerk AG & Co. KGaA in fiscal year 2015 was significantly impacted in the amount of EUR –69.8 million (2014: EUR 86.1 million) by the merger loss of EUR –64.5 million and the business transactions of the former Dräger Medical GmbH. Prior-year comparisons are therefore only possible to a limited extent.

EARNINGS EFFECTS FROM OPERATING ACTIVITIES

In fiscal year 2015, Drägerwerk AG & Co. KGaA's result from the operating activities – excluding income from investments, interest result, taxes and the merger loss – stood at EUR –95.4 million in fiscal year 2015 (2014: EUR –41.2 million).

At Drägerwerk AG & Co. KGaA, net sales from medical business of EUR 880.6 million and cost of materials of EUR 506.8 million were reported for the first time due to the merger. The merger had a major impact of EUR 260.7 million on personnel expenses and of EUR 400.0 million on other operating expenses.

In addition, the result was also impacted by expenses for the efficiency program (EUR 16.4 million), the rise in headcount and pay rises, including the rise for the German metal and electrical industries. Pension expenses rose considerably in 2015 due to the cutting of the interest rate from 4.55 percent (2014) to 3.89 percent in the calculation of pension provisions according to the German Commercial Code (HGB).

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

LOWER RESULTS OF GROUP COMPANIES

Earnings from profit and loss transfer agreements (including intra-Group tax allocations) came to EUR 81.4 million in fiscal year 2015 (2014: EUR 157.1 million). The profit transferred by Dräger Safety AG & Co. KGaA in fiscal year 2015 was down by EUR 11.4 million year on year.

DISTRIBUTION FOR PARTICIPATION CAPITAL

Based on the proposed dividend for preferred shares of EUR 0.19, the distribution for participation capital for fiscal year 2015 decreased to EUR 1.90 per participation certificate; in 2014, a dividend for participation certificates of EUR 13.90 was paid.

INVESTMENTS

In fiscal year 2015, the Company invested EUR 6.4 million (2014: EUR 16.8 million) in software and intangible assets. Investments in property, plant and equipment came to EUR 76.4 million (2014: EUR 25.1 million). Investments were focused on the construction of the new reception and administration building and the “factory of the future” including plant, inspection and office equipment as well as on IT hardware and replacements.

NET ASSETS AND FINANCIAL POSITION

Due to the merger, the business transactions of the former Dräger Medical GmbH will play a major role in the balance sheet of Drägerwerk AG & Co. KGaA from 2015. The financial assets, inter-company receivables and liabilities and liabilities from Group financing were material balance sheet items in 2014; now, inventories and third-party receivables and liabilities are also material balance sheet items. After deducting cash and cash equivalents, net financial liabilities to banks as of December 31, 2015 amounted to EUR 201.0 million (2014: EUR 41.3 million); Group financing of Group companies came to EUR 151.5 million (2014: EUR 126.7 million).

Drägerwerk AG & Co. KGaA’s equity came to EUR 876.4 million and decreased by a total of EUR 61.6 million, primarily as a result of the merger loss of EUR –64.5 million. Drägerwerk AG & Co. KGaA’s equity ratio as of the reporting date therefore came to 56.4 percent (2014: 68.9 percent).

COMPARISON OF FORECAST FIGURES AND ACTUAL FIGURES

Due to the merger with Dräger Medical GmbH, comparison with prior-year forecast figures is only possible to a limited extent. Since fiscal year 2015, Drägerwerk AG & Co. KGaA’s earnings have been principally impacted by net sales in Germany and abroad, income from services, investments and profit and loss transfers. As announced in 2014, dividends in the amount of EUR 23.4 million were paid on common and preferred shares and participation certificates. The net financial liabilities to banks offset against cash and cash equivalents stood at EUR 201.0 million as of the balance sheet date. This value significantly deviated from the prior-year forecast, which had predicted a slight improvement (EUR 41.3 million), for the aforementioned reasons. In terms of the equity ratio, the forecast slight increase was unable to be achieved due to merger effects. It fell from 68.9 percent to 56.4 percent.

FUTURE SITUATION OF DRÄGERWERK AG & CO. KGAA

In fiscal year 2016, Drägerwerk AG & Co. KGaA will continue to provide services to Group companies alongside its operating medical business. Earnings in 2016 are likely to be shaped by net sales and income from services and investments.

We expect a slight rise in the equity ratio year on year.

DECLARATION OF CORPORATE GOVERNANCE

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 (Handelsgesetzbuch – HGB).

DECLARATION PURSUANT TO SEC. 161 AKTG.

Our declaration of conformity is available on the Company website www.draeger.com in the Investor Relations/Corporate Governance section and is also printed in this Annual Report on page 96 et seq.

DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

The Executive Board has implemented effective internal control systems and relevant employee training measures to ensure that the Group's financial reporting system is correct and complies with legal requirements. The Company's principles are based on integrity and social responsibility in all areas such as environmental protection, quality, product and process safety, and compliance with local laws and regulations. The Internal Audit department continuously monitors the implementation of these principles as well as the reliability and functionality of the control systems. The Executive Board of Drägerwerk Verwaltungs AG governs the Group in the interest of its shareholders and is aware of its responsibility to employees, society and the environment. We have made it our goal to use the resources entrusted to us in a manner that increases the value of the Dräger Group.

According to the resolution passed by the annual shareholders' meeting on April 30, 2015, the Supervisory Board appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as the independent auditor of the single entity financial statements of Drägerwerk AG & Co. KGaA for fiscal year 2015.

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 2015.

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

In its meetings on September 7, 2015, the Executive Board of the general partner defined a quota of 27 percent in relation to female participation in the first level of management below the Executive Board and a quota of 19 percent for the second level of management below the Executive Board. These quotas must be achieved by June 30, 2017.

FORWARD-LOOKING STATEMENTS

This combined management report contains forward-looking statements. The 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 warranty for the future developments and results contained therein. Rather, the future developments and results are dependent on a number of factors, including various risks and uncertainties; they are based on assumptions which could prove to be incorrect. Dräger does not assume any responsibility for updating the forward-looking statements made in this report.

Lübeck, February 17, 2016

The general partner
Drägerwerk Verwaltungs AG,
represented by its Executive Board

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

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ANNUAL FINANCIAL STATEMENTS

ANNUAL FINANCIAL STATEMENTS

Annual Financial Statements 2015 of the Dräger Group

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

in € thousand	Note	2015	2014
Net sales	11	2,608,920	2,434,656
Cost of sales	12	–1,437,249	–1,296,634
Gross profit		**1,171,670**	**1,138,022**
Research and development costs	13	–231,097	–212,020
Marketing and selling expenses[1]	14	–610,980	–549,219
General administrative costs[1]	15	–250,200	–199,956
Other operating income	16	7,703	7,332
Other operating expenses	16	–13,784	–13,895
		–1,098,358	**–967,758**
		73,313	**170,264**
Profit from investments in associates		55	229
Profit from other investments		161	297
Other financial result		–6,842	7,807
Financial result (before interest result)	**17**	**–6,625**	**8,333**
EBIT		**66,687**	**178,597**
Interest result	17	–17,166	–25,035
Earnings before income taxes		**49,521**	**153,562**
Income taxes	18	–16,233	–48,896
Net profit		**33,288**	**104,666**
Net profit		**33,288**	**104,666**
Non-controlling interests in net profit		–287	–105
Earnings attributable to participation certificates (excluding minimum dividend, after taxes)		900	8,174
Earnings attributable to shareholders		32,674	96,598
Undiluted earnings per share[2]	**21**		
per preferred share (in €)		1.89	5.73
per common share (in €)		1.83	5.67
Diluted earnings per share[2]	**21**		
per preferred share (in €)[4]		1.89	5.71
per common share (in €)[4]		1.83	5.65
Undiluted earnings per share on full distribution[3]	**21**		
per preferred share (in €)		1.46	4.58
per common share (in €)		1.40	4.52
Diluted earnings per share on full distribution[3]	**21**		
per preferred share (in €)[4]		1.46	4.56
per common share (in €)[4]		1.40	4.50

[1] Prior year's figures were adjusted retrospectively. ↗ **see Note 4**
[2] Based on the proposed dividend ↗ **see Note 21**
[3] Based on an imputed actual full distribution of earnings attributable to shareholders ↗ **see Note 21**
[4] Prior year figures were adjusted retrospectively pursuant to IAS 8. ↗ **see also Note 21**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

in € thousand	2015	2014
Net profit	**33,288**	**104,666**
Items that cannot be reclassified into the income statement		
Remeasurements of defined benefit pension plans	11,019	–82,375
Deferred taxes on remeasurements of defined benefit pension plans	–3,099	25,495
Items that may be reclassified into the income statement in the future		
Currency translation adjustment for foreign subsidiaries	14,529	20,458
Change in the fair value of financial assets designated as available for sale recognized directly in equity	3	44
Deferred taxes on changes in the fair value of financial assets designated as available for sale recognized directly in equity	–11	–3
Change in the fair value of derivative financial instruments recognized directly in equity	473	–1,325
Deferred taxes on changes in the fair value of derivative financial instruments recognized directly in equity	–116	515
Other comprehensive income (after taxes)	**22,799**	**–37,191**
Total comprehensive income	**56,086**	**67,476**
thereof earnings attributable to non-controlling investments	–423	–68
thereof earnings attributable to participation certificates (excluding minimum dividend, after taxes)	900	8,174
thereof earnings attributable to shareholders	55,609	59,370

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

in € thousand	Note	December 31, 2015	December 31, 2014
Assets			
Intangible assets	22	351,776	294,242
Property, plant and equipment	23	406,355	349,936
Investments in associates	24	231	277
Other non-current financial assets	25	11,613	14,523
Deferred tax assets	26	135,322	119,528
Other non-current assets	27	1,881	2,959
Non-current assets		**907,177**	**781,465**
Inventories	28	401,978	388,497
Trade receivables and receivables from construction contracts	29	711,323	657,394
Other current financial assets	30	47,708	33,843
Cash and cash equivalents	31	172,767	296,855
Current tax refund claims		19,386	23,797
Other current assets	32	47,724	52,260
		1,400,885	**1,452,645**
Non-current assets held for sale	33	3,334	0
Current assets		**1,404,220**	**1,452,645**
Total assets		**2,311,397**	**2,234,110**
Equity and liabilities			
Capital stock		45,466	44,186
Capital reserves		234,028	203,760
Reserves retained from earnings, incl. Group result		626,634	622,342
Participation capital	36	29,497	29,497
Other comprehensive income		8,691	–5,325
Non-controlling interests	35	1,614	2,146
Equity	**34**	**945,929**	**896,606**
Liabilities from participation certificates	36	21,779	20,872
Provisions for pensions and similar obligations	37	288,147	297,009
Other non-current provisions	38	56,646	55,619
Non-current interest-bearing loans	39	138,118	168,563
Other non-current financial liabilities	40	27,604	27,653
Non-current income tax liabilities		4,392	10,286
Deferred tax liabilities	41	3,431	1,540
Other non-current liabilities	42	5,762	5,830
Non-current liabilities		**545,880**	**587,373**
Other current provisions	38	232,984	189,278
Current interest-bearing loans and liabilities to banks	43	169,662	127,686
Trade payables	44	186,405	201,340
Other current financial liabilities	44	25,343	30,166
Current income tax liabilities		37,751	25,854
Other current liabilities	45	167,442	175,808
Current liabilities		**819,588**	**750,132**
Total equity and liabilities		**2,311,397**	**2,234,110**

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

	in € thousand	2015	2014
	Operating activities		
	Group net profit	33,288	104,666
+	Write-down / write-up of non-current assets	84,202	76,980
+	Interest result[1]	17,166	25,035
+	Income taxes[1]	16,233	48,896
+ / –	Increase / decrease in provisions[1]	35,989	– 11,991
–	Other non-cash expenses / income[1]	– 223	– 16,862
+	Loss from the disposal of non-current assets	592	1,173
–	Increase in inventories	– 5,384	– 1,153
–	Increase in leased equipment	– 13,730	– 11,454
+ / –	Decrease / increase in trade receivables	– 44,647	1,602
–	Increase in other assets[1]	– 6,146	– 3,774
+ / –	Increase / decrease in trade payables	– 22,756	25,193
+ / –	Increase / decrease in other liabilities[1]	– 11,981	10,633
+	Received dividends[1]	102	250
–	Cash outflow for income taxes[1]	– 29,214	– 43,348
–	Cash outflow for interest[1]	– 18,336	– 21,214
+	Cash inflow from interest[1]	4,706	3,351
	Cash inflow from operating activities	**39,861**	**187,982**
	Investing activities		
–	Cash outflow for investments in intangible assets	– 4,240	– 17,004
+	Cash inflow from the disposal of intangible assets	187	1,201
–	Cash outflow for investments in property, plant and equipment	– 110,149	– 88,874
+	Cash inflow from disposals of property, plant and equipment	5,680	4,274
–	Cash outflow for investments in non-current financial assets	– 692	– 93
+	Cash inflow from the disposal of non-current financial assets	290	634
–	Cash outflow from the acquisition of subsidiaries	– 58,063	– 2,748
	Cash outflow from investing activities	**– 166,987**	**– 102,610**
	Financing activities		
–	Distribution of dividends (including dividends for participation certificates)	– 34,601	– 19,820
+	Cash inflow from the exercise of option rights to preferred shares	31,548	34,888
–	Cash outflow from the acquisition of treasury shares for the employee share program	– 1,143	–
+	Cash provided by raising loans	48,087	8,927
–	Cash used to redeem loans	– 105,472	– 56,252
+	Net balance of other liabilities to banks	66,082	7,539
–	Net balance of finance lease liabilities repaid / incurred	– 1,761	– 1,591
–	Cash outflow from the change in shareholdings in subsidiaries without a change in the method of accounting	– 4,000	–
–	Profit distributed to non-controlling interests	– 42	– 28
	Cash outflow from financing activities	**– 1,303**	**– 26,337**
	Change in cash and cash equivalents in the fiscal year	**– 128,429**	**59,035**
+	Effect of exchange rates on cash and cash equivalents	4,342	5,689
+	Cash and cash equivalents at the beginning of the fiscal year	296,855	232,131
	Cash and cash equivalents as of December 31 of the fiscal year	**172,767**	**296,855**

[1] Payments for received dividends, income taxes and interests are shown separately in the cash flow statement. Prior year's figures were adjusted accordingly.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

						Other comprehensive income						
in € thousand	Capital stock	Capital reserves	Reserves retained from earnings incl. Group result	Participation capital	Treasury shares	Currency translation differences	Derivative financial instruments	Available-for-sale financial assets	Total other comprehensive income	Total equity of shareholder Dräger-werk AG & Co. KGaA	Non-controlling interests	Equity
Jan. 1, 2014	**42,778**	**170,280**	**591,926**	**29,497**	**0**	**–20,970**	**–1,596**	**10**	**–22,556**	**811,925**	**4,042**	**815,967**
Net profit	–	–	104,771	–	–	–	–	–	–	104,771	–105	104,666
Other comprehensive income	–	–	–56,881	–	–	20,422	–809	41	19,653	–37,227	37	–37,191
Total comprehensive income	–	–	**47,891**	–	–	**20,422**	**–809**	**41**	**19,653**	**67,544**	**–68**	**67,476**
Distributions	–	–	–19,820	–	–	–	–	–	–	–19,820	–28	–19,848
Exercise of option rights to preferred shares	1,408	33,480	–	–	–	–	–	–	–	34,888	–	34,888
Change in the shares in subsidiaries, excluding loss of control	–	–	–697	–	–	–2,422	–	–	–2,422	–3,119	–2,675	–5,793
Change in the scope of consolidation	–	–	–	–	–	–	–	–	–	0	875	875
Miscellaneous	–	–	3,042	–	–	–	–	–	–	3,042	–	3,042
Dec. 31, 2014/ Jan. 1, 2015	**44,186**	**203,760**	**622,342**	**29,497**	**0**	**–2,970**	**–2,405**	**51**	**–5,325**	**894,459**	**2,146**	**896,606**
Net profit	–	–	33,574	–	–	–	–	–	–	33,574	–287	33,288
Other comprehensive income	–	–	7,920	–	–	14,665	357	–7	15,015	22,935	–136	22,799
Total comprehensive income	–	–	**41,494**	–	–	**14,665**	**357**	**–7**	**15,015**	**56,509**	**–423**	**56,086**
Distributions	–	–	–34,601	–	–	–	–	–	–	–34,601	–42	–34,643
Acquisition of treasury shares	–	–	–	–	–1,143	–	–	–	–	–1,143	–	–1,143
Employee share program	–	–	–	–	1,143	–	–	–	–	1,143	–	1,143
Exercise of option rights to preferred shares	1,280	30,268	–	–	–	–	–	–	–	31,548	–	31,548
Change in the shares in subsidiaries, excluding loss of control	–	–	–3,086	–	–	–846	–	–	–846	–3,932	–68	–4,000
Miscellaneous	–	–	485	–	–	–	–153	–	–153	332	–	332
Dec. 31, 2015	**45,466**	**234,028**	**626,634**	**29,497**	**0**	**10,849**	**–2,201**	**43**	**8,691**	**944,315**	**1,614**	**945,929**

Notes of the Dräger Group for 2015

1 GENERAL

The Dräger Group is managed by Drägerwerk AG & Co. KGaA, Moislinger Allee 53–55, D-23542 Lübeck, Germany, the ultimate parent company. Drägerwerk AG & Co. KGaA is entered in the commercial register of the Local Court of Lübeck under HR B No. 7903 HL.

On March 9, 2016, the Executive Board is approving the publication of the Group financial statements of Drägerwerk AG & Co. KGaA for fiscal year 2015. The Group financial statements are published in electronic form in the Federal Gazette.

The Group's business activities and structure are described in the segment reporting as well as management report of this annual report.

2 BASIS OF PREPARATION OF THE GROUP FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA prepared its Group financial statements for fiscal year 2015 in accordance with International Financial Reporting Standards (IFRS) promulgated 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 of December 31, 2015 to its 2015 Group financial statements, provided that these standards were 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 2015.

On their effective dates, Dräger has applied the following revised and new standards issued by the IASB for the first time in fiscal year 2015 in particular:

- The “Annual Improvements to IFRSs 2010–2012 Cycle (issued December 2013)” resulted in slight adjustments or corrections to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. This does not have a material impact on Dräger's Group financial statements.
- The “Annual Improvements to IFRSs 2011–2013 Cycle (issued December 2013)” resulted in slight adjustments or corrections to IFRS 1, IFRS 3, IFRS 13 and IAS 40. This does not have a material impact on Dräger's Group financial statements.
- The amendments to IAS 19 “Defined Benefit Plans: Employee Contributions (issued November 2013)” pertain to amendments to IAS 19.93 to the effect that an employee's contributions to defined benefit plans that are related to the services rendered by that employee (such as deferred compensation) reduce the service costs for that period, insofar as the contributions and the employee's services apply to the same period. Consequently, these contributions may not be attributed to years of service as a negative benefit. This does not impact Dräger's Group financial statements.

Additional accounting provisions have already been adopted into European law by the EU and apply to fiscal years beginning on or after January 1, 2016. Dräger did not voluntarily apply this interpretation prematurely. These accounting provisions relate in particular to the following standards and amended standards:

- The "Annual Improvements to IFRSs 2012 – 2014 Cycle (issued September 2014)" resulted in slight adjustments or corrections to IFRS 5, IFRS 7, IAS 19 and IAS 34. This does not have a material impact on Dräger's Group financial statements.
- The IASB published clarifications on IAS 1 in line with the "Disclosure Initiative – Amendments to IAS 1 (issued December 2014)." In addition to assessing the materiality of information in the financial statements, the presentation of additional line items in the balance sheet and the statement of comprehensive income, and the structure of disclosures in the notes, these also relate to the presentation of significant accounting policies. They also relate to the presentation of the other comprehensive income of associates and joint ventures accounted for using the equity method. This does not have a material impact on Dräger's Group financial statements.
- The amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations (issued May 2014)" means that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. This does not impact Dräger's Group financial statements.

Further standards were published and existing standards amended, which become effective for fiscal years starting on or after January 1, 2016 and which had not yet been endorsed by the balance sheet date. These accounting provisions include, in particular, the following:

- IFRS 9 "Financial Instruments (issued November 2009, amended December 2011)" deals with the classification, recognition and measurement of financial assets and liabilities. This standard replaces the sections of IAS 39 that describe the classification and measurement of financial instruments. According to IFRS 9, financial assets are now only classified into two measurement categories: at fair value and at amortized cost. Most of the regulations regarding financial assets in IAS 39 still apply. The application of IFRS 9 can result in changes to the classification of financial assets in Dräger's Group financial statements. The management is evaluating the effects of these amendments on Dräger's Group financial statements.
- IAS 39 "Hedge Accounting" was largely revised and then added to IFRS 9 as a separate chapter relating to hedge accounting within the scope of IFRS 9 "Financial Instruments – Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39 (issued November 2013)." Thus far, Dräger has only made use of hedge accounting to a limited extent. As a result, this does not have a material impact on Dräger's Group financial statements.
- IFRS 9 "Financial Instruments (issued July 2014)" completes the IASB's financial instruments project. IFRS 9 was published as a complete standard, bringing together all previously published regulations and the new regulations on the recognition of impairment and limited amendments to the classification and measurement of financial assets. This is not expected to have a material impact on Dräger's Group financial statements, although this is still being assessed by management.
- The amendments to the requirements of IAS 28 and IFRS 10 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued September 2014)" address a conflict between these requirements and clarify that in a transaction involving

an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. This does not have a material impact on Dräger's Group financial statements.
- IFRS 15 "Revenue from Contracts with Customers (issued May 2014)" specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard replaces IAS 18 "Revenue", IAS 11 "Construction Contracts" and revenue-related interpretations IFRIC 13, 15, 18 and SIC-31. Revenue realization and, in particular the revenue recognition processes, are currently being analyzed on behalf of management. The current impact analysis indicates that this does not have a material impact on Dräger's Group financial statements.
- The amendments to IFRS 10, IFRS 12 and IAS 28 (issued December 2014) govern the application of the consolidation exception for investment companies. This does not impact Dräger's Group financial statements.
- The new IFRS 16 "Leases (issued January 2016)" supersedes the current standard on lease-accounting IAS 17 as well as the interpretations IFRIC 4, SIC-15 and SIC-27. IFRS 16 defines leases as an agreement in which the right to control the use of an identifiable asset is transferred and that during the term of use the customer has the right to both define the use of this asset as well as to benefit from the use of this asset. The material changes affected by IFRS 16 relate to how the lessee accounts for these leases. The lessee is required to recognize assets and liabilities for the rights and obligations arising under leases. Recognition exemptions are granted for low-value assets and short-term leases. The accounting principles for lessors largely correspond to the existing provisions under IAS 17. The management is currently evaluating the effects of these amendments on Dräger's Group financial statements.
- The amendments to IAS 7 "Statement of Cash Flows (issued January 2016)" in line with the "Disclosure Initiative" stipulate additional notes disclosure that should help users of financial statements to evaluate changes in liabilities arising from entity's financing activities. This does not have a material impact on Dräger's Group financial statements.
- The amendments to IAS 12 "Recognition of Deferred Tax Assets (issued January 2016)" clarify how to account for deferred tax assets for unrealized losses related to debt instruments measured at fair value and recognized in other comprehensive income. This does not have a material impact on Dräger's Group financial statements.

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

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

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

3 AMENDMENTS TO SEGMENT REPORTING

Dräger is reducing unnecessary double structures in the medical and safety divisions within the scope of the introduction of the functional, cross-departmental management model so as to facilitate the use of synergy effects. Dräger has therefore started to gradually merge the legal entities in the various countries, thereby cutting complexity and costs.

The merger of the previously separate legal entities of the safety division and the medical division requires amendments to segment reporting. From the first quarter of 2015, the results of the medical and safety divisions are calculated on the basis of product attribution to the medical or safety division rather than on the basis of the legal entities as had been the case previously.

This results in the following changes to our segment reporting:

- The reporting of net sales will no longer be based on the consolidated net sales of the sub-groups; the reporting will instead be based solely on third-party net sales.
- Non-product-related costs, including headquarter costs, previously recognized in the Drägerwerk AG & Co. KGaA / Other companies segment, are now allocated to the two divisions on the basis of the planned net sales.
- The segment Drägerwerk AG & Co. KGaA / Other companies will no longer exist in the future. This segment had, until now, recognized, among other things, non-product-related costs, including a share of headquarter costs. These will now be allocated to the two segments on the basis of the plan-based net sales formula.
- Balance sheet items not allocated to products in the medical and safety divisions or to their customers are only reported at Group level.
- Reporting capital employed by segment is based on the key drivers of net working capital (trade receivables, inventories including prepayments received). Long-term capital employed such as property, plant and equipment is no longer included in segment reporting, as it can no longer be allocated to the segments following the merger of the respective legal units.

The amendments were applied retrospectively in accordance with IAS 8. This results in the following effects on the Group financial statements as of December 31, 2014:

EFFECTS ON SEGMENT REPORTING

				Dräger medical division	
		Dec. 31, 2014 after adjustments	Adjustments	Dec. 31, 2014 before adjustments	Dec. 31, 2014 after adjustments
Order intake with third parties	€ million	1,569.8	–6.3	1,576.2	845.7
Net sales with third parties	€ million	1,577.2	–8.2	1,585.4	857.5
EBIT[1]	€ million	107.6	–21.3	128.9	71.0
Depreciation / amortization	€ million	–49.8	–21.5	–28.3	–27.2
Research and development expenses	€ million	151.5	–0.2	151.7	60.5
Capital employed[2,3]	€ million	721.5	42.0	679.5	292.1
EBIT[1] / Net sales	%	6.8	–1.3	8.1	8.3
DVA[4,5]	€ million	47.2	–22.1	69.2	47.6

[1] EBIT = Earnings before net interest result and income taxes
[2] Capital employed in segments = trade receivables, inventories incl. prepayments received; Capital employed Group = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest bearing liabilities
[3] Value at end of period
[4] Value of the last twelve months
[5] Dräger Value Added = EBIT less cost of capital of average capital employed

4 AMENDMENTS TO FUNCTIONAL REPORTING

Until now, administrative expenses in the regions have been charged as a lump sum to marketing and selling expenses. Following the successful introduction of our new reporting system with a cost center plan applicable throughout the Group, these costs are now also reported properly in the regions as administrative expenses. This does not affect the sum total of marketing and selling expenses and administrative expenses.

The amendments were applied retrospectively in accordance with IAS 8. This results in the following effects on the Group financial statements as of December 31, 2014:

EFFECTS ON INCOME STATEMENT

in € thousand	2014 after adjustments	Adjustments	2014 before adjustments
Marketing and selling expenses	–549,219	–75,984	–625,203
General administrative costs	–199,956	75,984	–123,972

5 EXERCISING OPTION RIGHTS

Within the scope of the acquisition of the 25 percent share in Dräger Medical GmbH (now: Drägerwerk AG & Co. KGaA) from Siemens in fiscal year 2009, Dräger issued warrant bonds with option rights guaranteed in the form of warrants to the total nominal value of EUR 1.25 million to Siemens on August 30, 2010. The option rights entitled their holders to acquire a total of 1.25 million preferred shares. They were divided into 25 individual

	Dräger safety division			Drägerwerk AG & Co. KGaA / Other companies / consolidation			Dräger Group
Adjustments	Dec. 31, 2014 before adjustments	Dec. 31, 2014 after adjustments	Adjustments	Dec. 31, 2014 before adjustments	Dec. 31, 2014 after adjustments	Adjustments	Dec. 31, 2014 before adjustments
−38.0	883.7	–	44.3	−44.3	2,415.5	–	2,415.5
−33.4	890.9	–	41.6	−41.6	2,434.7	–	2,434.7
−17.4	88.4	–	38.7	−38.7	178.6	–	178.6
2.0	−29.2	–	19.5	−19.5	−77.0	–	−77.0
2.1	58.4	–	−1.9	1.9	212.0	–	212.0
35.8	256.3	–	−171.4	171.4	1,107.2	–	1,107.2
−1.6	9.9				7.3		7.3
−18.5	66.1	–	–	–	81.6	–	81.6

options, entitling holders to acquire 50,000 preferred shares each. The option rights expired on April 30, 2015.

In order to exercise the option rights issued to Siemens, the annual shareholders' meeting on May 7, 2010 resolved to conditionally increase the Company's capital stock by up to EUR 3,200,000 by issuing up to 1,250,000 new no-par preferred bearer shares (no-par shares) in return for cash and / or contributions in kind (conditional capital).

The following option rights were exercised in fiscal year 2015:

EXERCISING OPTION RIGHTS

Exercise date	Number	Exercise price (EUR)	Total value (€ thousand)
April 2015	5 option rights = 250,000 preferred shares	63.43	15,858
May 2015	5 option rights = 250,000 preferred shares	62.79	15,698
less transaction fees			−8
			31,548

As a result, equity, less transaction fees (EUR 8 thousand), increased by a total of EUR 31,548 thousand as of December 31, 2015 (of which capital stock in the amount of EUR 1,280 thousand).

A total of four option rights (200,000 preferred shares) were exercised in fiscal year 2013 and a total of eleven option rights (550,000 preferred shares) were exercised in fiscal year 2014. In fiscal year 2014, equity, less transaction fees (EUR 7 thousand), increased by a total of EUR 34,888 thousand as of December 31, 2014 (of which capital stock in the amount of EUR 1,408 thousand).

As a result, all 25 option rights had been exercised as of December 31, 2015.

6 SCOPE OF CONSOLIDATION

The consolidated group of Drägerwerk AG & Co. KGaA is composed of the following entities:

SCOPE OF CONSOLIDATION

	Germany	Abroad	Total
Drägerwerk AG & Co. KGaA and fully consolidated companies			
January 1, 2015	25	91	116
Acquisition	–	1	1
Mergers	2	1	3
December 31, 2015	**23**	**91**	**114**
Associates			
January 1 / December 31, 2015	1	–	1
Total	**24**	**91**	**115**

Besides Drägerwerk AG & Co. KGaA, 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, or rights, to variable returns from its involvement with the company, and the ability to use its power over the company to affect the amount of the company's returns. Those of the company's activities that significantly influence its returns are classified as relevant activities.

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

The consolidated group includes six (2014: seven) 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 10). Dräger does not provide these companies with any financing or guarantees, nor does it intend to do so.

↗ Note 10

The determination of the entities to be included in consolidation on the basis of IFRS 10 did not result in any change to Dräger's scope of consolidation in fiscal year 2014.

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.

Dräger leases land and buildings from two companies, whose only purpose is leasing these properties while Dräger does not hold any interests in or have any influence over these companies by means of other contracts. These companies are not included in Dräger's consolidated group, as Dräger does not exercise any control over these companies within the meaning of IFRS 10 on account of the firm contractual commitments. The companies do not receive any financing or guarantees from Dräger, nor does Dräger plan any such support. Provisions for potential losses are recognized, as Dräger does not use these properties to their full extent (please refer to our comments in Note 38).

↗ Note 38

Joint arrangements where Dräger has joint control together with one or more parties are accounted for in accordance with IFRS 11. A difference is made here between joint operations and joint ventures.

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

Joint ventures, on the other hand, occur when the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Dräger is currently contractually involved in four joint ventures in the form of working groups accounted for using the equity method. These companies are not presented in the notes, as their business in and of itself is not material, their shares have no costs, and these 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 an associate. In compliance with IAS 28, associates are accounted for according to the equity method.

The consolidated companies of the Dräger Group as of December 31, 2015 are listed under Note 55.

↗ Note 55

7 EFFECTS OF THE CHANGES IN THE SCOPE OF CONSOLIDATION

On March 16, 2015, Dräger acquired 100 percent of the shares in GasSecure AS, Oslo, Norway, and added this company to the scope of consolidation. GasSecure AS develops and sells wireless gas detection systems for explosion protection in the oil and gas industry. The acquisition of shares enables Dräger to expand its portfolio of gas detection systems.

The purchase price of the shares in GasSecure AS amounted to the equivalent of EUR 58,378 thousand and has already been paid in full. The purchase price included a suspending contingent amount of EUR 5,000 thousand. The condition required that the provisions of safety integrity level 2 for wireless gas detection systems would be met by April 30, 2015. This condition was fulfilled within the time limit prescribed.

The current net outflow of funds in the Group financial statements totaled EUR 58,063 thousand on account of the simultaneous takeover of cash in the amount of EUR 314 thousand.

The acquisition of shares impacted the consolidated balance sheet as follows:

EFFECT OF ACQUISITION ON THE CONSOLIDATED BALANCE SHEET

in € thousand	
Goodwill	43,980
Other intangible assets	16,431
Property, plant and equipment	35
Other non-current financial assets	61
Inventories	384
Trade receivables and receivables from construction contracts	253
Other current financial assets	1
Other current assets	340
Cash and cash equivalents	314
Total assets acquired	**61,799**
Deferred tax liabilities	2,521
Other current provisions	16
Trade payables	244
Other current financial liabilities	360
Other current liabilities	280
Total liabilities assumed	**3,421**

The goodwill remaining after the purchase price allocation relates to expected synergy effects that cannot be capitalized as well as to the expected income related to future innovations to maintain competitiveness. The purchase price allocation is provisional with regard to the measurement of the intangible assets and the tax assessment. The goodwill is calculated from the purchase price, less the acquired assets and assumed liabilities, and is attributed to the safety division. Goodwill is not deductible for tax purposes.

The fair value of the acquired trade receivables corresponds to a gross amount of EUR 253 thousand. There is no doubt as to the recoverability of these receivables. There are no contingent liabilities.

Since joining the scope of consolidation, the net sales of GasSecure AS of EUR 1,372 thousand, as well as corresponding earnings after income taxes of EUR –2,211 thousand, are included in the consolidated income statement of the Dräger Group. Had GasSecure AS joined the scope of consolidation effective January 1, 2015, net sales of EUR 1,604 thousand, as well as corresponding earnings after income taxes of EUR –2,476 thousand, would have been included in the consolidated income statement of the Dräger Group.

In January 2015, Dräger also acquired the shares of the non-controlling shareholder of Draeger Medikal Ticaret ve Servis Anonim Sirketi, Istanbul, Turkey, of 11.25 percent at a total cost of EUR 4,000 thousand. This means that Dräger is now this subsidiary's sole shareholder. As a result, non-controlling interests fell by EUR 68 thousand. The statement of changes in equity shows the overall effect on equity.

In August 2015, Dräger Medical GmbH was merged with Drägerwerk AG & Co. KGaA retrospectively as of January 1, 2015 as part of our efforts to simplify our corporate structure. HAMUS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Lübeck KG, Pullach i. Isartal, became part of Drägerwerk AG & Co. KGaA following the withdrawal of the general partner in November 2015. Dräger Medical Netherlands B.V., the Netherlands, was merged with Dräger Nederland B.V., the Netherlands, in May 2015.

8 CONSOLIDATION PRINCIPLES

Purchases are accounted for according to the acquisition method. On initial consolidation of acquired subsidiaries, the identifiable assets and liabilities (including contingent liabilities) are measured at their fair values at the date on which control of the subsidiary is obtained. The excess of the cost of the investment over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognized as goodwill. All 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 as expenses, provided that these 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 as such (see also Note 35).

↗ Note 35

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 values of the investments. Impairments are accounted 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 value 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 measured at Group cost. For associates, elimination of intercompany profits and losses is waived due to immateriality. Internal net sales are eliminated. Any 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 years.

9 CURRENCY TRANSLATION

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

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

The foreign consolidated subsidiaries 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 rate for the items of the income statement. All resulting translation differences are recognized directly 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 shall be restated in terms of the measuring unit current on the balance sheet date using a general price index for the country in question. As in the prior year, one operating subsidiary in Venezuela had its registered office in a hyperinflationary economy in the year under review. The effects of inflation were not recognized as the subsidiary is of only minor importance to the Group.

The exchange gains / losses on operating foreign currency items included in cost of sales and in functional costs gave rise to a total loss of EUR –7,245 thousand (2014: income of EUR 627 thousand).

The exchange gains / losses on foreign currency items disclosed in the financial result led to a total loss of EUR –6,874 thousand (2014: income of EUR 7,841 thousand).

Currency translation for foreign subsidiaries gave rise to an increase in other comprehensive income of EUR 14,665 thousand as of the balance sheet date (2014: increase of EUR 20,422 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 € =	Dec. 31, 2015	Dec. 31, 2014	2015	2014
USA	USD	1.09	1.21	1.10	1.32
People's Republic of China	CNY	7.06	7.54	6.95	8.16
UK	GBP	0.73	0.78	0.72	0.80
Australia	AUD	1.49	1.48	1.48	1.47

10 ACCOUNTING POLICIES

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

General

The Group financial statements have been 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 for derivative financial instruments and financial investments available for sale, which 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 paid to 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 means of determining fair value does not apply to the following at Dräger:

– Leasing transactions within the scope of IAS 17; and
– Measurements that have some similarities to fair value but are not fair value.

A differentiation is also made between the dependence on observable market data in the following hierarchies when determining fair value; this differentiation must be disclosed:

Level 1: In the event of an active market for the asset to be measured to which the entity has access, the fair value shall be the value determined and published on this market (mark to market).

Level 2: In the event that there is no active market for the financial instrument to be measured, the timely and observable market or transaction prices for assets that are substantially the same shall be used where these exist.

Level 3: In the event that neither an active market nor timely market or transaction prices exist for the financial instrument to be measured, the fair value shall be determined using accepted valuation techniques. These also include methods that derive prices from past market transactions.

Net sales recognition

Net sales are recognized when control, for instance the risks and rewards incident to ownership, has been transferred to the buyer. Net sales includes the income that can be determined reliably, if it is probable that the economic benefit will flow to the entity.

Net sales from services are recognized when the service has been rendered, if the amount of income can be measured reliably and it is probable that the economic benefit will flow to the entity. Net sales that cannot be reliably estimated are only recognized to the extent of the expenses recognized that are recoverable.

If several deliveries and / or services are provided to the same customer at the same time or within a short time frame and are included in a single civil law contract with a single price (multi-element contracts), this transaction is split into a number of different elements and the regulations pertaining to net sales recognition are applied to the individual components of the transaction to reflect the economic content of the transaction appropriately.

Net sales are reduced by sales deductions, if any.

In accordance with IAS 11, construction contracts are recognized using the stage of completion method. 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 of the balance sheet date in relation to the estimated total cost. If the outcome of a construction contract can be estimated reliably, the revenues are recorded at the amount of contract costs incurred plus a profit margin. The contracts are recognized under receivables from construction contracts or, if a loss is expected, under liabilities from construction contracts. Partial payments received are deducted from the receivable. If the partial payments received exceed the receivable, the balance is recognized under liabilities.

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. Costs incurred in connection with the installation and implementation of 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 attributable overheads and are charged as 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 in order to use or sell it.
- The ability to use or sell the product.
- 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 not all criteria for capitalization are met, internal development costs for products, including their software, are expensed as incurred (as in the case of research costs).

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

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

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation 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 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 (excluding 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 methods 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 value of the asset exceeds its recoverable amount (the higher of its value in use and net realizable value), 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; this 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 one percent in the subsequent period is used to test the goodwill of the individual cash generating units. A risk-adjusted interest rate is used for discounting. Goodwill is based on the operating business segments in accordance with IFRS 8.

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

Financial instruments

A financial instrument is any 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 shareholdings,
- Securities,
- Loans and other receivables,
- Derivative financial assets,
- Other financial assets, and
- Cash and cash equivalents.

The Dräger Group reports the following financial liabilities:

- Liabilities to banks and loan liabilities,
- Trade payables,
- Derivative financial liabilities, and
- Other financial liabilities.

Financial assets

Financial assets are divided into the following categories:

- Financial assets measured at fair value through profit and loss,
- Loans and receivables,
- Held-to-maturity investments, and
- Available-for-sale financial assets.

Financial assets are initially recognized at fair value. Incidental purchase costs (transaction fees), such as commission, agents' costs, notary costs or taxes and fees, are only to be allocated to financial assets or liabilities whose changes in value are not recognized in profit or loss. 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 when assets have to be delivered within the statutory or conventional time scale applicable to the location where the transaction took place.

Financial assets may be classified, upon initial recognition, at fair value through profit or loss if they fulfill the requirements of the IASB (fair value option). This option has not been exercised by the Dräger Group to date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are recognized at amortized cost less any impairment losses and discounting (effective interest method).

Securities with fixed or determinable payments and fixed maturities that the Dräger Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments and recognized at amortized cost using the effective interest method.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale and are not classified as belonging to any of the other categories. This category comprises other investments and securities, which are measured at fair value, or, if not determinable, at amortized cost. Unrealized gains and losses from the change in fair value are recorded in equity, taking the tax effects into account.

Changes in fair value are not recognized in profit or loss until the asset is sold, or if it is permanently impaired.

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

In subsequent measurements, financial assets are subject to an impairment test. As part of a two-stage method, the first step is to examine whether there is substantial evidence of impairment following the initial recognition (i.e. it is highly probable that the borrower will become insolvent or the obligor is in considerable financial difficulties). The second step is to determine the extent of the impairment on the basis of expected future cash flows. The carrying values of loans and receivables are generally 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 shall be removed from the seller's balance sheet when the rights to cash flows from the asset have expired or the rights to cash flows and significant opportunities and risks have been transferred and the seller no longer has any control over the asset.

Financial liabilities

Financial liabilities are divided into the following categories: fair value through profit or loss or other financial liabilities.

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

The subsequent measurement of liabilities held for trading, as they were acquired with the intention of repurchasing them in the short term, is always recognized in profit or loss. Other financial liabilities are 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.

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

Financial liabilities are derecognized when the corresponding obligation has been settled, cancelled or expired.

Derivative financial instruments

The Dräger Group uses derivatives as part of its risk management to hedge currency and interest rate risks.

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

In a hedge of the exposure to changes in fair value of a recognized asset or liability (fair value hedge), the changes in the fair value of both the hedged item and the derivative are recognized in profit or loss. Changes in the fair value of the exposure to variability in future cash flows (cash flow hedge) are recognized directly under other comprehensive income if the hedge is effective. These amounts are recognized in profit or loss until the hedged item affects profit or loss.

Derivative financial instruments that are not designated as effective hedging instruments in accordance with IAS 39 are classified as held for trading and 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.

In hedging foreign currency risks posed by recognized assets or recognized liabilities, the Dräger Group does not use hedge accounting in accordance with IAS 39 to recognize hedges as the profit or loss from the currency translation of the hedged item pursuant to IAS 21 affects the income statement at the same time as the profit or loss from the measurement of the hedging instrument.

↗ Note 46

We refer to Note 46 for details of the nature and scope of the Dräger Group's existing financial instruments.

Inventories

Inventories comprise raw materials, consumables and supplies, work in process and 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 materials and production overheads as well as special direct production costs allocable to the production process. Depreciation on items classified as property, plant and equipment used in the production process is also included. Borrowing costs that are material and directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in accordance with IAS 23.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated 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 taken over by the customers after a short period of time. The net realizable value declines by 25 percent per year over the period during which rental and demo equipment is used.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances, including short-term deposits; the availability of these is restricted in some cases.

Participation capital

In accordance with IAS 32 and IAS 39, the individual Dräger participation certificate series are recognized pursuant to the commercial value of their contractual agreements. Series A certificates are classified as equity. However, they include an obligation with a value to the amount of the minimum return which is recognized as liability.

Series K and D certificates are classified as debt, but the premium on the issue price exceeding Dräger's obligation is recognized as equity.

Effects recognized in equity reflect the participation certificates' equity component (including tax effects) and corresponding past compounding effects.

↗ Note 36

The components recognized as debt are measured at amortized cost using the effective interest method (present value of repayment obligation). Please refer to Note 36 for further information on the individual Dräger participation certificate series.

The compounding of liabilities from participation certificates and the minimum dividend for series A and K are included in the interest expense of the respective period. The dividend for series D certificates and the amount exceeding the minimum dividend for series A and K certificates are paid with equity capital.

Dividends

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

Provisions for pensions and similar obligations

The Dräger Group's provisions for pension obligations 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 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 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 of 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), meaning that they only serve to cover and finance the Company's direct pension obligations in Germany.

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

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

Other provisions

A provision is 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, and a reliable estimate can be made of the amount of the obligation.

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

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

Other provisions additionally include post-employment benefits, which are employee benefits (not including pensions) that are mainly paid in connection with personnel-related restructuring, e.g. 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 when 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 shall 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 was 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 companies are required to pay income taxes in several countries. Current tax expenses are determined using the tax regulations applicable on the balance sheet date in the individual countries. When determining global income tax receivables and liabilities, the interpretation of tax regulations in particular can carry a degree of uncertainty. It cannot be ruled out that the various fiscal authorities have different perspectives with regards to the correct interpretation of tax standards. The associated uncertainty is taken into account in that uncertain tax receivables and liabilities are estimated as soon as management is of the view that the probability of occurrence exceeds 50 percent. 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 accordingly 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 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 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 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.

Share-based payment

In fiscal year 2015, as in fiscal year 2013, Dräger offered all Dräger employees in Germany share-based compensation in the form of an employee share program. This is designed 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

Leases are all agreements whereby the lessor conveys to the lessee in return for payment the right to use an asset for an agreed period of time.

A) FINANCE LEASES

Dräger Group as lessee

Leases of assets under which substantially all the risks and rewards of ownership are effectively transferred to the lessee are classified as finance leases.

At inception of the lease, finance leases are recognized as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor is the interest rate implicit in the lease if this is practicable to determine. If this is not the case, the lessee's incremental borrowing rate is used. Initial direct costs are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding interest expense is recognized in the interest result.

A finance lease gives rise to a depreciation expense for the capitalized asset as well as a finance expense for each period. The depreciation policy for leased assets is consistent with that for corresponding depreciable assets which are owned by the Company.

Dräger Group as lessor

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.

B) OPERATING LEASES

Dräger Group as lessee

Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under this lease are recognized as an expense in the function in which they are incurred.

Dräger Group as lessor

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

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 of the balance sheet date and the recognition of income and expenses. Actual amounts may differ from these assumptions and estimates.

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 value of these properties Dräger exercises control over the variable returns of these companies and therefore over the own returns from the investments. As in the prior year, these real estate companies therefore need to be included in Dräger's scope of consolidation as subsidiaries. Rational expectations as to the development of real estate prices were used when assessing the management of the residual values.

As part of the annual assessment of the recoverable amount of capitalized goodwill, Dräger's management uses estimates to arrive at its conclusions. Management uses data from internal analyses and forecasts with regards to anticipated earnings trends and data from external information sources with regards 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.

Customer-specific construction contracts are recognized using the stage of completion method. The most important measurements used for the careful determination of the stage of completion include total costs, total revenues and risks related to the contract as well as other estimates. Management continuously assesses all estimates made in connection with such construction contracts.

Defined benefit pension plans and similar obligations are recognized in accordance with actuarial methods. These methods are based on actuarial assumptions such as the discount rate, wage and salary trends, increases in pensions and employee turnover. The used discount factors 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 pension plans and similar obligations.

↗ Note 37

The results of sensitivity analyses for the discount rate, future increases in pensions and life expectancy as stated in Note 37 provide indications of these effects.

The Group has set aside provisions for various 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 do not exist, Dräger also refers to the assessments of qualified external experts.

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

Notes to the income statement

11 NET SALES

↗ Note 49
↗ Note 3

For the breakdown of net sales by sales types, please see the table below. A detailed segment report, including net sales by regions, is provided in Note 49. Please refer to Note 3 for the reconciliation of the prior year's presentation of net sales by division.

NET SALES

in € thousand	2015	2014	Change in %
Net sales from the sale of products and goods	1,671,836	1,565,273	6.8
Net sales from the sale of services and accessories (including replacement parts)	846,006	789,869	7.1
Net sales from construction contracts	91,078	79,514	14.5
Net sales	**2,608,920**	**2,434,656**	**7.2**

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

12 COST OF SALES

Cost of sales include the following:

COST OF SALES

in € thousand	2015	2014
Direct materials	741,054	672,667
Direct labor	274,542	264,569
Direct costs	**1,015,596**	**937,236**
Material overheads	77,518	71,254
Production overheads	231,186	232,762
Other indirect costs	112,950	55,382
Indirect costs	**421,653**	**359,398**
Cost of sales	**1,437,249**	**1,296,634**

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 inventory allowances, 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.

↗ Note 9

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

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

13 RESEARCH AND DEVELOPMENT COSTS

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

14 MARKETING AND SELLING EXPENSES

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

15 GENERAL ADMINISTRATIVE EXPENSES

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

16 OTHER OPERATING INCOME / EXPENSES

OTHER OPERATING INCOME / EXPENSES

in € thousand	2015	2014
Reversal of bad debt allowances	3,491	4,144
Rental income	1,864	1,647
Gains on the disposal of non-current assets and property, plant and equipment	971	655
Income from the derecognition of liabilities	1,378	885
Other operating income	**7,703**	**7,332**
Allocations to bad debt allowances and write-downs on receivables	11,817	11,497
Expenses for leased assets	783	587
Losses on the disposal of non-current assets and property, plant and equipment	1,184	1,811
Other operating expenses	**13,784**	**13,895**

The prior year’s write-downs on receivables include EUR 2,814 thousand from the insolvency of a customer.

17 FINANCIAL RESULT

FINANCIAL RESULT (BEFORE INTEREST RESULT)

in € thousand	2015	2014
Share in the profits from investments in associates	102	250
Other expenses from investments in associates	–46	–21
Profit from investments in associates	**55**	**229**
Income from other investments	161	297
Profit from other investments	**161**	**297**
Net result from foreign exchange transactions	–6,874	7,841
Earnings from the disposal of other financial assets and securities	–12	–19
Write-downs on other financial assets	–10	0
Write-ups on other financial assets	3	4
Other financial income	82	114
Other financial expenses	–31	–133
Other financial result	**–6,842**	**7,807**
Financial result (before interest result)	**–6,625**	**8,333**

INTEREST RESULT

in € thousand	2015	2014
Other interest and similar income	3,752	1,948
Interest income from bank balances	1,125	1,059
Interest contained in lease payments	243	218
Income from other securities and loans	114	151
Income from interest hedges	4	3
Interest and similar income	**5,238**	**3,379**
Interest expenses from bank liabilities	–10,072	–14,014
Other interest and similar expenses	–5,632	–7,026
Expenses from interest hedges	–4,211	–5,096
Interest contained in lease payments	–908	–856
Interest portion contained in pension provisions	–669	–526
Distribution for participation certificates	–568	–551
Compounding of participation certificates	–345	–345
Interest and similar expenses	**–22,404**	**–28,414**
Interest result	**–17,166**	**–25,035**

↗ Note 37

Other interest and similar expenses include expenses incurred from the compounding of provisions (see also Note 37).

18 INCOME TAXES

COMPOSITION OF TAX EXPENSE

in € thousand	2015	2014
Germany	**–2,707**	**4,172**
Abroad	**–32,558**	**–32,924**
Current tax expense	**–35,265**	**–28,752**
Germany		
Deferred tax income / expense from temporary differences	22,450	–7,567
Deferred tax expense from loss carryforwards	–3,471	–8,836
Deferred tax income / expense (Germany)	**18,979**	**–16,403**
Abroad		
Deferred tax income / expense from temporary differences	1,619	–3,222
Deferred tax expense from loss carryforwards	–1,566	–519
Deferred tax income / expense (abroad)	**53**	**–3,741**
Deferred tax income / expense	**19,032**	**–20,144**
Income taxes	**–16,233**	**–48,896**

Deferred tax expenses include an effect of EUR 5 thousand (2014: EUR 295 thousand) from the change in tax rates.

A deferred tax liability of EUR 3,891 thousand (2014: EUR 3,308 thousand) was recognized for temporary differences in connection with retained profits of foreign subsidiaries. No deferred tax liabilities are recognized for temporary differences associated with investments in subsidiaries to the amount of EUR 9,944 thousand (2014: EUR 12,802 thousand) as the sale of these companies or a distribution of retained profits is unlikely in the foreseeable future.

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

RECONCILIATION OF EXPECTED INCOME TAX EXPENSE TO RECOGNIZED INCOME TAX EXPENSE

in € thousand	2015	2014
Earnings before income taxes	**49,521**	**153,562**
Expected income tax expenses (tax rate: 31.0 %; 2014: 30.92 %)	**–15,352**	**–47,481**
Reconciliation:		
Effects from other periods and non-deductible withholding tax	–3,014	4,447
Effect from change in tax rates	–5	–295
Effect from different tax rates	7,993	4,425
Tax effect of non-deductible expenses and tax-free income	–5,646	–11,113
Recognition and measurement of deferred tax assets	–299	1,090
Other tax effects	90	31
Recognized income tax expenses	**–16,233**	**–48,896**
Tax rate (%) overall	32.8	31.8

The parent company's tax rate of 31.0 percent (2014: 30.92 percent) was used as the expected tax rate. The expected tax rate is composed of a corporate income tax component of 15.83 percent, including the 5.5 percent solidarity surcharge (2014: 15.83 percent), and a trade tax component of 15.17 percent (2014: 15.09 percent). The increase was due to a change in the composition of the trade tax rate.

Domestic deferred taxes are determined on the basis of a 31.5 percent tax rate (2014: 30.92 percent). The change was due to increases in the trade tax rate.

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	2015	2014	2015	2014
Intangible assets	6,012	7,258	6,536	5,463
Property, plant and equipment [1]	4,681	5,547	13,511	12,255
Other non-current financial assets	294	–	516	901
Other non-current assets [2]	–	–	93	–
Non-current assets [1,2]	**10,987**	**12,805**	**20,656**	**18,619**
Inventories [1,2]	17,360	13,362	3,409	4,209
Trade receivables and receivables from construction contracts [1,2]	4,159	6,228	1,523	5,030
Other current financial assets	1,037	1,387	3,460	9,636
Other current assets	189	633	1,222	2,332
Current assets [1,2]	**22,745**	**21,610**	**9,614**	**21,207**
Liabilities from participation certificates	–	–	7,268	7,399
Provisions for pensions and similar obligations [1,2]	57,423	59,242	–	–
Other non-current provisions [1,2]	6,978	7,933	–	–
Non-current interest-bearing loans	–	982	20	52
Other non-current financial liabilities [1]	4,108	3,567	–	1
Other non-current liabilities	1,794	1,776	–	–
Non-current liabilities [1,2]	**70,303**	**73,500**	**7,288**	**7,452**
Other current provisions [1,2]	23,559	10,809	–	–
Current interest-bearing loans and liabilities to banks	–	217	20	7
Trade payables	422	567	78	29
Liabilities from construction contracts	–	–	–	–
Other current financial liabilities	5,784	7,688	35	3,495
Other current liabilities [1]	2,624	8,002	325	5,099
Current liabilities [1,2]	**32,389**	**27,283**	**458**	**8,630**
Capitalized tax loss carryforwards	10,128	15,005	–	–
Capitalized interest carryforwards	–	–	–	–
Gross amount [1,2]	**146,552**	**150,203**	**38,016**	**55,908**
Valuation allowances on temporary differences [1]	– 852	– 1,843	–	–
Offset [2]	– 63,904	– 79,957	– 63,904	– 79,957
Deferred taxes from consolidation entries	53,526	51,125	29,319	25,589
Carrying amount	**135,322**	**119,528**	**3,431**	**1,540**

1 Valuation allowances on deferred taxes from temporary differences will be reported separately from fiscal year 2015 onwards and not allocated to the respective balance sheet items. Prior year's figures were adjusted accordingly.

2 Deferred tax liabilities are offset with deferred tax assets on the balance sheet items where these refer to the same taxable entity. Prior year's figures were adjusted accordingly.

The recoverable amount of the recognized deferred tax assets on recognized 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 a five-year operating plan. A loss from valuation allowances is recognized where a realization of the deferred tax assets is unlikely. Deductible temporary differences of EUR 2,458 thousand (2014: EUR 3,254 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.

The following effects on deferred tax assets and liabilities resulted on the acquisition date from the acquisition of GasSecure AS, Oslo, Norway, in March 2015:

DEFERRED TAX ASSETS / DEFERRED TAX LIABILITIES 2015 FROM THE ACQUISITION OF GASSECURE AS, OSLO

in € thousand	Deferred tax assets	Deferred tax liabilities
Other intangible assets	–	4,428
Property, plant and equipment	15	–
Other non-current financial assets	–	6
Other current financial liabilities	4	–
Tax loss carryforwards	1,894	–
Consolidated balance sheet	**1,913**	**4,434**

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

CAPITALIZED TAX LOSS CARRYFORWARDS

in € thousand	2015	2014
Corporate income tax	31,917	31,752
Trade tax and state tax USA	81,179	102,930
Interest carryforwards	–	–
Total	**113,096**	**134,682**

NON-CAPITALIZED TAX LOSS CARRYFORWARDS

in € thousand	2015	2014
Corporate income tax	36,395	44,480
of which will expire in the next 12 months	23	30
of which will expire after more than 12 months	40	1,107
of which does not expire	36,332	43,343
Trade tax and state tax USA	14,047	14,013
of which does not expire	14,047	14,013
Total	**50,442**	**58,493**

Deferred taxes are recognized on loss carryforwards of EUR 51,201 thousand (2014: EUR 52,184 thousand) of the US companies which are subject to an average state tax of between 1.74 percent and 2.70 percent (2014: between 2.20 percent and 2.94 percent).

Theoretically, deferred taxes of EUR 9,353 thousand (2014: EUR 11,166 thousand) would have been recognized for unrecognized corporate income and trade tax losses.

Despite losses in the current and / or prior year, deferred tax assets of EUR 72,119 thousand (2014: EUR 2,923 thousand) were recognized for loss carryforwards and temporary differences. The sharp year-on-year increase was mainly due to deferred tax assets of EUR 59,553 thousand on temporary differences and EUR 7,083 thousand on loss carryforwards of the fiscal unit of Drägerwerk AG & Co. KGaA, which reported a slight tax loss in 2015. The amounts are recognized on the basis of the tax planning for the German fiscal unit or the approved budget for the foreign subsidiaries. Management assumes that the companies in question will generate sufficient taxable profits in the future.

The expense from the valuation allowance on deferred tax assets amounted to EUR 1,069 thousand (2014: EUR 379 thousand). The income from the reversal of a previous valuation allowance on deferred tax assets came to EUR 770 thousand in fiscal year 2015 (2014: EUR 1,469 thousand).

Current income taxes of EUR 336 thousand (2014: EUR 3,046 thousand) are recognized directly in equity and primarily related to the share of the dividend for participation certificates relating to the equity component.

The deferred tax assets recognized in other comprehensive income decreased by EUR 3,226 thousand (2014: increased by EUR 26,007 thousand) during the period and mainly concerned the recognition of the effects from the remeasurements of pension plans directly in equity.

19 PERSONNEL EXPENSES / HEADCOUNT

PERSONNEL EXPENSES

in € thousand	2015	2014
Wages and salaries	859,793	764,723
Social security	150,155	137,019
Pension expenses and related employee benefits	30,848	20,751
	1,040,796	**922,492**

Personnel expenses include the remuneration of the members of the Executive Board of the general partner Drägerwerk Verwaltungs AG, Lübeck. Please refer to our comments in the remuneration report (Note 51).

↗ Note 51

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 included severance payments of EUR 28,357 thousand (2014: EUR 3,166 thousand).

HEADCOUNT AS OF THE BALANCE SHEET DATE

	2015	2014
Germany	6,473	6,324
Abroad	7,463	7,413
Total headcount	**13,936**	**13,737**
Production: manufacturing, service, exterior fitting	5,666	5,642
Other	8,270	8,095
Total headcount	**13,936**	**13,737**

HEADCOUNT (AVERAGE)

	2015	2014
Germany	6,376	6,278
Abroad	7,479	7,299
Total headcount	**13,855**	**13,576**
Production: manufacturing, service, exterior fitting	5,637	5,527
Other	8,218	8,049
Total headcount	**13,855**	**13,576**

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

20 AMORTIZATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Amortization of intangible assets and depreciation of property, plant and equipment of EUR 84,229 thousand (2014: EUR 77,008 thousand) were incurred in the following functional areas:

DISTRIBUTION OF DEPRECIATION / AMORTIZATION ON THE FUNCTIONAL AREAS

in € thousand	2015	2014
Cost of sales	36,622	32,614
Research and development costs	3,274	3,197
Marketing and selling expenses	8,007	12,977
General administrative expenses	36,326	28,219
	84,229	**77,008**

No impairment losses were charged on property, plant and equipment in fiscal year 2015. The prior year's impairment losses of EUR 2,989 thousand related to software that was no longer used (EUR 1,372 thousand) as well as mainly to buildings that were no longer used and will be – partially – demolished (EUR 1,617 thousand).

21 EARNINGS / DIVIDEND PER SHARE

Dräger has determined and illustrated the earnings per share as well as the earnings per share in the case of a full dividend distribution to provide its shareholders with comprehensive information. The calculation of earnings per share is based on Dräger's current dividend policies and takes into account the actual proposed distribution as well as a fictitious full distribution of the remaining earnings to common and preferred shareholders. 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.

EARNINGS / DIVIDEND PER SHARE

		2015	2014
Net profit	€ thousand	33,288	104,666
Earnings attributable to non-controlling interests	€ thousand	–287	–105
Earnings attributable to participation certificates (excluding minimum dividend, after taxes, in	€ thousand	909	8,174
Earnings attributable to shareholders		**32,665**	**96,598**
Weighted average of outstanding preferred shares		7,454,167	6,695,833
Potentially dilutive preferred shares		–	107,993
Weighted average of outstanding preferred shares on dilution		**7,454,167**	**6,803,826**
Weighted average of outstanding common shares		10,160,000	10,160,000
Potentially dilutive common shares		–	–
Weighted average of outstanding common shares on dilution		**10,160,000**	**10,160,000**
Undiluted earnings per common share	**€**	**1.83**	**5.67**
Preference per preferred share	€	0.06	0.06
Undiluted earnings per preferred share	**€**	**1.89**	**5.73**
Diluted earnings per common share [1]	**€**	**1.83**	**5.65**
Preference per preferred share	€	0.06	0.06
Diluted earnings per preferred share [1]	**€**	**1.89**	**5.71**

[1] Prior year figures were adjusted retrospectively pursuant to IAS 8 (please refer to our comments in this Note).

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	Dividend per share in €	Dividends in €	less taxes and minimum dividends	Total in €
Common shares	10,160,000	0.13	1,320,800.00		1,320,800.00
Preferred shares	7,600,000	0.19	1,444,000.00		1,444,000.00
Participation certificates	831,951	1.90	1,580,706.90	–680,950.45	899,756.45
					3,664,556.45

The proposed distribution corresponds to 10.91 percent (2014: 30.12 percent) of Group net profit less the share in net profit of non-controlling interests.

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. If an actual full distribution of net profit is assumed, earnings per share are calculated as follows in the case of a full distribution due to the effects on earnings attributable to participation certificates with an unchanged average number of shares outstanding:

EARNINGS / DIVIDEND PER SHARE ON FULL DISTRIBUTION

		2015	2014
Net profit	€ thousand	33,288	104,666
Earnings attributable to non-controlling interests	€ thousand	–287	–105
Earnings attributable to participation certificates (excluding minimum dividend, after taxes[1])	€ thousand	8,530	27,686
Earnings attributable to shareholders[1]		**25,044**	**77,085**
Undiluted earnings per common share[1]	**€**	**1.40**	**4.52**
Preference per preferred share	€	0.06	0.06
Undiluted earnings per preferred share[1]	**€**	**1.46**	**4.58**
Diluted earnings per common share[1,2]	**€**	**1.40**	**4.50**
Preference per preferred share	€	0.06	0.06
Diluted earnings per preferred share[1,2]	**€**	**1.46**	**4.56**

[1] On an imputed actual full distribution
[2] Prior year figures were adjusted retrospectively pursuant to IAS 8 (please refer to our comments in this Note).

On April 29, 2015, Dräger published a correction of the diluted earnings per share for fiscal years 2014 and 2013 on its website and also submitted an announcement to the German Federal Gazette, which was published on June 9, 2015. The incorrect disclosures regarding diluted earnings per shares were adjusted retrospectively pursuant to IAS 8. As a result, earnings per preferred share were adjusted from EUR 5.77 to EUR 5.71 (on full distribution from EUR 4.59 to EUR 4.56), while diluted earnings per common share were adjusted from EUR 5.71 to EUR 5.65 (on full distribution from EUR 4.53 to EUR 4.50).

831,951 Drägerwerk AG & Co. KGaA participation certificates were issued as of December 31, 2015. In accordance with the terms and conditions of participation certificates, Drägerwerk AG & Co. KGaA will grant the holders either ten common or preferred shares per certificate or ten times the current stock market price of preferred shares upon termination. The factor ten is used due to the share split, which did not apply to the participation certificates (please refer to the information on participation certificates provided in Note 36).

↗ Note 36

Within the scope of the acquisition of the 25 percent share in Dräger Medical GmbH (now: Drägerwerk AG & Co. KGaA) from Siemens in fiscal year 2009, Dräger issued warrant bonds with option rights guaranteed in the form of warrants with a total nominal value of EUR 1.25 million to Siemens on August 30, 2010. The option rights entitled their holders to acquire a total of 1.25 million preferred shares. They were divided into 25 individual options, entitling holders to acquire 50,000 preferred shares each. The option rights expired on April 30, 2015 and were all exercised (please refer to Note 5).

↗ Note 5

The exercising of all option rights means that there was no dilution as of December 31, 2015. In the prior year, 107,993 potentially diluted preferred shares were taken into consideration in the calculation of diluted earnings per share. This figure is the result of the average market price for preferred shares, which at EUR 80.90 exceeded the exercise price of option rights of EUR 63.43 on December 31, 2014.

A further dilution of earnings per share does not have to be calculated, as the owners of the participation certificates do not have the right to exchange their participation certificates against shares and Drägerwerk AG & Co. KGaA irrevocably relinquished its right to exchange its participation certificates against shares in favor of the holders of participation certificates and their legal successors by way of Executive Board resolution.

Likewise, the possibility of acquiring treasury shares cannot lead to dilution due to the provisions governing the use of such shares.

Notes to the consolidated balance sheet

22 INTANGIBLE ASSETS

INTANGIBLE ASSETS AS OF DECEMBER 31, 2015

in € thousand	Goodwill	Patents, trademarks and licenses	Purchased software	Internally generated intangible assets	Leased assets (finance lease)	Payments made	2015 Total
Cost							
January 1, 2015	268,170	17,864	111,040	17,632	2,585	3,400	420,691
Additions	–	105	3,190	–	–	4,165	7,460
Disposals	–	–108	–3,050	–4,860	–	–62	–8,079
Reclassifications	–	512	1,306	–	–	–1,818	0
Change in the scope of consolidation	43,980	16,431	–	–	–	–	60,411
Currency translations effects	1,429	2,605	1,054	87	–	8	5,183
Dec. 31, 2015	**313,579**	**37,408**	**113,541**	**12,859**	**2,585**	**5,694**	**485,665**
Accumulated amortization and impairment losses							
January 1, 2015	4,976	16,722	86,990	17,632	129	–	126,449
Additions	–	1,326	10,239	–	517	–	12,082
Disposals	–	–2	–3,043	–4,860	–	–	–7,906
Currency translations effects	–29	2,995	210	87	–	–	3,263
Dec. 31, 2015	**4,947**	**21,041**	**94,395**	**12,859**	**646**	**0**	**133,889**
Net carrying value	**308,632**	**16,367**	**19,145**	**0**	**1,939**	**5,694**	**351,776**

INTANGIBLE ASSETS AS OF DECEMBER 31, 2014

in € thousand	Goodwill	Patents, trademarks and licenses	Purchased software	Internally generated intangible assets	Leased assets (finance lease)	Payments made	2014 Total
Cost							
January 1, 2014	263,811	16,264	95,744	17,542	–	5,143	398,505
Additions	2,659	158	12,577	–	2,585	3,790	21,769
Disposals	–	–684	–3,366	–	–	–1,027	–5,077
Reclassifications	–	–37	5,052	–1	–	–5,014	0
Currency translations effects	1,700	2,162	1,033	92	–	509	5,496
Dec. 31, 2014	**268,170**	**17,864**	**111,040**	**17,632**	**2,585**	**3,400**	**420,691**
Accumulated amortization and impairment losses							
January 1, 2014	4,940	15,098	77,941	17,523	–	–	115,503
Additions	–	329	10,655	19	129	–	11,132
Disposals	–	–684	–2,617	–	–	–	–3,302
Reclassifications	–	–36	38	–1	–	–	0
Currency translations effects	36	2,016	973	91	–	–	3,116
Dec. 31, 2014	**4,976**	**16,722**	**86,990**	**17,632**	**129**	**0**	**126,449**
Net carrying value	**263,194**	**1,142**	**24,050**	**0**	**2,456**	**3,400**	**294,242**

↗ Note 7

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 percent share in Dräger Medical GmbH (now: Drägerwerk AG & Co. KGaA) in fiscal years 2007 and 2009. Please see our comments in Note 7 for details on additions to goodwill.

In fiscal year 2015, Dräger continued to invest in software mainly in Germany as to follow the scope of the worldwide standardization of IT infrastructure.

The assets used under finance leases consist exclusively of software.

Amortization is contained in the cost of sales and the other functional costs. The prior year's amortization of intangible assets includes EUR 1,372 thousand in impairment losses related to software that is no longer used.

Goodwill impairment

The discounted cash flow method is used for measuring the recoverable amount of goodwill by determining the net realizable value, based on the operational five-year plan for the business segments which, in the case of goodwill, represent the cash generating units. The determination is assigned to level 3 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.

The main planning assumptions are market growth, development of market shares and market price trends. The estimations of these parameters are included in the planning of country organizations. The resulting “bottom-up” planning of the countries is validated and, when necessary, adjusted at Group headquarters. Based on these assumptions, sales growth of 2.4 percent (2014 for 2015 – 2019: 5.4 percent) is expected for the medical division between 2016 and 2020 and growth of 3.3 percent (2014 for 2015 – 2019: 3.9 percent) expected in the same period for the safety division, resulting in overall growth for the Group of 2.7 percent (2014: 4.9 percent). The calculation was also based on discounting rate assumptions:

In the current planning, a discount rate of 6.52 percent (2014: 6.82 percent) after taxes and a growth rate of 1 percent (2014: 1 percent) were taken into account for perpetual annuity of the medical division. The pre-tax discount rate is 9.66 percent (2014: 9.74 percent). In the planning, a discount rate of 7.69 percent (2014: 7.95 percent) after taxes and a growth rate of 1 percent (2014: 1 percent) were taken into account for perpetual annuity of the safety division. The pre-tax discount rate is 11.39 percent (2014: 11.35 percent). These assumptions are validated by external sources of information on market development. No impairment loss was required on the basis of this multi-year plan. Even if the perpetual annuity was to grow by 0 percent and the discount rate were to increase by another 2 percentage points, no impairment loss would have to be recognized.

As of December 31, 2015, goodwill was made up of EUR 260.5 million for the medical division and EUR 48.1 million for the safety division. As of December 31, 2014, goodwill was made up of EUR 259.0 million for the medical division and EUR 4.2 million for the safety division and Drägerwerk AG & Co. KGaA (see our comments in Note 3 for details on the change in segments).

↗ Note 3

23 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31, 2015

in € thousand	Land, equivalent titles and buildings	Production plant and machinery	Other plant, factory and office equipment	Leased equipment	Leased assets (finance lease)	Prepayments made and assets under construction	2015 Total
Cost							
January 1, 2015	380,905	120,602	298,314	60,199	13,177	52,651	925,847
Additions	14,100	4,336	33,469	14,925	767	61,268	128,864
Disposals	–15,408[1]	–5,610	–17,457	–8,155	–452	–356	–47,439
Reclassifications	25,593	–988	15,042	20	3	–39,670	0
Reclassifications of rental and demo equipment	–	–	382	–1,649	–	–	–1,267
Change in the scope of consolidation	–	–	35	–	–	–	35
Currency translation effects	4,965	2,900	3,541	4,148	–44	491	16,001
December 31, 2015	**410,154**	**121,240**	**333,326**	**69,488**	**13,450**	**74,383**	**1,022,041**
Accumulated depreciation and impairment losses							
January 1, 2015	212,039	96,433	220,821	43,127	3,406	86	575,911
Additions	15,147	8,743	34,762	12,776	718	–	72,147
Disposals	–11,365[1]	–5,299	–16,161	–6,987	–295	–	–40,108
Reclassifications	–101	–4,580	4,751	0	3	–74	0
Reclassifications of rental and demo equipment	–	–	207	–1,639	–	–	–1,432
Currency translation effects	1,566	2,126	2,530	3,025	–80	–1	9,168
December 31, 2015	**217,287**	**97,424**	**246,911**	**50,303**	**3,752**	**11**	**615,686**
Net carrying value	**192,867**	**23,816**	**86,415**	**19,186**	**9,698**	**74,373**	**406,355**

[1] Includes historical costs of EUR 10,032 thousand as well as accumulated depreciation of EUR 6,698 thousand from the reclassification to assets held for sale. ↗ **see also Note 33**

PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31, 2014

in € thousand	Land, equivalent titles and buildings	Production plant and machinery	Other plant, factory and office equipment	Leased equipment	Leased assets (finance lease)	Prepayments made and assets under construction	2014 Total
Cost							
January 1, 2014	348,776	111,191	283,607	46,205	12,386	37,714	839,879
Additions	10,042	7,785	29,776	12,032	957	42,344	102,936
Disposals	–2,109	–2,950	–30,274	–2,197	–103	–2,174	–39,807
Reclassifications	18,171	1,134	6,751	–	–	–26,056	–
Reclassifications of rental and demo equipment	–	–	2,779	–135	–	–	2,644
Change in the scope of consolidation	153	–	191	–	–	5	349
Currency translation effects	5,871	3,442	5,484	4,294	–64	818	19,846
December 31, 2014	**380,905**	**120,602**	**298,314**	**60,199**	**13,177**	**52,651**	**925,847**
Accumulated depreciation and impairment losses							
January 1, 2014	194,210	88,017	210,327	33,715	2,750	93	529,112
Additions	15,843	8,162	32,925	8,188	757	–	65,875
Write-ups	–	–	–44	–	–	–	–44
Disposals	–1,375	–2,709	–28,433	–1,563	–81	–	–34,161
Reclassifications	203	182	–386	–	–	–	–
Reclassifications of rental and demo equipment	–	–	2,238	–497	–	–	1,741
Change in the scope of consolidation	43	–	47	–	–	–	90
Currency translation effects	3,115	2,780	4,147	3,284	–21	–7	13,298
December 31, 2014	**212,039**	**96,433**	**220,821**	**43,127**	**3,406**	**86**	**575,911**
Net carrying value	**168,866**	**24,169**	**77,492**	**17,072**	**9,771**	**52,565**	**349,936**

Property, plant and equipment includes additions of EUR 42,035 thousand from the modernization of the Lübeck production site within the scope of the "factory of the future" project. Reclassifications of the prepayments made and assets under construction mainly relate to the completed new reception and administration building in Lübeck.

Additions to property, plant and equipment are not reduced by government grants (2014: EUR 1,261 thousand).

Amortization is contained in the cost of sales and the other functional costs. Prior-year depreciation / amortization includes EUR 1,617 thousand for impairment losses, mainly for buildings that are no longer used and will be – partially – demolished in the near future.

The assets leased under finance leases comprise real estate (EUR 8,627 thousand; 2014: EUR 8,981 thousand) as well as factory and office equipment (EUR 1,071 thousand; 2014: EUR 790 thousand) (also see Note 47).

↗ Note 47

Borrowing costs of EUR 623 thousand (2014: EUR 0 thousand) for additions for new buildings were recognized in the fiscal year. Interest rates of between 0.75 percent and 1.85 percent were used as a basis for the recognition.

24 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

As in the prior years, the associate in question is MAPRA Assekuranzkontor GmbH, Lübeck, an insurance broker, in which Dräger holds 49 percent of the shares and over which Dräger exercises significant influence. MAPRA Assekuranzkontor GmbH continues to be included in the Group financial statements and accounted for using the equity method; its fiscal year ends on December 31.

As this company in and of itself is not material, Dräger exercises the option to use the simplified consolidated method.

The following figures are based on the last annual financial statement of the company.

FINANCIAL INFORMATION ON ASSOCIATES

in € thousand	Dec. 31, 2015	Dec. 31, 2014
Carrying value of the Group shares of associates	231	277
Share in the profits from continued operations / total profits of the associates	203	250

In working groups (unlisted companies) together with other partners, Dräger offers fire training facilities for firefighters in Engineered Solutions. As of the balance sheet date, Dräger is involved in four (2014: four) working groups, which are accounted for as joint ventures using the equity method. The interests in these amount to between 51 percent and 74 percent (2014: 51 percent and 73 percent). 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 is not material, Dräger exercises the option to use the simplified consolidated method.

There are no obligations to associates and joint ventures to provide financing or resources that are not accounted for; nor are there any contingent liabilities.

25 OTHER NON-CURRENT FINANCIAL ASSETS

OTHER NON-CURRENT FINANCIAL ASSETS

in € thousand	2015	2014
Security deposits paid	4,968	6,653
Trade receivables	2,346	4,534
Other loans	1,363	1,059
Finance lease receivables (lessor)	1,142	640
Positive fair values of derivatives	383	41
Sundry non-current financial assets	1,411	1,595
	11,613	**14,523**

The non-current receivables do not carry any discernible risks nor have they been impaired by any bad debt allowances.

Where non-current financial assets do not bear interest, fair value is determined by discounting future cash flows.

The positive fair values of derivatives pertain exclusively to currency forwards and futures.

Sundry non-current financial assets include investments and other non-current securities of EUR 1,059 thousand (2014: EUR 1,041 thousand).

For further details of finance lease receivables, please refer to our comments on recognition of finance leases by the lessor (Note 47).

↗ Note 47

26 DEFERRED TAX ASSETS

↗ Note 18

Deferred tax assets are explained in Note 18.

27 OTHER NON-CURRENT ASSETS

OTHER NON-CURRENT ASSETS

in € thousand	2015	2014
Fund assets from pension plans	59	1
Sundry non-current assets	1,822	2,958
	1,881	**2,959**

Fund assets relating to pension plans contain the available excess of plan assets (see also Note 37).

↗ Note 37

Sundry non-current assets include receivables from taxes of a foreign subsidiary of EUR 1,107 thousand (2014: EUR 1,378 thousand).

28 INVENTORIES

INVENTORIES

in € thousand	2015	2014
Finished goods and merchandise	218,647	209,576
Work in progress	49,514	51,057
Raw materials, consumables and supplies	131,152	126,291
Payments made	2,665	1,574
	401,978	**388,497**

The carrying value of inventories written down to their net realizable value as of December 31, 2015, is EUR 91,852 thousand (2014: EUR 63,873 thousand).

Impairment losses of EUR 24,006 thousand (2014: EUR 13,377 thousand) were charged on inventories in the fiscal year and recognized in cost of sales. However, EUR 11,931 thousand (2014: EUR 5,905 thousand) of impairments recognized in prior years were reversed.

Finished goods and merchandise comprise loan equipment and demo equipment lent to customers in the short term worth EUR 15,994 thousand (2014: EUR 17,462 thousand).

Loan and demo equipment is taken over by the customers after a short period of time and is therefore disclosed in inventories. Appropriate allowances were made for wear and tear over the period of use.

During this period, inventories with a carrying value of EUR 947,618 thousand (2014: EUR 809,403 thousand) were recognized in cost of sales.

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

29 TRADE RECEIVABLES AND RECEIVABLES FROM CONSTRUCTION CONTRACTS

TRADE RECEIVABLES AND RECEIVABLES FROM CONSTRUCTION CONTRACTS

in € thousand	2015	2014
Trade receivables	670,964	623,359
Receivables from construction contracts	40,359	34,035
	711,323	**657,394**

The risks associated with trade receivables are adequately accounted for by bad debt allowances. Bad debt allowances developed as follows:

SPECIFIC BAD DEBT ALLOWANCES

in € thousand	2015	2014
January 1	26,378	28,786
Allocation	11,209	6,939
Utilization	–1,707	–5,831
Reversal	–3,491	–4,144
Currency translation effects	–460	628
December 31	**31,929**	**26,378**

The aging of trade receivables is as follows:

AGING OF OVERDUE RECEIVABLES NOT SUBJECT TO BAD DEBT ALLOWANCES

in € thousand	2015	2014
Receivables neither impaired nor overdue	496,517	425,011
Receivables subject to bad debt allowances	2,731	15,175
Overdue receivables not subject to bad debt allowances		
– less than 30 days	87,657	86,168
– between 30 and 59 days	28,212	31,531
– between 60 and 89 days	16,688	17,676
– between 90 and 119 days	15,067	15,354
– more than 120 days	64,434	66,480
	212,075	217,208
Carrying amount	**711,323**	**657,394**

Collateral for trade receivables in this respect amounted to EUR 1,200 thousand on December 31, 2015 (2014: EUR 0 thousand). The collateral is in the form of a letter of credit. The fair value largely corresponds to the nominal value. In addition, the maximum credit risk on the reporting date corresponds to the carrying amount of the aforementioned receivables.

The credit quality of those receivables that are neither impaired nor overdue is determined on the basis of external credit ratings or historical experience regarding the default rates of the respective business partners. Our analysis indicates that no allowance is required.

In the case of overdue receivables of approximately EUR 2,784 thousand (2014: EUR 4,924 thousand), which are not subject to bad debt allowances, payment is expected after a period of more than 365 days. A payment period of less than one year was initially agreed for these receivables within the scope of the company's normal operating cycle. As such, they are disclosed as current receivables and are not discounted.

In addition to costs incurred for the contracts, receivables from construction contracts include the corresponding profit and were offset against part payments received.

The cost incurred for the contracts in progress plus the corresponding profit according to the percentage of completion method amount to EUR 59,733 thousand (2014: EUR 53,228 thousand) as of the balance sheet date and were offset against partial payments received of EUR 19,374 thousand (2014: EUR 19,193 thousand). This leads to receivables from construction contracts of EUR 40,359 thousand (2014: EUR 34,035 thousand).

No specific bad debt allowances were recognized on receivables from construction contracts. There are no overdue trade receivables or receivables from construction contracts which require additional bad debt allowances.

30 OTHER CURRENT FINANCIAL ASSETS

OTHER CURRENT FINANCIAL ASSETS

in € thousand	2015	2014
Notes receivable	21,045	16,128
Receivables from commissioning agents	9,430	11,422
Receivables from employees	7,175	1,608
Security deposits paid	2,512	544
Creditors with debit balances	2,188	490
Positive fair values of derivatives	1,754	1,852
Finance lease receivables (lessor)	451	371
Receivables from associates	2	3
Sundry	3,150	1,425
	47,708	**33,843**

Notes receivable chiefly stem from the Turkish, Chinese and Japanese subsidiaries where the bill of exchange is a common method of payment.

For the derivative financial instruments recognized as other financial assets, please refer to the table of derivative financial instruments in the Dräger Group (Note 46).

↗ Note 46

↗ Note 47

For details of finance lease receivables, please refer to our comments on recognition of finance leases by the lessor (Note 47).

Of the receivables from commissioning agents, EUR 7,019 thousand (2014: EUR 7,561 thousand) are overdue by more than 120 days. No allowance is required.

As in the prior year, all other current financial assets are neither impaired nor overdue.

31 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 of the balance sheet date amount to EUR 8,933 thousand (2014: EUR 8,376 thousand).

32 OTHER CURRENT ASSETS

OTHER CURRENT ASSETS

in € thousand	2015	2014
Prepaid expenses	23,210	24,674
Other tax refund claims	19,285	20,830
Receivables from investment allowances	820	593
Other	4,409	6,163
	47,724	**52,260**

As in the prior year, no specific bad debt allowances are required for other current assets.

Other tax refund claims primarily result from VAT claims.

33 ASSETS HELD FOR SALE

In November 2015, Dräger sold the land and building of the subsidiary in Pittsburgh, USA, which is part of the safety division. The buyer can select either May 1, 2016 or September 1, 2016 as the transfer date. The buyer also has the right to rescind the contract until 120 days after the signing.

No impairment losses were recognized as the purchase price less costs to sell is in excess of the residual carrying amount of the disposed assets. The assets held for sale have no impact on the statement of comprehensive income from the reclassification date.

34 EQUITY

For the breakdown and changes in equity in fiscal years 2015 and 2014, please see the statement of changes in equity of the Dräger Group.

Capital stock

The capital stock of Drägerwerk AG & Co. KGaA amounts to EUR 45,466 thousand (2014: EUR 44,186 thousand).

April and early May 2015 saw the last ten of originally 25 options that Dräger had issued in the form of warrants on August 30, 2010 being exercised (also see our comments in Note 5).

↗ Note 5

The nominal value of these 500,000 new preferred shares amounts to EUR 2.56 and increased the capital stock by a total of EUR 1,280 thousand.

↗ Note 5

This capital stock is divided into 10,160,000 limited no-par bearer common shares and 7,600,000 limited no-par preferred shares (2014: 7,100,000 limited no-par preferred shares). Please refer to Note 5 for our comments on the increase in preferred shares.

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

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

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

If sufficient profits are available, a dividend of EUR 0.13 per common share is then paid. Any profit in excess of this amount, if distributed, is allocated so that preferred shares receive EUR 0.06 more than common shares.

If the profit is not sufficient to distribute the advance dividend for preferred shares in one or more years, the amounts are paid from the profit 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 percent of net liquidation proceeds in advance. The remaining liquidation proceeds are distributed evenly among all shares.

By resolution of the annual shareholders' meeting on May 6, 2011, the general partner was authorized to increase the capital stock of the Company, with the approval of the Supervisory Board, until May 5, 2016, by issuing new bearer common shares and / or preferred shares (no-par shares) in return for cash and / or contributions in kind by up to EUR 21,132,800.00 (authorized share capital) in one or several tranches. The authorization includes the entitlement to optionally issue new common shares and / or non-voting preferred shares up to the statutory maximum as stipulated in Sec. 139 (2) AktG, which carry the same status as the previously issued non-voting preferred shares with regard to the distribution of profits and / or Company assets.

In the case of common and preferred shares being issued at the same time while maintaining the ratio of both share types at the time of issuance, the general partner is authorized, subject to approval by the Supervisory Board, to exclude the right of the case of common and preferred shares to subscribe to the other type of shares ("crossed exclusion of subscription rights").

Reports regarding voting rights

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

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

DISCLOSED REPORTABLE INVESTMENTS

Reporter	Date that thresholds were reached, exceeded or undercut	Reporting threshold	Allocation pursuant to WpHG	Investment in %	Investment in voting rights
Norges Bank, Oslo, Norway	Apr. 24, 2015	3% undercut	Sec. 21 (1) Sentence 1	2.74%	278,470
Ministry of Finance, Oslo, Norway	Apr. 24, 2015	3% undercut	Sec. 22 (1) Sentence 1 No. 1	2.74%	278,470
SICAV Objectif Small Caps Euro, Paris, France	Apr. 29, 2015	3% exceeded	Sec. 21 (1)	3.19%	323,700
Ministry of Finance, Oslo, Norway	May 11, 2015	3% exceeded	Sec. 22 (1) Sentence 1 No. 1	3.27%	332,415
Norges Bank, Oslo, Norway	May 11, 2015	3% exceeded	Sec. 21 (1) Sentence 1	3.27%	332,415

Capital reserves

↗ Note 5

The portion of the exercise price that exceeds the nominal value following the exercising of the ten options (EUR 30,275 thousand), less transaction fees of EUR 8 thousand, was added to the capital reserves (also see our comments in Note 5).

The capital reserves until the prior year originated from share premiums from Drägerwerk AG & Co. KGaA's establishment (transformation) in 1970 and from capital increases in 1979, 1981, 1991 and 2010.

Retained earnings

Retained earnings comprise the earnings generated until fiscal year 2015 by the companies included in the Group financial statements, where they were not attributed to minority interests or paid as a dividend by Drägerwerk AG & Co. KGaA. The actual tax benefit from the tax deductibility of the participation certificates, which relates to the participation capital recognized in equity, was recognized directly in retained earnings. Effects from the remeasurements of the Company's pension provisions, including deferred taxes, are also included in retained earnings.

Total comprehensive income increased retained earnings.

Other effects, which reduced retained earnings, mainly comprise the distribution to shareholders and participation certificate holders (EUR 34,601 thousand; 2014: EUR 19,820 thousand).

Reserves retained from earnings, including Group result, therefore changed as follows:

RESERVES RETAINED FROM EARNINGS, INCL. GROUP RESULT

in € thousand	2015	2014
Reserves retained from earnings, incl. Group result as of January 1	622,342	591,926
Changes from remeasurements of pension plans (after taxes)	7,920	–56,881
Net profit for the year (excluding non-controlling interests)	33,574	104,771
Other effects	–37,202	–17,475
Reserves retained from earnings, incl. Group result as of Dec. 31	**626,634**	**622,342**

Own shares within the scope of the employee share program

In fiscal year 2015, the Executive Board resolved to enable Dräger employees in Germany to participate in the Company through an employee share program. This was designed to increase employees' identification with the Company and Dräger's attractiveness as an employer.

One bonus share was issued for every three investment shares bought by the employee. The maximum purchase price per investment share for the employees amounted to EUR 92.36 (which corresponded to the closing price of the preferred shares in Xetra trading on the last trading day before the start of the acquisition period, meaning on March 10, 2015). The shares were 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 March 11, 2015 and ended on March 23, 2015. During this period, 7,303 bonus shares resulted from the shares acquired by employees, including Executive Board members. An account was opened with Deutsche Bank Privat- und Geschäftskunden AG (paying agent), Frankfurt am Main, Germany, for the entry and custody of bonus shares for participating employees.

The 7,303 bonus shares were acquired for Dräger on the stock exchange in the period from March 11 to March 23, 2015 by the paying agent on a commission basis in the form of a share buyback at a total cost of EUR 792 thousand. The price on the stock exchange amounted to an average of EUR 108.41. The shares were transferred directly to the respective employee's securities accounts. The contractually agreed benefits for the employees arising from this program, consisting of bonus shares and the maximum purchase price, were recognized in personnel expenses at EUR 1,143 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 own shares to pass on to participating employees in the form of bonus shares is covered by the resolution of the annual shareholders' meeting on May 4, 2012, according to which the general partner is authorized to acquire until May 3, 2017 up to 10 percent of the own shares of both types (common and / or preferred shares) of the Company's capital stock as of the date of resolution or – if this value is lower – as of the date on which the authorization is exercised. Together with all other shares held by the Company or attributable to it according to Secs. 71a et seq. AktG, shares purchased under this provision may at no time equal more than 10 percent of capital stock. The authorization may not be used for the purpose of trading in treasury shares. The authorization may be exercised in whole or in part, on one or more occasions and for one or more purposes by the Company or by dependent Group companies or enterprises in which the Company has a majority shareholding, or by third parties for its or their account. The purchase may be limited in part or in full to a single class of shares by excluding, in part or in full, the shareholders' right to sell the other class of share.

The purchase could, at the discretion of the general partner, have been affected by the stock exchange, or by means of a public purchase offer to all holders of the respective type of share or by means of a public invitation to all holders of the respective type of share to submit offers for sale.

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

The purchase of treasury shares by the general partner may be initiated only with the approval of the Supervisory Board.

Participation capital

↗ Note 36

Please refer to Note 36 for details on participation capital.

Other comprehensive income

OTHER COMPREHENSIVE INCOME

in € thousand	2015	2014
Currency translation adjustment	10,849	–2,970
Derivative financial instruments	–3,213	–3,686
Fair value of financial instruments	130	127
Deferred taxes recognized directly in equity	925	1,204
	8,691	**–5,325**

The year-on-year change resulting from currency translation was mainly due to the translation of income statement items at average prices as well as the historical rates from the consolidation of investments.

In fiscal year 2015, the fair values of derivative financial instruments to the amount of EUR –92 thousand (2014: EUR –1,873 thousand) were recognized directly in equity. In addition, EUR 565 thousand (2014: EUR 548 thousand) were reclassified from equity to the interest result due to interest hedging.

Capital management

One of Dräger's most important goals is to increase the business's value. The key function of capital management in this respect is to minimize the cost of capital while ensuring solvency at all times by coordinating the due dates of financial liabilities with the expected free cash flow and creating sufficient liquidity reserves.

Capital is monitored regularly using various key metrics, which include gearing and the equity ratio. Dräger's medium-term goal of a consolidated equity ratio of 40 percent was achieved for the first time in fiscal year 2014.

The Dräger Group's equity and liabilities were broke down as follows as of the balance sheet date:

EQUITY AND LIABILITIES

in € million	2015	2014
Equity interest held by shareholders of Drägerwerk AG & Co. KGaA	944.3	894.5
+ Non-controlling interests	1.6	2.1
Equity of the Dräger Group	945.9	896.6
Share of total equity and liabilities	40.9 %	40.1 %
Non-current liabilities	545.9	587.4
Current liabilities	819.6	750.1
Total liabilities	1,365.5	1,337.5
Share of total equity and liabilities	59.1 %	59.9 %
Total equity and liabilities	**2,311.4**	**2,234.1**

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

GEARING

in € million	2015	2014
Non-current interest-bearing loans	138.1	168.6
+ Current interest-bearing loans and liabilities to banks	169.7	127.7
+ Non-current and current liabilities from finance lease	10.3	11.3
– Cash and cash equivalents	– 172.8	– 296.9
Net financial debt	**145.3**	**10.7**
Equity	945.9	896.6
Gearing (= net financial debt / equity)	**0.15**	**0.01**

On December 31, 2015, the Dräger Group also agreed on bilateral credit lines of EUR 358.0 million due on October 30, 2018 to secure liquidity. The framework agreement for the bilateral credit lines stipulates target values based on certain financial covenants. Should the Dräger Group not comply with these, the banks are entitled to terminate the bilateral credit lines. The values have been specified so that the Dräger Group would only run the risk of being unable to meet them if the Company's financial position was to deteriorate drastically. It is also possible for the Dräger Group to obtain the banks' approval to exceed or undercut these key figures at an early stage. Key financial performance figures are monitored continuously.

35 NON-CONTROLLING INTERESTS

Non-controlling interests are as follows:

NON-CONTROLLING INTERESTS

	Non-controlling interests		thereof net profit	
in € thousand	2015	2014	2015	2014
Dräger-Simsa S.A.	855	887	7	–23
Draeger Safety Korunma Teknolojileri Ltd. Sirketi	406	337	119	61
Dräger South Africa Pty. Ltd.	353	852	–412	172
Dräger Finance Services GmbH & Co. KG	0	2	–1	2
Draeger Medikal Ticaret ve Servis	0	68	0	–316
	1,614	**2,146**	**–287**	**–105**

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 –136 thousand (2014: EUR 37 thousand) only include exchange rate differences.

Since fiscal year 2014, the articles of incorporation of Draeger Arabia Co. Ltd. have included a right of termination for the shareholders. The resulting payment obligation to minority shareholders constitutes a financial liability that is recognized as debt, rather than recognized in equity.

A capital increase was implemented for Draeger Medikal Ticaret ve Servis Anonim Sirketi, Istanbul, Turkey, in the prior year. The non-controlling shareholder waived all rights to participate in the capital increase, meaning that the shareholder's interest in the company declined from 33.0 percent to 11.25 percent. In January 2015, Dräger acquired the remaining 11.25 percent of the shares at a total cost of EUR 4,000 thousand. This means that Dräger is now this subsidiary's sole shareholder.

TRANSACTIONS WITH NON-CONTROLLING INTEREST WITHOUT A LOSS OF CONTROL

in € thousand	2015	2014
Carrying amount of the acquired non-controlling interest	68	–
Purchase price of the acquired non-controlling interest	–4,000	–
Difference between the purchase price and the carrying amount	**–3,932**	**0**

36 PARTICIPATION CAPITAL / LIABILITIES FROM PARTICIPATION CERTIFICATES

PARTICIPATION CAPITAL / LIABILITIES FROM PARTICIPATION CERTIFICATES 2015

	Number	Par value	Premium	Payments received	thereof recognized as debt	thereof recognized in equity
		€	€	€	€	€
Series A until June 1991	195,245	4,990,462.20	7,642,509.00	12,632,971.20	4,230,928.03	8,402,043.17
Series K until June 27, 1997	69,887	1,786,311.72	1,168,305.27	2,954,616.99	1,765,413.90	1,189,203.09
Series D from June 28, 1997	566,819	14,487,893.64	14,023,388.96	28,511,282.60	5,262,183.29	23,249,099.31
	831,951	**21,264,667.56**	**22,834,203.23**	**44,098,870.79**	**11,258,525.22**	**32,840,345.57**

Accumulated interest effect until 2014 (for remaining participation certificates after buyback)	9,613,331.72	–
Compensation for participation certificate holders in 2010 (for remaining participation certificates after buyback)	–	– 3,343,471.88
Compounding 2015	907,602.63	–
Recognition as of December 31, 2015	**21,779,459.57**	**29,496,873.69**

PARTICIPATION CAPITAL / LIABILITIES FROM PARTICIPATION CERTIFICATES 2014

	Number	Par value	Premium	Payments received	thereof recognized as debt	thereof recognized in equity
		€	€	€	€	€
Series A until June 1991	195,245	4,990,462.20	7,642,509.00	12,632,971.20	4,230,928.03	8,402,043.17
Series K until June 27, 1997	69,887	1,786,311.72	1,168,305.27	2,954,616.99	1,765,413.90	1,189,203.09
Series D from June 28, 1997	566,819	14,487,893.64	14,023,388.96	28,511,282.60	5,262,183.29	23,249,099.31
	831,951	**21,264,667.56**	**22,834,203.23**	**44,098,870.79**	**11,258,525.22**	**32,840,345.57**

Accumulated interest effect until 2013 (for remaining participation certificates after buyback)	8,757,102.82	–
Compensation for participation certificate holders in 2010 (for remaining participation certificates after buyback)	–	– 3,343,471.88
Compounding 2014	856,228.90	–
Recognition as of December 31, 2014	**20,871,856.94**	**29,496,873.69**

FAIR VALUE

	2015			2014		
	Number	Price Dec. 31	Fair value	Number	Price Dec. 31	Fair value
		€	€		€	€
Series A until June 1991	195,245	370.00	72,240,650.00	195,245	369.00	72,045,405.00
Series K until June 27, 1997	69,887	395.00	27,605,365.00	69,887	380.00	26,557,060.00
Series D from June 28, 1997	566,819	375.00	212,557,125.00	566,819	364.00	206,322,116.00
	831,951		**312,403,140.00**	**831,951**		**304,924,581.00**

PARTICIPATION CAPITAL CONDITIONS

	Termination right of Drägerwerk AG & Co. KGaA	Termination right of participation certificate owner	Loss share	Minimum return	Dividend for participation certificates
				€	
Series A	yes	no	no	1.30	Dividend on preferred share x 10
Series K	yes	yes	no	1.30	Dividend on preferred share x 10
Series D	yes	yes	yes	–	Dividend on preferred share x 10

In fiscal year 2015 as well as in the prior year, no participation certificates were issued or bought back.

Drägerwerk AG & Co. KGaA does not intend to terminate the participation certificates. If the participation certificate holder exercises the calling right, the amount repayable shall equal the average mean rate of the last three months at the Hamburg Stock Exchange or a maximum of the weighted average issue price of the corresponding tranche. Series K may be terminated for the first time as of December 31, 2021, with five years' notice; the period of termination thereafter is again five years.

Series D may be terminated for the first time as of December 31, 2026. Series D participation certificates share in losses. The proportionate loss attributable to the participation capital is offset by future profits.

The cases in which the minimum return is not paid are the same as those in which the preferred dividend is not paid. As with the subsequent payment of preferred dividends, the dividend for participation certificates is paid in arrears.

The dividend for participation certificates is 10 times the preferred share dividend, as the par value of the securities was originally identical, but the arithmetic par value of the preferred share has since been reduced to one tenth of the original par value.

For details, please refer to the schedule with the terms and conditions of series A, K and D participation certificates.

37 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

As of December 31, 2015, 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 2005G Heubeck mortality tables as a basis of calculation, account for some 90 percent (2014: 92 percent) of the provisions for pensions and similar obligations disclosed as of the balance sheet date. As of January 1, 2005, the new company pension plans "Rentenplan 2005" for almost all employees of the Dräger Group's German subsidiaries and "Führungskräfteversorgung 2005" for management came into effect, superseding the former "Versorgungsordnung '90" and "Ruhegeldordnung '90" schemes.

Under the old pension plan, 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 the transition. The new plan is now composed of the employer-funded basic level, the employee-funded top-up level (deferred compensation) and the employer-funded supplementary level.

The pension cost for the employer-funded basic level is based on the respective employee's income. The employee funded top-up level allows employees to increase their pension entitlement through deferred compensation.

The contribution made at the employer-funded supplementary level depends on the employee contribution through deferred compensation and on the Company's business performance (EBIT).

Since December 2007, these funds from the pension plan as well as the employee contributions from the respective fiscal year have been paid into a new fund (WKN [securities identification number] AOHG1B) and secured in favor of the employees via a contractual trust arrangement (CTA), meaning that they only serve to cover and finance the Company's direct pension obligations. The employees' pension accounts have a minimum guaranteed return of 2.75 percent. Hence, the assets of this fund fulfill the criteria of plan assets pursuant to IAS 19, the EUR 105,630 thousand (2014: EUR 93,869 thousand) in assets secured by the CTA were offset against the gross pension obligations in fiscal year 2015. Additions to the CTA of EUR 8,870 thousand are expected for fiscal year 2016 (in 2014 for fiscal year 2015: EUR 10,204 thousand).

↗ Note 27

The available excess of plan assets over the relevant pension obligations totaling EUR 59 thousand (2014: EUR 1 thousand) is disclosed under other non-current assets (see Note 27).

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 of 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 guaranteed return of 2.75 percent, Dräger must compensate for the actual return of the plan assets should this fall below the minimum guaranteed return.
- 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 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	2015	2014
Carrying amount of benefit obligations with plan assets	230,441	199,643
Present value of plan assets	–176,780	–150,799
Underfunded pension plans	**53,661**	**48,844**
Carrying amount of benefit obligations without plan assets	234,427	248,164
Net obligation as of December 31	**288,088**	**297,008**
Available excess of plan assets	59	1
Provisions for pension obligations and similar obligations	**288,147**	**297,009**

Changes in the net obligation are as follows:

CHANGES IN THE PROJECTED BENEFIT OBLIGATIONS AND PLAN ASSETS

			2015			2014
in € thousand	Projected benefit obligation	Fair value of plan assets	Total	Projected benefit obligation	Fair value of plan assets	Total
January 1	447,807	–150,799	297,008	344,503	–127,386	217,118
Service costs	17,434	–	17,434	10,644	–	10,644
Interest income (–) / interest expense (+)	8,584	–2,952	5,632	10,922	–3,896	7,026
Past service costs	–15	–	–15	–520	–	–520
Other effect on profit or loss	7	–33	–27	–29	29	1
Changes recognized in profit or loss	**26,009**	**–2,985**	**23,024**	**21,017**	**–3,867**	**17,150**
Return on plan assets excluding amounts included in interest	–	62	62	–	–7,717	–7,717
Revaluations from changes to demographic assumptions	2,018	–	2,018	–1,678	–	–1,678
Revaluations from changes to financial assumptions	–12,015	–	–12,015	89,918	–	89,918
Revaluations from adjustment to empirical values	–1,084	–	–1,084	1,852	–	1,852
Changes in other comprehensive income	**–11,080**	**62**	**–11,019**	**90,091**	**–7,717**	**82,374**
Benefits paid	–8,978	–2,576	–11,554	–13,597	2,061	–11,535
Employee contributions	3,765	–3,873	–108	3,741	–3,696	45
Employer contributions	–	–9,839	–9,839	–	–8,194	–8,194
Transfer of obligations and other effects	35	–752	–717	945	–1,014	–69
Currency changes	7,310	–6,017	1,293	1,107	–987	119
Other changes	**2,132**	**–23,057**	**–20,925**	**–7,805**	**–11,829**	**–19,634**
December 31	**464,868**	**–176,780**	**288,088**	**447,807**	**–150,799**	**297,008**
Net obligation as of December 31			**288,088**			**297,008**

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

Plan assets are composed as follows:

COMPOSITION OF PLAN ASSETS

			2015			2014
in € thousand	Active market	No active market	Total	Active market	No active market	Total
Cash and cash equivalents	5,018	169,2	5,188	14,954	16,8	14,971
Equity instruments	19,238	–	19,238	12,736	–	12,736
Securities	21,494	–	21,494	18,805	–	18,805
Debt instruments	112,042	–	112,042	92,193	–	92,193
Real estate	7,582	–	7,582	6,208	–	6,208
Other	11,236	–	11,236	4,010	1,877	5,887
			176,780			**150,799**

Plan assets do not contain Dräger shares or land used by Dräger itself.

For the next fiscal year, additions to plan assets are expected to amount to EUR 11,130 thousand (2014: EUR 11,926 thousand).

The following actuarial assumptions were made in measuring the projected benefit obligation (weighted averages):

ACTUARIAL ASSUMPTIONS

	2015		2014	
	Germany	Abroad	Germany	Abroad
Discount rate	2.25 %	1.02 %	2.00 %	1.49 %
Future wage and salary increases	3.00 %	1.68 %	3.00 %	1.70 %
Future pension increases	1.49 %	0.14 %	1.64 %	0.18 %

The weighted average term of the defined benefit obligation in the fiscal year is 18 years (2014: 18 years).

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

EFFECT OF FUNDAMENTAL ASSUMPTIONS ON THE PROJECTED BENEFIT OBLIGATION

	2015			2014		
	Discount rate	Future pension increases	Life expectancy	Discount rate	Future pension increases	Life expectancy
Change in assumption	0.50 %	0.25 %	1 year	0.50 %	0.25 %	1 year
Effect on the projected benefit obligation if the assumption increases	8.1 % decrease	0.9 % increase	4.2 % increase	8.2 % decrease	1.1 % increase	4.5 % increase
Effect on the projected benefit obligation if the assumption decreases	9.3 % increase	0.9 % decrease	4.3 % decrease	9.5 % increase	1.1 % decrease	4.5 % decrease

The sensitivity analyses were performed using the same calculation methods; 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 2015

in € thousand	2016	2017	2018 – 2020	> 2020	Total
Expected pension payments	15,312	14,845	48,029	639,508	717,694

EXPECTED PENSION PAYMENTS 2014

in € thousand	2015	2016	2017 – 2019	> 2019	Total
Expected pension payments	14,353	15,100	45,655	588,115	663,223

Expenses for additional benefits to pensioners of EUR 2,740 thousand (2014: EUR 1,447 thousand) were recognized in fiscal year 2015.

Defined contribution plans

In addition to the defined benefit plans and similar obligations described above, Dräger pays voluntary and statutory contributions to government and private pension insurers (defined contribution plans).

The cost of other defined contribution plans came to EUR 10,716 thousand in fiscal year 2015 (2014: EUR 9,179 thousand). Dräger also paid statutory pension contributions in Germany of EUR 34,411 thousand (2014: EUR 33,181 thousand).

38 OTHER NON-CURRENT AND CURRENT PROVISIONS

OTHER NON-CURRENT AND CURRENT PROVISIONS

in € thousand	Provisions for personnel and welfare obligations	Warranty provisions	Provisions for potential losses	Provisions for commissions	Provisions for other obligations in the normal course of business	2015 Total
January 1	127,447	27,129	8,353	9,477	72,491	244,897
Allocation	120,132	23,032	1,893	7,730	61,953	214,740
Accumulation of interest	255	–	461	–	94	810
Utilization	–92,205	–13,187	–618	–6,536	–43,410	–155,956
Reversal	–3,686	–1,908	–1,885	–233	–9,414	–17,126
Change in the scope of consolidation	1	10	–	–	6	16
Currency translations effects	2,425	370	–18	–48	–478	2,250
December 31	**154,369**	**35,445**	**8,187**	**10,389**	**81,241**	**289,631**

Other provisions include expenses for severance payments paid within the scope of the “Fit-for-growth” efficiency program of EUR 27,437 thousand. Of this amount, EUR 21,887 thousand relate to German subsidiaries and EUR 5,550 thousand to foreign subsidiaries. Expenses of EUR 3,100 thousand have also been deferred for the safety division facility in Pittsburgh, USA.

In addition, provisions for personnel and welfare obligations were largely recognized to cover bonuses and sales compensation; the basis on which these are calculated had not been finalized as of the balance sheet date, meaning that the obligations are not yet reported as a liability. This item also includes provisions for phased retirement and long-service awards.

The warranty provisions were measured by reference to the warranty claims made in the past and specific known risks.

Provisions for potential losses mainly resulted from long-term leases of unused or not fully used business premises.

Provisions for commissions relate to those contractual commission entitlements where the underlying intermediary transaction had not been finalized as of the balance sheet date, meaning that the obligation is not yet reported as a liability.

Provisions for other obligations in the normal course of business contain provisions for unpaid invoices for services received amounting to EUR 31,789 thousand (2014: EUR 22,164 thousand), the amount of which is not sufficiently certain. These mainly relate to provisions for services received that have not yet been settled; as a result, the amount of these provisions has not been finalized. In addition, obligations for the audit of financial statements of EUR 2,923 thousand (2014: EUR 2,396 thousand) were set aside, as were obligations for customer bonuses of EUR 5,068 thousand (2014: EUR 4,130 thousand). Obligations in the normal course of business also include obligations for litigation costs and risks, purchase guarantees and other taxes.

The expected utilization of other provisions is as follows:

MATURITIES

in € thousand	Up to 1 year	1 to 5 years	Over 5 years	Total
Provisions for personnel and welfare obligations	118,524	25,495	10,350	154,369
Warranty provisions	29,467	5,821	157	35,445
Provisions for potential losses	1,195	2,103	4,889	8,187
Provisions for commissions	10,389	–	–	10,389
Provisions for other obligations in the normal course of business	73,409	7,536	295	81,241
	232,984	**40,955**	**15,691**	**289,631**

39 NON-CURRENT INTEREST-BEARING LOANS

NON-CURRENT INTEREST-BEARING LOANS

			2015			2014
in € thousand	1 to 5 years	Over 5 years	Total	1 to 5 years	Over 5 years	Total
Non-current liabilities to banks	47,421	52,259	99,681	37,723	35,007	72,730
Note loans (issued 2011)	38,437	–	38,437	95,833	–	95,833
	85,859	**52,259**	**138,118**	**133,556**	**35,007**	**168,563**

The non-current note loans in place as of the balance sheet date are not subject to any contractually agreed termination options.

The terms and conditions and the interest on non-current interest-bearing loans are as follows:

TERMS AND CONDITIONS AND INTEREST RATES FOR NON-CURRENT INTEREST-BEARING LOANS

			2015			2014
in € thousand	Interest conditions	Interest rate in %	Total	Interest conditions	Interest rate in %	Total
Liabilities to banks						
EUR	fixed	0.75 – 6.0	80,122	fixed	1.25 – 5.97	54,026
EUR	variable	1.46 – 1.54	16,250	variable	1.54 – 1.75	13,892
ZAR	fixed	8.8	3,162	variable		0
INR	fixed	5.0	40	fixed	10.15	4,436
Other	fixed	0.13 – 17.0	107	fixed	7.44 – 8.0	376
			99,681			**72,730**
Note loans						
EUR	fixed	3.88	38,437	fixed	3.21 – 3.88	95,833
			38,437			**95,833**
			138,118			**168,563**

↗ Note 46

Variable interest rates are partly hedged. Please see our information on derivative financial instruments and interest rate risks (Note 46).

Liabilities to banks arising from the construction of the medical division's new office and laboratory building that was completed in fiscal year 2008 have been collateralized by a mortgage of EUR 55 million. The finance for the new production and logistics building for the Infrastructure Projects segment in Lübeck, which was completed in fiscal year 2011, has been secured with a mortgage of EUR 10.8 million. There are no other mortgages on land and buildings or assignments as security for recognized liabilities.

40 OTHER NON-CURRENT FINANCIAL LIABILITIES

OTHER NON-CURRENT FINANCIAL LIABILITIES

			2015			2014
in € thousand	1 to 5 years	Over 5 years	Total	1 to 5 years	Over 5 years	Total
Repayment obligation Draeger Arabia Co. Ltd.	–	12,463	12,463	–	11,542	11,542
Finance lease liabilities (lessee)	2,914	5,660	8,574	3,929	5,778	9,707
Negative fair values of derivate financial instruments	766	3,213	3,979	74	3,686	3,760
Sundry non-current financial liabilities	2,303	286	2,589	2,127	517	2,644
	5,982	**21,622**	**27,604**	**6,130**	**21,523**	**27,653**

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 non-controlling shareholder's puttable shares were initially accounted for as a liability at fair value of the expected payment obligation for Dräger as of the date of termination. They are subsequently accounted for at amortized cost. The repayment obligation also includes cash provided by the non-controlling shareholder in fiscal year 2014 of EUR 3,689 thousand.

For an explanation of finance lease liabilities, please refer to our comments on recognition of finance leases by the lessee (Note 47).

↗ Note 47

41 DEFERRED TAX LIABILITIES

Deferred tax liabilities are explained in Note 18.

↗ Note 18

42 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities mainly include deferred income for reported service contracts of EUR 5,306 thousand (2014: EUR 5,360 thousand).

43 CURRENT INTEREST-BEARING LOANS AND LIABILITIES TO BANKS

CURRENT LOANS AND LIABILITIES TO BANKS

in € thousand	2015	2014
Liabilities to banks	112,205	41,209
Note loans	57,457	86,476
	169,662	**127,686**

In fiscal year 2015, note loans of EUR 86.5 million (2014: EUR 50.0 million) were paid and note loans of EUR 57.5 million (2014: EUR 86.5 million) were reclassified from non-current to current liabilities.

The terms and conditions and the interest on current interest-bearing loans and liabilities to banks are as follows:

TERMS AND CONDITIONS AND INTEREST RATES FOR CURRENT LOANS AND LIABILITIES TO BANKS

	2015			2014		
	Interest conditions	Interest rate in %	Total	Interest conditions	Interest rate in %	Total
Liabilities to banks						
EUR	variable	0.01 – 8.0	60,961	variable	1.54 – 1.75	407
EUR	fixed	0.01 – 5.1	5,485	fixed	2.12 – 6.0	6,590
SAR	fixed	1.55 – 3.40	17,868	fixed	–	–
JPY	variable	1.1 – 1.6	12,106	variable	1.35	7,334
USD	fixed	1.53 – 1.60	7,807	fixed	1.53	7,001
INR	fixed	3.0 – 5.0	6,313	fixed	10.01	4,312
CLP	variable	–	–	variable	0.60 – 1.50	4,185
CNY	fixed	–	–	fixed	5.6 – 7.9	8,231
Other	fixed	0.13 – 17.0	1,496	fixed	3.0 – 26.25	3,054
Other	variable	0.50 – 5.0	169	variable	1.5 – 2.35	95
			112,205			**41,209**
Note loans						
EUR	fixed	3.21	57,457	fixed	4.95 – 7.07	86,476
			57,457			**86,476**
			169,662			**127,686**

↗ Note 46

Variable interest rates are partly hedged. Please also see our information on derivative financial instruments (Note 46).

44 OTHER CURRENT FINANCIAL LIABILITIES

OTHER CURRENT FINANCIAL LIABILITIES

in € thousand	2015	2014
Trade payables to third parties	**186,405**	**201,340**
Other current financial liabilities		
Liabilities to employees	7,982	8,452
Debtors with credit balances	5,862	2,199
Liabilities to Drägerwerk Verwaltungs AG	3,787	2,665
Negative fair values of derivate financial instruments	3,104	3,334
Finance lease liabilities (lessee)	1,726	1,564
Liabilities from accrued loan interest	368	4,450
Distribution for participation capital	345	345
Liabilities to associates	–	87
Other financial liabilities	2,168	7,070
	25,343	**30,166**
	211,748	**231,506**

↗ Note 46

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 46.

↗ Note 47

For an explanation of finance lease liabilities, please refer to our comments on recognition of finance leases by the lessee (Note 47).

45 OTHER CURRENT LIABILITIES

OTHER CURRENT LIABILITIES

in € thousand	2015	2014
Prepayments received	43,560	51,371
Deferred income	52,113	46,734
Other tax liabilities	35,967	42,467
Other liabilities to employees and for social security	35,221	33,191
Liabilities from construction contracts	500	388
Other current liabilities	81	1,656
	167,442	**175,808**

Prepayments received include prepayments on construction contracts of EUR 5,608 thousand (2014: EUR 2,772 thousand) in accordance with IAS 11 which exceeded the respective recognized value of the contract.

Deferred income primarily includes reported service contracts.

46 FINANCIAL INSTRUMENTS

Structure of financial instruments and their measurement

The structure of financial instruments in the Group and their categorization according to IFRS 7 as well as their reconciliation to the Group balance sheet, was as follows as of the balance sheet date:

FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2015 – ASSETS

	Measurement in accordance with IAS 39				Measurement in accordance with other IAS	Total
in € thousand	Fair value (held for trading)	Fair value (available for sale)	Amortized cost (loans and receivables)	Amortized cost (held to maturity)	Amortized cost in accordance with IAS 17	
Other non-current financial assets	383	941	9,029	118	1,142	11,613
Trade receivables and construction contracts	–	–	711,323	–	–	711,323
Other current financial assets	2,188	–	45,069	–	451	47,708
Cash and cash equivalents	–	–	172,767	–	–	172,767
Total assets	**2,570**	**941**	**938,187**	**118**	**1,594**	**943,410**

FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2015 – EQUITY AND LIABILITIES

	Measurement in accordance with IAS 39			Measurement in accordance with other IAS	Total
in € thousand	Fair value (held for trading)	Amortized cost (loans and receivables)	Fair value (recognized in equity)	Amortized cost in accordance with IAS 17	
Liabilities from participation certificates	–	21,779	–	–	21,779
Non-current interest-bearing loans	–	138,118	–	–	138,118
Other non-current financial liabilities	766	15,051	3,213	8,574	27,604
Current interest-bearing loans and liabilities to banks	–	169,662	–	–	169,662
Trade payables	–	186,405	–	–	186,405
Other current financial liabilities	3,104	20,512	–	1,726	25,343
Total equity and liabilities	**3,870**	**551,529**	**3,213**	**10,300**	**568,912**

FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2014 – ASSETS

	Measurement in accordance with IAS 39				Measurement in accordance with other IAS	Total
in € thousand	Fair value (held for trading)	Fair value (available for sale)	Amortized cost (loans and receivables)	Amortized cost (held to maturity)	Amortized cost in accordance with IAS 17	
Other non-current financial assets	41	923	12,800	118	640	14,523
Trade receivables and construction contracts	–	–	657,394	–	–	657,394
Other current financial assets	490	–	32,982	–	371	33,843
Cash and cash equivalents	–	–	296,855	–	–	296,855
Total assets	**531**	**923**	**1,000,031**	**118**	**1,011**	**1,002,614**

FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2014 – EQUITY AND LIABILITIES

	Measurement in accordance with IAS 39			Measurement in accordance with other IAS	Total
in € thousand	Fair value (held for trading)	Amortized cost (loans and receivables)	Fair value (recognized in equity)	Amortized cost in accordance with IAS 17	
Liabilities from participation certificates	–	20,872	–	–	20,872
Non-current interest-bearing loans	–	168,563	–	–	168,563
Other non-current financial liabilities	74	14,186	3,686	9,707	27,653
Current interest-bearing loans and liabilities to banks	–	127,686	–	–	127,686
Trade payables	–	201,340	–	–	201,340
Other current financial liabilities	3,334	25,268	–	1,564	30,166
Total equity and liabilities	**3,408**	**557,914**	**3,686**	**11,270**	**576,279**

↗ Note 10

The measurement categories are explained in our comments on the measurement of financial assets and liabilities in Note 10.

Other non-current financial assets include investments with a carrying value of EUR 274 thousand (2014: EUR 250 thousand). These investments are not quoted in any active market. Other methods for calculating an objective market value rendered no reliable result. The investments are therefore carried at cost.

Regular fair value measurement of financial instruments

Financial instruments recognized at fair value were located to the following three levels of the fair value hierarchy:

FAIR VALUE MEASUREMENT

in € thousand	Level	2015	2014
Assets measured at fair value			
Derivatives with positive fair value (non-current)	2	383	41
Derivatives with positive fair value (current)	2	2,188	490
Securities (non-current)	1	667	674
Liabilities measured at fair value			
Derivatives with negative fair value (non-current)	2	3,979	3,760
thereof with a hedging relationship		3,213	3,686
Derivatives with negative fair value (current)	2	3,104	3,334

Level 1:

Prices in the active markets are assumed in unchanged form for identical financial assets or liabilities. The fair values of non-current securities are based on current stock market prices.

Level 2:

Uses largely observable input factors that can be directly (i.e. price) or indirectly (i.e. derived from prices) observed for financial assets or financial inabilities; these do not include any listed prices taken into consideration in level 1.

Dräger applies the discounted cash flow method when measuring derivatives. Expected cash flows are determined on the basis of secured prices and / or interest rates and the observable closing rates and / or interest rates, which are then discounted using an interest rate that takes into account Dräger's Company-related risks.

Level 3:

Uses factors not based on observable market data for the measurement of financial assets and liabilities (unobservable input factors). These are classified as level 3 when there is an unobservable input factor present that significantly influences the measurement. The Dräger Group does not hold any level 3 financial instruments.

No reclassifications between the levels were carried out in the past two fiscal years.

Fair value of financial instruments not regularly recognized at fair value

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

CARRYING VALUES AND FAIR VALUES OF FINANCIAL ASSETS / LIABILITIES

in € thousand	Level	2015 Carrying value	2015 Fair value	2014 Carrying value	2014 Fair value
Financial assets					
Finance lease receivables	2	1,594	1,547	1,011	984
Financial liabilities					
Loans and liabilities to banks	2	307,780	308,475	296,249	297,945
Finance lease liabilities	2	10,300	10,045	11,270	11,220

The fair value of level 2 financial assets and liabilities measured at amortized cost was 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 1.29 percent for cash flows in 2016 and 2.35 percent for cash flows in 2025. An increase in the interest rates taken into account would result in a decrease in fair values. No adjustment was made to the interest rate of 8.28 percent for the leasehold agreement recognized in fiscal year 2013 (term into fiscal year 2103).

Trade receivables, the remaining other financial assets, trade payables and the remaining other financial liabilities are not listed, as the carrying amount is a reasonable approximation of fair value.

Investments are also not indicated, as there is no active market price for any identical equity instruments.

Net profit / loss from financial instruments

The net profit / loss from financial instruments recognized in profit or loss in fiscal year 2015 is summarized below (by measurement category):

NET PROFIT / LOSS BY MEASUREMENT CATEGORY

in € thousand	2015	2014
Financial assets and financial liabilities held for trading	–13,490	–4,665
Loans and receivables	–5,229	–3,785
Available-for-sale assets	–9	–16
Other liabilities	–2,293	–1,419
	–21,021	**–9,886**

The net profit / loss of the financial assets and liabilities in the held for trading category comprises profit and loss from changes in fair value as well as interest income / expenses for these assets and liabilities. The net profit / loss in the category loans and receivables contains losses from receivables of EUR 11,817 thousand (2014: EUR 11,497 thousand).

Interest income / expenses from financial instruments

In fiscal year 2015, interest income / expenses from financial instruments not measured at fair value through profit or loss was as follows:

INTEREST INCOME / EXPENSES FROM FINANCIAL INSTRUMENTS

in € thousand	2015	2014
Interest income		
Loans and receivables	1,462	1,402
Held-to-maturity investments	4	4
Available-for-sale assets	176	323
	1,643	**1,729**
Interest expenses		
Other liabilities	–11,993	–15,741
	–10,350	**–14,012**

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.

The aim of financial risk management is to uncover and mitigate financial risks posed to the Dräger Group through ongoing operating and finance-oriented processes. 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. Derivatives are used to decrease credit risks and are only transacted with banks with an investment grade rating.

A committee, which is comprised of the CFO as well as participants from the treasury, accounting and controlling departments, determines and monitors the basic features of Dräger's financial policies. The members of this committee meet at least once per quarter to decide on possible hedging strategies on the basis of current developments as well as the existing risk positions.

Financial risk management is based on the annually revised strategic plans of the Group and divisions and the resultant short and medium-term plans. The financial policies as well as financial risk management for liquidity, currency and interest rate risks are implemented centrally by the Group 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. These include in particular participation certificates and note loans due in one to five years. 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 repricing 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 2015

in € thousand	2016	2017	2018 to 2020	From 2021	Total
Derivative financial liabilities					
Foreign currency derivatives – cash outflow	153,093	3,692	3,692	–	160,477
Foreign currency derivatives – cash inflow	– 148,706	– 3,354	– 3,378	–	– 155,438
Interest rate swap (hedge accounting) – cash outflow	555	540	1,490	848	3,433
	4,942	**878**	**1,804**	**848**	**8,472**
Non-derivative financial liabilities					
Liabilities from participation certificates	345	345	1,035	35,787	37,512
Interest-bearing loans and liabilities to banks	172,702	13,032	81,258	66,927	333,919
Trade payables	186,405	–	–	–	186,405
Finance lease liabilities	2,353	2,576	2,385	26,254	33,568
Other financial liabilities	20,817	2,398	4,052	19,945	47,212
	382,623	18,351	88,729	148,914	638,616
	387,565	**19,229**	**90,533**	**149,762**	**647,088**

MATURITIES OF FINANCIAL LIABILITIES 2014

in € thousand	2015	2016	2017 to 2019	From 2020	Total
Derivative financial liabilities					
Foreign currency derivatives – cash outflow	115,183	6,077	6,654	–	127,914
Foreign currency derivatives – cash inflow	– 111,475	– 5,729	– 6,732	–	– 123,936
Interest rate swap (hedge accounting) – cash outflow	560	545	1,457	1,194	3,756
	4,268	**893**	**1,379**	**1,194**	**7,734**
Non-derivative financial liabilities					
Liabilities from participation certificates	345	345	1,035	35,878	37,603
Interest-bearing loans and liabilities to banks	131,234	69,482	76,799	46,250	323,765
Trade payables	201,340	–	–	–	201,340
Finance lease liabilities	2,198	2,092	3,940	26,847	35,078
Other financial liabilities	12,568	553	4,837	19,181	37,139
	347,686	72,472	86,611	128,156	634,925
	351,954	**73,365**	**87,990**	**129,350**	**642,659**

Cash outflow from currency hedges of EUR 160.5 million (2014: EUR 127.9 million) faced cash inflow of EUR 155.4 million (2014: EUR 123.9 million) as of December 31, 2015.

Currency risk

The Group's currency risks within the meaning of IFRS 7 relate to the financial instruments used in connection with operating activities or investing and financing activities. The Dräger Group mainly counters this risk that remains after offsetting cash inflows and outflows in the same foreign currency by entering into derivatives. Currency management aims to limit the effect of exchange rate fluctuations on the Dräger Group's results of operations and net assets.

Group treasury and controlling are responsible for determining and analyzing currency risk positions as well as developing and implementing the hedging strategy. As a general rule, only those currency risks that impact the Group's cash flows are hedged. However, risks resulting from the translation of statements of assets and liabilities of foreign subsidiaries into the Group's reporting currency are generally not hedged.

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 were up / down 10 percent against the US dollar, the main foreign currency in the Dräger Group, as of the balance sheet date, with all other variables remaining the same, earnings after taxes (pursuant to IFRS 7) would be EUR 2.2 million lower (2014: EUR 3.9 million lower) / EUR 2.6 million higher (2014: EUR 4.8 million higher); as in the prior year, this did not directly impact equity.

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. The Group treasury department conducts monthly risk analyses to determine the risk potential. These analyses are based on the maturity and interest rate lock-down structure as well as liquidity planning. Drägerwerk AG & Co. KGaA counters interest rate risks with a combination of fixed and variable rate financial liabilities and by using normal market hedging instruments. Changes in the market interest rates for primary financial instruments with fixed interest only affect the Group's profit or loss if such instruments are recognized at fair value. Thus none of the fixed-interest financial instruments recognized at amortized cost poses an interest rate risk that would affect cash flows. 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 (2014: 100 basis points) in market interest rates as of the balance sheet date, with all other variables remaining the same, would increase earnings after taxes by EUR 185 thousand (2014: EUR 1,632 thousand) and equity by EUR 494 thousand (2014: EUR 1,123 thousand). A hypothetical decrease of 25 basis points (2014: 100 basis points) in market interest rates as of the balance sheet date, with all other variables remaining the same, would increase earnings after taxes by EUR 206 thousand (2014: EUR 245 thousand) and decrease equity by EUR 239 thousand (2014: EUR 699 thousand).

Credit risk

The maximum exposure to credit risk is represented by the carrying value of each financial asset, including financial derivatives, in the balance sheet. The Dräger Group does not expect any counterparties to derivatives to fail to meet their obligations as they consist exclusively of financial institutions with investment grade ratings. Consequently, the Group considers that its maximum exposure is reflected by the amount of trade receivables and other current assets, net of valuation adjustments and received collateral recognized as of the balance sheet date. There are no significant risk concentrations relating to default risks in connection with trade receivables. Trade receivables are mainly attributable to a very large number of customers.

Derivative financial instruments

Like the hedged items, derivative financial instruments are recognized at fair value, and resulting unrealized gains and losses are recognized in profit or loss as part of the cost of sales or the financial result providing the instruments are not part of a cash flow hedge. If a derivative financial instrument serves as a cash flow hedge, the unrealized gains and losses are recognized directly in equity.

The following positions were held as of the balance sheet date:

DERIVATIVE FINANCIAL INSTRUMENTS

	Nominal volume	Fair value	
in € thousand		Positive	Negative
December 31, 2015			
Currency hedges	280,630	2,570	3,870
Interest rate swaps	13,600	–	3,213
	294,230	**2,570**	**7,083**
December 31, 2014			
Currency hedges	151,863	531	3,408
Interest rate swaps	13,907	–	3,686
	165,770	**531**	**7,094**

The positive fair values of the derivatives are disclosed as current and non-current financial assets, the negative fair values as current and non-current financial liabilities.

The currency hedges cover selected foreign currency cash flows from operating activities over the next three years (2014: four years). Currency hedging mainly relates to operations in US dollars and to a lesser extent to operations in pounds sterling, Australian dollars as well as dividends distributed in Swiss francs.

In order to offset the effects of future changes to interest rates on cash flows, the Group concluded interest rate swaps caps.

The interest rate swap has a remaining term of eight years. For the swap, the only contract for which the Group uses hedge accounting, the Group pays variable interest and in turn receives fixed interest. It is used for hedging variable interest rates from a real estate lease agreement. Interest rate swaps are recognized at fair value. The ineffective part of the changes in fair value is recognized in income if such exists as of the balance sheet date. As in the prior year, there was no ineffectiveness in fiscal year 2015.

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 2015

in € thousand	Gross amounts of financial assets	Amount of netted financial liabilities	Recognized net amount 2015	Unnetted amount of a netting agreement	Net amount 2015
Positive derivative financial instruments	2,570	–	2,570	–243	2,327
Cash and cash equivalents	172,767	–	172,767	–	172,767
	175,337	**0**	**175,337**	**–243**	**175,094**

NETTING OF FINANCIAL LIABILITIES 2015

in € thousand	Gross amounts of financial liabilities	Amount of netted financial assets	Recognized net amount 2015	Unnetted amount of a netting agreement	Net amount 2015
Negative derivative financial instruments	7,083	–	7,083	–1,355	5,728
Liabilities to banks	211,886	–	211,886	21,109	232,995
	218,969	**0**	**218,969**	**19,754**	**238,723**

NETTING OF FINANCIAL ASSETS 2014

in € thousand	Gross amounts of financial assets	Amount of netted financial liabilities	Recognized net amount 2014	Unnetted amount of a netting agreement	Net amount 2014
Positive derivative financial instruments	531	–	531	–217	314
Cash and cash equivalents	296,855	–	296,855	–217	296,638
	297,385	**0**	**297,385**	**–434**	**296,952**

NETTING OF FINANCIAL LIABILITIES 2014

in € thousand	Gross amounts of financial liabilities	Amount of netted financial assets	Recognized net amount 2014	Unnetted amount of a netting agreement	Net amount 2014
Negative derivative financial instruments	7,094	–	7,094	–214	6,880
Liabilities to banks	113,939	–	113,939	–131	113,808
	121,033	**0**	**121,033**	**–345**	**120,688**

The netting capabilities 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 these banks. No netting has been applied so far as the necessary criteria have not been fulfilled.

No offsetting claims exist from operating activities within the scope of supply and service relationships. With the exception of collateral of EUR 1,200 thousand (2014: EUR 0 thousand) for trade receivables (see Note 29), there are also no financial assets or liabilities that are covered by financial collateral (including cash collateral).

↗ Note 29

47 LEASING

The contracts recognized under IAS 17 and IFRIC 4 as leases are explained below.

Lessee – finance leases

Property leased by the Dräger Group primarily includes real estate as well as office equipment and machinery. The most significant obligations assumed under the lease terms comprise rental payments, the upkeep of the facilities and equipment, insurance and taxes on capital. Lease terms generally range from one to five years with options to renew at varying conditions.

The Group had no finance leases with conditional payments in the fiscal year or the prior year.

For details of the development of assets used under finance leases, please see our explanations in connection with the statement of non-current assets in Note 23.

↗ Note 23

Minimum lease payments for the above finance leases are as follows:

MINIMUM LEASE PAYMENTS

in € thousand	2015	2014
During the first year	2,353	2,198
From the second to the fifth year	4,961	6,032
After five years	26,254	26,847
Minimum lease payments	**33,568**	**35,078**
During the first year	1,726	1,564
From the second to the fifth year	2,914	3,929
After five years	5,660	5,778
Present value of minimum lease payments	**10,300**	**11,270**
Interest portion contained in the minimum lease payments	**23,267**	**23,808**

As in the prior year, no future income from non-cancelable subleases was expected as of December 31, 2015.

Minimum lease payments include a leasehold agreement, which stipulates payments into fiscal year 2103.

Lessee – operating leases

Drägerwerk AG & Co. KGaA and its subsidiaries have various operating lease agreements for buildings, machinery, office equipment and other facilities and equipment. Most leases contain renewal options.

Some of the leases contain escalation clauses and provide for contingent rents based on percentages of net sales derived from assets held under operating leases. Lease conditions do not contain restrictions concerning dividends, additional debt or further leasing.

Lease expenses comprise the following:

LEASING EXPENSES

in € thousand	2015	2014
Basic lease costs	55,164	51,747
Contingent costs	99	290
Income from subleases	–88	–105
	55,175	**51,931**

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

MINIMUM LEASE PAYMENTS

in € thousand	2015	2014
During the first year	43,714	38,627
From the second to the fifth year	65,961	53,907
After five years	21,587	24,504
Minimum lease payments	**131,262**	**117,039**

Total expected future minimum income from subleases under non-cancellable operating leases amounted to EUR 0 thousand as of December 31, 2015 (2014: EUR 55 thousand).

Lessor – finance leases

The Dräger Group's main finance leases relate to medical equipment of the medical division, and solutions and personal protection products of the safety division. 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	2015	2014
During the first year	494	402
From the second to the fifth year	825	674
After five years	411	0
Total gross investments in finance leases	**1,730**	**1,076**
During the first year	451	371
From the second to the fifth year	754	640
After five years	388	0
Present value of minimum lease payments outstanding as of the balance sheet date	**1,594**	**1,011**
Unearned finance income	**136**	**65**

As in the prior year, bad debt allowances for uncollectible minimum lease payments were not required as of December 31, 2015.

Lessor – operating leases

The Dräger Group's main operating leases relate to medical equipment of the medical division, and solutions and gas detection products of the safety division as well as building space.

EUR 16,513 thousand (2014: EUR 15,858 thousand) in leased building space is contained in the Group's property, plant and equipment at historical cost as well as EUR 13,545 thousand (2014: EUR 12,612 thousand) in accumulated amortization and depreciation charges.

Dräger reports equipment leased out separately under property, plant and equipment. For information on assets leased under operating leases, we also refer to our comments in Note 23.

↗ Note 23

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

MINIMUM LEASE PAYMENTS

in € thousand	2015	2014
During the first year	9,308	13,035
From the second to the fifth year	17,198	17,531
After five years	1,005	1,923
	27,511	**32,489**

As in the prior year, no contingent rents were recognized in profit or loss in fiscal year 2015.

48 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

As in the prior year, the Dräger Group did not have any contingent liabilities.

Other financial obligations

As of December 31, 2015, other financial obligations amounted to a total of EUR 187,815 thousand (2014: EUR 190,371 thousand) and are structured as follows:

a) Rental and lease agreements

↗ Note 47

For other financial obligations from rental and lease agreements of EUR 164,830 thousand (2014: EUR 152,117 thousand), please refer to our comments in Note 47 (lessee – operating leases).

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 159 thousand (2014: EUR 83 thousand) and items of property, plant and equipment of EUR 20,596 thousand (2014: EUR 28,112 thousand) as of December 31, 2015.

c) Investment allowance for MOLVINA

Based on the decision of Investitionsbank Schleswig-Holstein (IB.SH) on November 1, 2005, Drägerwerk AG & Co. KGaA (formerly: Dräger Medical GmbH) and MOLVINA Vermietungsgesellschaft mbH & Co. Finkenstrasse KG, both jointly and severally liable, were granted an allowance for investment costs of EUR 7,829 thousand for a building, which has been fully paid out. The grant can only be used for this specific purpose and is subject to the fulfillment of specific conditions, all of which relate to Dräger's use of the building. If these conditions are not fulfilled within the contractually stipulated period of seven years, the amount paid out must be repaid. The commitment period expired as of December 31, 2015, meaning that there were no repayment obligations as of the balance sheet date.

d) Investment allowance for DRENITA

Based on the decision of Investitionsbank Schleswig-Holstein (IB.SH) on August 18, 2010, Drägerwerk AG & Co. KGaA (formerly: Dräger Medical GmbH) and DRENITA Grundstücks-Vermietungsgesellschaft mbH & Co. KG, both jointly and severally liable, were granted an allowance for investment costs of a maximum of EUR 2,230 thousand for the new production and logistics building for the Infrastructure Projects business in Lübeck, which was completed in fiscal year 2011. EUR 1,780 thousand was paid out in 2013 and EUR 450 thousand in 2012. The grant can only be used for this specific purpose and is subject to the fulfillment of specific conditions, all of which relate to Dräger's use of the building. If these conditions are not fulfilled within the contractually stipulated period of five years (ending 2016), the amount paid out must be repaid.

e) Litigation

Companies of the Dräger Group were involved in litigation and claims for damages in connection with business activities as of December 31, 2015. 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 for these contingent liabilities to materialize into actual liabilities for which no provision has been recognized yet.

49 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Dräger medical division		Dräger safety division		Dräger Group	
		2015	2014	2015	2014	2015	2014
Order intake with third parties	€ million	1,646.0	1,569.8	886.2	845.7	2,532.2	2,415.5
Net sales with third parties	€ million	1,698.8	1,577.2	910.1	857.5	2,608.9	2,434.7
EBIT [1]	€ million	46.2	107.6	20.5	71.0	66.7	178.6
Depreciation / amortization	€ million	–54.1	–49.8	–30.1	–27.2	–84.2	–77.0
Research and development expenses	€ million	165.9	151.5	65.2	60.5	231.1	212.0
Capital employed [2, 3]	€ million	761.6	721.5	328.8	292.1	1,269.3	1,107.2
EBIT [1] / net sales	%	2.7	6.8	2.2	8.3	2.6	7.3
DVA [4, 5]	€ million	–19.5	47.2	–6.7	47.6	–46.3	81.6

[1] EBIT = Earnings before net interest result and income taxes
[2] Capital employed in segments = trade receivables, inventories incl. prepayments received;
Capital employed Group = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[3] Value at end of period
[4] Value of the last twelve months
[5] Dräger Value Added = EBIT less cost of capital

The Dräger Group is managed in line with its segments of the medical division and the safety division. These segments form the foundations of strategic development and are the primary management parameters for the development of operating business. The Company's legal structures were largely division-based until 2014, a system under which separate legal entities usually existed for the safety division and for the medical division. These structures are being consolidated to allow Dräger to achieve the corporate structure that forms the basis of the "One Dräger" project. In many countries it is a logical process to merge legal units with each other, thereby reducing complexity and costs. This is now being pursued systematically in the Dräger Group. In Switzerland, Austria, the Netherlands and South Africa, this consolidation has already been carried out. In Germany, Dräger Medical GmbH was merged into Drägerwerk AG & Co. KGaA. Further mergers in Germany and abroad are set to follow.

The merger of the previously separate legal entities of the safety division and the medical division will require amendments to segment reporting. From the first quarter of 2015, the results of the medical and safety divisions are calculated on the basis of product attribution to the medical or safety division rather than on the basis of the legal entities as had been the case previously. The Drägerwerk AG & Co. KGaA / Other Companies segment, as well as the need for consolidation in the reporting process, no longer applies (also see our comments in Note 3 for the effects of this).

↗ Note 3

The medical division 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 the operation), critical care and also perinatal care (in connection with childbirth).

The safety division 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 / EBITDA

in € million	2015	2014
Net profit	33.3	104.7
+ Interest result	17.2	25.0
+ Income taxes	16.2	48.9
EBIT	**66.7**	**178.6**

CAPITAL EMPLOYED

in € million	2015	2014
Capital employed of the segments	**1,090.5**	**1,013.6**
– Other current provisions	–233.0	–189.3
– Trade payables	–186.4	–201.3
– Deferred income	–52.1	–46.7
– Other tax liabilities	–36.0	–42.5
– Other net working capital components	–0.7	5.7
Group net working capital	**582.3**	**539.4**
+ Non-current assets	907.2	781.5
+ Cash and cash equivalents	172.8	296.9
+ Other current provisions	233.0	189.3
+ Trade payables	186.4	201.3
+ Other current financial liabilities	25.3	30.2
+ Current income tax liabilities	37.8	25.9
+ Other current liabilities	167.4	175.8
Other balance sheet items	–0.7	–6.1
Total assets	2,311.4	2,234.1
– Deferred tax assets	–135.3	–119.5
– Cash and cash equivalents	–172.8	–296.9
– Non-interest-bearing liabilities	–734.0	–710.6
Capital employed	**1,269.3**	**1,107.2**

DVA

in € million	2015	2014
EBIT	66.7	178.6
– Cost of capital	– 113.0	– 97.0
DVA	**– 46.3**	**81.6**

The business performance of the individual segments is detailed in the management report. Services rendered between the divisions follow the arm's length principle.

SEGMENT PERFORMANCE BY REGION

		Dräger medical division		Dräger safety division		Dräger Group	
		2015	2014	2015	2014	2015	2014
Net sales by region	**€ million**	**1,698.8**	**1,577.2**	**910.1**	**857.5**	**2,608.9**	**2,434.7**
Europe	€ million	847.8	819.1	573.1	541.3	1,420.9	1,360.4
thereof Germany	€ million	325.5	314.5	190.8	172.0	516.3	486.6
Americas	€ million	358.6	332.4	150.6	138.3	509.2	470.7
Asia / Pacific	€ million	314.8	274.7	133.9	127.7	448.7	402.4
Middle East, Africa & Others	€ million	177.6	150.9	52.5	50.2	230.1	201.1
Non-current assets by region [1]	**€ million**	**–**	**–**	**–**	**–**	**760.0**	**647.1**
Europe	€ million	–	–	–	–	653.4	536.6
thereof Germany	€ million	–	–	–	–	573.8	475.5
Americas	€ million	–	–	–	–	52.6	58.3
Asia / Pacific	€ million	–	–	–	–	47.1	46.7
Middle East, Africa & Others	€ million	–	–	–	–	6.8	5.5

[1] Non-current assets = intangible assets, property, plant and equipment, and other non-current assets (excluding the fund assets relating to plan assets reported under this balance sheet item)

50 NOTES TO THE CASH FLOW STATEMENT

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.

In fiscal year 2015, Dräger Group's cash inflow from operating activities amounted to EUR 39.9 million (2014: EUR 188.0 million). The reduction in earnings before net interest result, income taxes, depreciation and amortization (EBITDA) – adjusted for changes to cash-neutral provisions and other non-cash earnings / expenses – by EUR 40.1 million to EUR 186.7 million was a primary factor in this development. In addition, trade receivables increased by EUR 44.6 million, while they decreased by EUR 1.6 million in the prior year. Furthermore, trade payables fell by EUR 22.8 million, while other liabilities decreased by EUR 12.0 million. In the prior year, trade payables had risen by EUR 25.2 million, while other liabilities rose by EUR 10.6 million. Income tax payments declined from EUR 43.3 million to EUR 29.2 million.

At EUR 167.0 million, cash outflow from investing activities increased (2014: EUR 102.6 million). Cash outflow for 2015 includes the EUR 58.1 million purchase price payment for the shares in GasSecure AS, Oslo, Norway (after deduction of acquired cash and cash equivalents of EUR 0.3 million). Investments in property, plant and equipment also rose, mainly due to the construction of the reception and administration building as well as a number of modernizing measures at the Lübeck production site within the scope of the "factory of the future" project (EUR 45.9 million; 2014: EUR 45.5 million) and the renovation of existing buildings at the Lübeck site.

The lower cash outflow from financing activities of EUR 1.3 million compared to cash inflow of EUR 26.3 million in the prior year is mainly due to raising loans and the utilization of current account credit lines brought in a total of EUR 114.2 million (2014: EUR 16.5 million). This amount includes KfW loans of EUR 43.1 million to finance the "factory of the future" project. At the same time, loans of EUR 105.5 million (2014: EUR 56.3 million) were repaid, including note loans of EUR 86.5 million (2014: EUR 50.0 million). At EUR 34.6 million (2014: EUR 19.8 million), dividends paid to shareholders were almost offset by the exercising of ten options on preferred shares to the amount of EUR 31.5 million (2014: eleven options for EUR 34.9 million) (please refer to our comments in Note 5). The acquisition of the remaining shares in a Turkish subsidiary led to a payment of EUR 4.0 million.

↗ Note 5

Cash and cash equivalents as of December 31, 2015 exclusively comprised cash, of which EUR 8.9 million (December 31, 2014: EUR 8.4 million) was subject to restrictions.

Unused credit lines come to EUR 271.6 million as of December 31, 2015 (December 31, 2014: EUR 316.9 million) and are subject to restrictions applicable in the market.

51 REMUNERATION OF THE EXECUTIVE AND SUPERVISORY BOARDS

Executive Board remuneration

Total remuneration for Executive Board members amounted to EUR 3,718,431 in fiscal year 2015 (2014: EUR 2,742,455). This amount is made up of non-performance related payments of EUR 1,934,760 (2014: EUR 1,891,104), performance related short-term payments of EUR 1,780,853 (2014: EUR 851,351) as well as share-based remuneration with long-term incentives in the amount of EUR 2,818 (2014: EUR 0).

If Executive Board remuneration is paid by Drägerwerk Verwaltungs AG, pursuant to Sec. 11 (1) and (3) of the articles of association of Drägerwerk AG & Co. KGaA it is entitled to claim reimbursement from Drägerwerk AG & Co. KGaA monthly. Pursuant to Sec. 11 (4) of the Company's articles of association, the general partner receives a fee, independent of profit and loss, of 6 percent 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 2015, this remuneration amounts to EUR 86,761.84 (2014: EUR 83,498) plus potentially incurred VAT.

Obligations to Executive Board members under pension plans are stated in the financial statements 2015 at EUR 4,894,632 (2014: EUR 4,460,629).

In fiscal year 2015, the Company made pension provisions contributions of EUR 434,003 for members of the Executive Board (2014: EUR 1,859,238).

EUR 3,144,050 was paid to former members of the Executive Board and their surviving dependents (2014: EUR 3,304,846). Pension commitments to former members of the Executive Board and their surviving dependents amounted to EUR 44,969,123 (2014: EUR 48,674,558).

If an Executive Board member dies during his or her active service on the Board, the surviving spouse is entitled to Dräger widow's pension and any remaining children have claim to Dräger orphan's pension. The annual Dräger widow's and widower's pension amounts to 55 percent of the Dräger pension received by or which would have been received by the deceased executive if said executive would have been unable to work when they died (notional invalidity pension). The amount of the Dräger orphan's pension is 10 percent of the fictitious 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 defined Supervisory Board remuneration in the articles of association since fiscal year 2011. Supervisory Board remuneration for fiscal year 2015 came to EUR 350,000 (2014: EUR 527,480).

In fiscal year 2015, the total remuneration of the six members of the Supervisory Board of the general partner, Drägerwerk Verwaltungs AG, amounted to EUR 135,000 (2014: EUR 135,000) as well as additional flat fees for out-of-pocket expenses totaling EUR 55,000 (2014: EUR 55,000). 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 remuneration report.

52 SHARES OWNED BY THE EXECUTIVE AND SUPERVISORY BOARDS

As of December 31, 2015, the members of the Executive Board of Drägerwerk Verwaltungs AG and their related parties directly held 6,144 preferred shares in Drägerwerk AG & Co. KGaA, equivalent to 0.035 percent of the Company's total shares, and 114,605 common shares, corresponding to 0.65 percent of the Company's total shares.

Dr. Heinrich Dräger GmbH held 67.19 percent of common shares of Drägerwerk AG & Co. KGaA with 68.31 percent of voting rights attributable to the Chairman of the Executive Board Stefan Dräger, whereby 67.19 percent are attributable to him in accordance with the terms of Sec. 22 (1) Sentence 1 No. 1 WpHG (Wertpapierhandelsgesetz – German Securities Trading Act).

On December 31, 2015, the members of the Supervisory Board and their related parties directly or indirectly held a total of 916 preferred shares, equivalent to 0.01 percent of the Company's total shares, but did not hold any common shares (directly or indirectly).

53 RELATED PARTY TRANSACTIONS

Services were rendered for Stefan Dräger and companies related to Stefan Dräger, the Dräger-Stiftung and the Dräger-Familienstiftung (Dräger Foundation and Dräger Family Foundation) totaling EUR 143 thousand (2014: EUR 73 thousand) in fiscal year 2015. Remaining rent of EUR 20 thousand for 2014 was also invoiced. Receivables in this respect amounted to EUR 13 thousand on December 31, 2015 (2014: EUR 63 thousand).

Drägerwerk AG & Co. KGaA rendered rental services and other services totaling EUR 124 thousand for associate MAPRA Assekuranzkontor GmbH in fiscal year 2015 (2014: EUR 122 thousand).

Receivables in this respect amounted to EUR 2 thousand on December 31, 2015 (2014: EUR 3 thousand); there were no liabilities.

Claudia Dräger, the wife of Stefan Dräger, is actively employed by the Dräger Group. Her employment contract was concluded at arm’s length terms and conditions.

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

Dräger Verwaltungs AG is the general partner of Drägerwerk AG & Co. KGaA and holds 0 percent 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, as well as other expenses.

Liabilities to Drägerwerk Verwaltungs AG amounted to EUR 3.8 million as of December 31, 2015 (2014: EUR 2.7 million).

Two members of the Executive Board of Drägerwerk Verwaltungs AG participated in the 2015 employee share program. Both Executive Board members purchased nine sets of three shares at a cost of EUR 92.36 per share using their own funds. For every three preferred shares, participants received one preferred share worth EUR 109.20 free of charge from Dräger. The holding period for these preferred shares – including those that participants acquired themselves – runs until April 30, 2017.

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

54 ADDITIONAL INFORMATION

Auditor's fee

The total fee charged by the auditor – PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft – in fiscal year 2015 for the audit of the Group financial statements amounted to EUR 1,116 thousand (2014: EUR 1,018 thousand) for the audit of the financial statements, EUR 140 thousand (2014: EUR 377 thousand) for other audit services, EUR 28 thousand (2014: EUR 23 thousand) for other services, and EUR 134 thousand (2014: EUR 0 thousand) for tax consultancy.

The audit report was signed by Dr. Peter Bartels and Dr. Andreas Focke from PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. The audit opinion for fiscal year 2015 was the seventh one that Dr. Andreas Focke has signed in a row. Dr. Peter Bartels signed his second audit report for the Dräger Group.

Corporate governance declaration

For further Information www.draeger.com

Drägerwerk AG & Co. KGaA's declaration of conformity under the terms of Sec. 161 AktG (Aktiengesetz – German Stock Corporation Act) has been issued and made permanently available to the shareholders in December 2015 at www.draeger.com.

55 CONSOLIDATED COMPANIES

CONSOLIDATED COMPANIES

	Name and registered office	Capital stock in LCU 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 Medizin System Technik 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
	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	108 EUR	100 [1]
	MAPRA Assekuranzkontor GmbH, Lübeck	55 EUR	49 [2]
	Fachklinik für Anästhesie und Intensivmedizin Vahrenwald GmbH, Lübeck	26 EUR	100
	Dräger Energie GmbH, Lübeck	25 EUR	100
	FIMMUS Grundstücks-Vermietungs GmbH, Lübeck	25 EUR	100 [1,3]
	Dräger Finance Services GmbH & Co. KG, Bad Homburg v. d. Höhe	511 EUR	95 [3]
	OPTIO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Lübeck	26 EUR	100 [3]
	FIMMUS Grundstücks-Vermietungs Gesellschaft mbH & Co. Objekt Lübeck KG, Lübeck	10 EUR	100 [3]
	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 Grundstücksverwaltungs GmbH, Lübeck	25 EUR	100
	Dräger Holding International GmbH, Lübeck	25 EUR	100 [1]
	FUNDUS Grundstücksverwaltungs-GmbH& Co. KG, Lübeck	3,985 EUR	100 [3]
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 Safety Danmark A/S, Herlev	5,000 DKK	100
	Dräger Medical Danmark A/S, Allerod	4,110 DKK	100
Finland	Dräger Suomi Oy, Helsinki	802 EUR	100
France	Dräger Médical SAS, Antony	8,000 EUR	100
	Draeger Safety France SAS, Strasbourg	1,470 EUR	100
	AEC SAS, Antony	70 EUR	100
Greece	Draeger Hellas A.E. for Products of Medical and Safety Technology, Athens	1,500 EUR	100
Great Britain	Draeger Safety UK Ltd., Blyth	7,589 GBP	100
	Draeger Medical UK Ltd., Hemel Hempstead	4,296 GBP	100

[1] Relief in accordance with Sec. 264 (3) HGB.
[2] This company is treated as an associate as defined by IAS 28.
[3] Relief in accordance with Sec. 264b HGB.

CONSOLIDATED COMPANIES

	Name and registered office	Capital stock in LCU thousand	Share-holding in %
Europe (continued)			
Ireland	Draeger Medical Ireland Ltd., Dublin	25 EUR	100
Italy	Draeger Medical Italia S.p.A., Corsico-Milan	7,400 EUR	100
	Draeger Safety Italia S.p.A., Corsico-Milan	1,033 EUR	100
Croatia	Dräger Medical Croatia d.o.o., Zagreb	4,182 HRK	100
	Dräger Safety d.o.o., Zagreb	2,300 HRK	100
Netherlands	Dräger Nederland B.V., Zoetermeer	10,819 EUR	100
Norway	Dräger Safety Norge AS, Oslo	1,129 NOK	100
	Dräger Medical Norge AS, Drammen	16,371 NOK	100
	GasSecure AS, Oslo	139 NOK	100
Austria	Dräger Austria GmbH, Vienna	2,000 EUR	100
Poland	Dräger Polska sp. zo.o., Bydgoszcz	4,655 PLN	100
	Dräger Safety Polska sp. zo.o., Bytom	1,000 PLN	100
Portugal	Dräger Portugal, LDA, Lisbon	1,000 EUR	100
Romania	Dräger Medical Romania SRL, Bucharest	205 RON	100
	Dräger Safety Romania SRL, Bucharest	3,740 RON	100
Russia	Draeger OOO, Moscow	3,600 RUB	100
Sweden	Dräger Safety Sverige AB, Partille	6,000 SEK	100
	Dräger Medical Sverige AB, Kista	2,000 SEK	100
	ACE Protection AB, Svenljunga	100 SEK	100
Switzerland	Dräger Schweiz AG, Liebefeld-Bern	3,000 CHF	100
Serbia	Draeger Tehnika d.o.o., Belgrade	21,385 RSD	100
Slovakia	Dräger Slovensko s.r.o., Piestany	597 EUR	100
Slovenia	Dräger Slovenija d.o.o., Ljubljana-Crnuce	344 EUR	100
Spain	Dräger Medical Hispania SA, Madrid	3,606 EUR	100
	Dräger Safety Hispania SA, Madrid	2,404 EUR	100
Czech Republic	Dräger Medical s.r.o., Prague	18,314 CZK	100
	Dräger Safety s.r.o, Prague	29,186 CZK	100
	Dräger Chomutov s.r.o., Chomutov	65,435 CZK	100
Turkey	Draeger Medikal Ticaret ve Servis Anonim Sirketi, Istanbul	25,040 TRY	100
	Draeger Safety Korunma Teknolojileri Limited Sirketi, Ankara	70 TRY	90
Hungary	Dräger Safety Hungaria Kft., Budapest	66,300 HUF	100
	Dräger Medical Hungary Kft., Budapest	94,800 HUF	100
Africa			
Marocco	Draeger Maroc SARLAU, Casablanca	8,720 MAD	100
South Africa	Dräger Safety South Africa (Pty.) Ltd., Bryanston	4,000 ZAR	69
	Dräger South Africa (Pty.) Ltd., Johannesburg	200 ZAR	69[4]
	Dräger Safety Zenith (Pty.) Ltd., King William's Town	5,000 ZAR	100
Americas			
Argentina	Dräger Argentina SA, Buenos Aires	18,206 ARS	100
Brazil	Dräger do Brasil Ltda., São Paulo	27,021 BRL	100
	Dräger Industria e Comércio Ltda., São Paulo	8,132 BRL	100
	Dräger Safety do Brasil Equipamentos de Segurança Ltda., São Paulo	18,660 BRL	100

[4] Special purpose entities in accordance with IFRS 10

CONSOLIDATED COMPANIES

	Name and registered office	Capital stock in LCU thousand	Share-holding in %
Americas (continued)			
Chile	Dräger Chile Ltda., Santiago	1,284,165 CLP	100
	Dräger-Simsa S.A., Santiago	573,633 CLP	51
Canada	Draeger Safety Canada Ltd., Mississauga / Ontario	2,280 CAD	100
	Draeger Medical Canada Inc., Richmond Hill / Ontario	2,000 CAD	100
Colombia	Draeger Colombia SA, Bogota D.C.	2,350,000 COP	100
Mexico	Draeger Safety S.A. de C.V., Querétaro	50 MXN	100
	Dräger Medical Mexico S.A.de C.V., Mexico D.F.D.	50 MXN	100
Panama	Draeger Panama S. de R.L., Panama	180 USD	100
	Draeger Panama Comercial, S. de R.L., Panama	700 USD	100
Peru	Draeger Peru S.A.C., Piso Miraflores-Lima	9,809 PEN	100
USA	Draeger Medical, Inc., Telford	356 USD	100
	Draeger Safety, Inc., Pittsburgh	1,930 USD	100
	Draeger Safety Diagnostics, Inc., Durango	2 USD	100[4]
	Draeger Medical Systems, Inc., Telford	100 USD	100[4]
	Draeger Interservices, Inc., Pittsburgh	40 USD	100
Venezuela	Draeger Medical Venezuela S.A., Caracas	460 VEF	100
Asia / Australia			
P. R. China	Shanghai Dräger Medical Instrument Co., Ltd., Shanghai	22,185 CNY	100
	Draeger Safety Equipment (China) Co., Ltd., Beijing	50,000 CNY	100
	Dräger Medical Equipment (Shanghai) Co., Ltd., Shanghai	8,287 CNY	100
	Draeger Hong Kong Limited, Wanchai	500 HKD	100
	Draeger Medical Systems (Shanghai) Co., Ltd., Shanghai	70,000 CNY	100
India	Draeger India Private Limited, Mumbai	150,000 INR	100
	Draeger Safety India Pvt. Ltd., Mumbai	60,000 INR	100
Indonesia	PT Draegerindo Jaya, Jakarta	273 USD	100
	PT Draeger Medical Indonesia, Jakarta	18,321,000 IDR	100
Japan	Draeger Medical Japan Ltd., Tokio	549,000 JPY	100
	Draeger Safety Japan Ltd., Tokio	81,000 JPY	100
Saudi Arabia	Draeger Arabia Co. Ltd., Riyadh	40,000 SAR	51
Singapore	Draeger Safety Asia Pte Ltd, Singapore	3,800 SGD	100
	Draeger Medical South East Asia 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	3,000 THB	100
	Draeger Safety (Thailand) Ltd., Bangkok	15,796 THB	100
Vietnam	Draeger Medical Vietnam Co., Ltd., Ho Chi Minh City	9,552,478 VND	100
Australia	Draeger Safety Pacific Pty. Ltd., Notting Hill	5,875 AUD	100
	Draeger Medical Australia Pty. Ltd., Notting Hill	3,800 AUD	100

[4] Special purpose entities in accordance with IFRS 10

56 SUBSEQUENT EVENTS

Distribution

The general partner and the Supervisory Board of Drägerwerk AG & Co. KGaA, Lübeck, plan to propose to distribute out of the net earnings of Drägerwerk AG & Co. KGaA of EUR 366.0 million for fiscal year 2015 a cash dividend of EUR 0.13 per common share and EUR 0.19 per preferred share, totaling EUR 2.8 million. The remaining amount of EUR 363.2 million will be carried forward to new account. The preferred share dividend also governs the dividend for participation certificates, which will amount to EUR 1.90 each – ten times the preferred share dividend.

Lübeck, February 17, 2016

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

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

Management compliance statement

We confirm to the best of our knowledge that, in accordance with the applicable financial reporting framework, the Group financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, the Group management report presents business performance including business results and the situation of the Group so as to give a true and fair view, and that the material opportunities and risks relating to the Group's development have been described.

Lübeck, February 17, 2016

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

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

Auditor's Report

We have audited the consolidated financial statements prepared by the Drägerwerk AG & Co. KGaA, Lübeck, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of Drägerwerk AG & Co. KGaA, Lübeck, for the business year from January 1, 2015 to December 31, 2015. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, February 22, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels	Dr. Andreas Focke
(German Public Auditor)	(German Public Auditor)

The Company's Boards

Supervisory Board of Drägerwerk AG & Co. KGaA

Chairman

Prof. Dr. Nikolaus Schweickart

Lawyer, Bad Homburg
Chairman, Altana-Kulturstiftung gGmbH, Bad Homburg
Chairman of the Board of Trustees, Städel Museum, Frankfurt
Supervisory Board memberships:
- Drägerwerk Verwaltungs AG, Lübeck (Chairman)
- Dräger Medical GmbH, Lübeck (Chairman), until August 2, 2015
- Dräger Safety AG & Co. KGaA, Lübeck (Chairman)
- Dräger Safety Verwaltungs AG, Lübeck (Chairman)

Memberships on comparable boards of German or foreign companies:
- Diehl-Stiftung & Co. KG, Nuremberg (Chairman of the Advisory Board)
- Max-Planck-Innovation GmbH, Munich (Advisory Board), until March 31, 2015

Vice-Chairman

Siegfrid Kasang

Group Works Council Chairman of Dräger, Lübeck
Dräger Lübeck Works Council Chairman, Lübeck
Supervisory Board memberships:
- Dräger Medical GmbH, Lübeck, until August 2, 2015

Nike Benten (from February 1, 2016)

Member of Dräger Lübeck Works Council, Lübeck
Member of the Group Works Council of Dräger, Lübeck
Supervisory Board memberships:
- Dräger Safety AG & Co. KGaA, Lübeck

Klaus-Dieter Fett

Works Council Chairman, Germany
Member of the Group Works Council of Dräger, Lübeck
Supervisory Board memberships:
- Dräger Medical Deutschland GmbH, Lübeck

Daniel Friedrich

District secretary of the metalworkers' union IG Metall Küste, Hamburg, until September 30, 2015
1st Delegate of the metalworkers' union IG Metall, Lübeck-Wismar administrative office, Lübeck, from October 1, 2015
Supervisory Board memberships:
- Dräger Medical GmbH, Lübeck (Vice-Chairman), until August 2, 2015
- Dräger Safety AG & Co. KGaA, Lübeck

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
Supervisory Board memberships:
- Gpredictive GmbH, Hamburg, (Chairman of the Advisory Board), from January 1, 2015
- Drägerwerk Verwaltungs AG, Lübeck
- Dräger Medical GmbH, Lübeck, until August 2, 2015
- Dräger Safety AG & Co. KGaA, Lübeck
- Dräger Safety Verwaltungs AG, Lübeck

Stefan Klein

Officer of Drägerwerk AG & Co. KGaA, Lübeck
Supervisory Board memberships:
- Dräger Medical GmbH, Lübeck, until August 2, 2015

Stefan Lauer

Former Executive Board member of Deutsche Lufthansa AG, Frankfurt
Supervisory Board memberships:
- Lufthansa Cargo AG, Frankfurt
- Drägerwerk Verwaltungs AG, Lübeck
- Dräger Medical GmbH, Lübeck, until August 2, 2015
- Dräger Safety AG & Co. KGaA, Lübeck

Memberships on comparable boards of German or foreign companies:
- Günes Ekspres Havacilik A. S. (Sun Express), Antalya (Vice-Chairman of the Board of Directors)
- Landesbank Hessen-Thüringen Girozentrale, Frankfurt, Board of Directors
- People at Work Systems AG, Munich

Uwe Lüders

Chairman of the Executive Board of L. Possehl & Co. mbH, Lübeck
Supervisory Board memberships:
- Lübecker Hafen-Gesellschaft mbH (LHG), Lübeck, Chairman, from May 29, 2015
- Drägerwerk Verwaltungs AG, Lübeck
- Dräger Medical GmbH, Lübeck, until August 2, 2015
- Dräger Safety AG & Co. KGaA, Lübeck

Prof. Dr. Klaus Rauscher

Former Chairman of the Management Board of Vattenfall Europe AG, Berlin
Supervisory Board memberships:
- Vonovia SE, Düsseldorf (formerly Deutsche Annington Immobilien SE)
- Drägerwerk Verwaltungs AG, Lübeck
- Dräger Medical GmbH, Lübeck, until August 2, 2015
- Dräger Safety AG & Co. KGaA, Lübeck
- Dräger Safety Verwaltungs AG, Lübeck

Memberships on comparable boards of German or foreign companies:
- Stiftungsrat Berliner Philharmoniker, Berlin

Thomas Rickers

1st Delegate of the metalworkers' union IG Metall, Lübeck-Wismar administrative office, Lübeck, until September 30, 2015
Officer for the Dräger Group, the metalworker's union IG Metall, Lübeck-Wismar administrative office, Lübeck, from October 1, 2015
Supervisory Board memberships:
– Dräger Medical GmbH, Lübeck, until August 2, 2015
– Dräger Safety AG & Co. KGaA, Lübeck

Ulrike Tinnefeld (until January 31, 2016)

Group Works Council Vice-Chairperson of Dräger, Lübeck
Member of Dräger Lübeck Works Council, Lübeck
Supervisory Board memberships:
– Dräger Safety AG & Co. KGaA, Lübeck (Vice-Chairperson), until January 31, 2016

Dr. Reinhard Zinkann

Managing Partner of Miele & Cie. KG, Gütersloh
Supervisory Board memberships:
– Falke KGaA, Schmallenberg (Chairman)
– Drägerwerk Verwaltungs AG, Lübeck
– Dräger Medical GmbH, Lübeck, until August 2, 2015
– Dräger Safety AG & Co. KGaA, Lübeck

Memberships on comparable boards of German or foreign companies:
– Hipp & Co., Pfaffenhofen (President of the Board of Directors), from February 26, 2015
– Krombacher Brauerei GmbH & Co. KG, Kreuztal-Krombach (Advisory Board)
– Nobilia-Werke J. Stickling GmbH & Co. KG, Verl (Advisory Board)

Members of the Audit Committee:

Prof. Dr. Thorsten Grenz (Chairman)
Siegfrid Kasang
Prof. Dr. Klaus Rauscher
Prof. Dr. Nikolas Schweickart
Ulrike Tinnefeld, until January 31, 2016
Daniel Friedrich, from February 1, 2016

Members of the Nomination Committee:

Prof. Dr. Nikolas Schweickart (Chairman)
Uwe Lüders
Dr. Reinhard Zinkann

Members of the Joint Committee:

Representatives of Drägerwerk Verwaltungs AG:
Prof. Dr. Thorsten Grenz
Stefan Lauer
Uwe Lüders
Prof. Dr. Klaus Rauscher

Representatives of Drägerwerk AG & Co. KGaA:
Prof. Dr. Nikolas Schweickart (Chairman)
Dr. Reinhard Zinkann
Siegfrid Kasang
Thomas Rickers

Members of the Executive Board of Drägerwerk Verwaltungs AG, acting for Drägerwerk AG & Co. KGaA

Stefan Dräger

Chairman of the Executive Board
Chairman of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck
(general partner of Drägerwerk AG & Co. KGaA)
Chairman of the Executive Board of Dräger Safety Verwaltungs AG, Lübeck
(general partner of Dräger Safety AG & Co. KGaA)
Managing Director of Dräger Medical GmbH, Lübeck, until August 2, 2015

Supervisory Board memberships:
– Sparkasse zu Lübeck AG, Lübeck

Dr. Herbert Fehrecke (until March 31, 2015)

Executive Board member for Purchasing and Quality
Vice-Chairman of the Executive Board
Vice-Chairman of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck (general partner of Drägerwerk AG & Co. KGaA), until March 31, 2015
Executive Board member of Dräger Safety Verwaltungs AG, Lübeck (general partner of Dräger Safety AG & Co. KGaA), until March 31, 2015
General Manager of Dräger Medical GmbH, Lübeck, until March 31, 2015

Supervisory Board memberships:
– Diehl-Stiftung & Co. KG, Nuremberg (Advisory Board)
– Dräger Medical Deutschland GmbH, Lübeck (Chairman), until March 31, 2015

Gert-Hartwig Lescow

CFO and Executive Board member for IT
Vice-Chairman of the Executive Board, from April 1, 2015
Executive Board member of Drägerwerk Verwaltungs AG, Lübeck
(general partner of Drägerwerk AG & Co. KGaA)
Executive Board member of Dräger Safety Verwaltungs AG, Lübeck
(general partner of Dräger Safety AG & Co. KGaA)
General Manager of Dräger Medical GmbH, Lübeck, until August 2, 2015

Supervisory Board memberships:
– AXA Corporate Solutions S. A., Paris

Rainer Klug (from August 1, 2015)

Executive Board member for Production, Logistics, Purchasing
Regional responsibility for the Americas, from January 1, 2016
Executive Board member of Drägerwerk Verwaltungs AG, Lübeck
(general partner of Drägerwerk AG & Co. KGaA)
Executive Board member of Dräger Safety Verwaltungs AG, Lübeck
(general partner of Dräger Safety AG & Co. KGaA), from September 10, 2015

Dr. Reiner Piske (from November 1, 2015)

Executive Board member for Human Resources
Regional responsibility for Europe, from January 1, 2016
Executive Board member of Drägerwerk Verwaltungs AG, Lübeck (general partner of Drägerwerk AG & Co. KGaA)
Executive Board member of Dräger Safety Verwaltungs AG, Lübeck (general partner of Dräger Safety AG & Co. KGaA)

Anton Schrofner

Executive Board member for Innovation
Regional responsibility for Africa, Asia and Australia, from January 1, 2016
Executive Board member of Drägerwerk Verwaltungs AG, Lübeck (general partner of Drägerwerk AG & Co. KGaA)
Executive Board member of Dräger Safety Verwaltungs AG, Lübeck (general partner of Dräger Safety AG & Co. KGaA)
General Manager of Dräger Medical GmbH, Lübeck, until August 2, 2015

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FINANCIAL CALENDAR 2016

Annual accounts press conference	March 9, 2016
Analysts' meeting	March 9, 2016
Report for the first quarter 2016, Conference call	April 26, 2016
Annual shareholders' meeting, Lübeck	April 27, 2016
Half-yearly report for 2016, Conference call	July 28, 2016
Report for the third quarter 2016, Conference call	November 3, 2016

DIVISIONS OVER THE PAST FIVE YEARS[1]

						Twelve months
		2011	2012	2013	2014	2015
Medical division						
Net sales	€ million	1,484.5	1,558.4	1,545.2	1,577.2	1,698.8
EBIT[2]	€ million	155.8	151.0	126.1	107.6	46.2
in % of net sales (EBIT margin)	%	10.5	9.7	8.2	6.8	2.7
Safety division						
Net sales	€ million	771.3	815.1	829.0	857.5	910.1
EBIT[2]	€ million	58.0	79.2	74.7	71.0	20.5
in % of net sales (EBIT margin)	%	7.5	9.7	9.0	8.3	2.2

[1] The years 2011 to 2013 were adjusted pro forma due to the change in segment reporting. Regarding the adjustments for 2014 we refer to Note 3 in the notes.
[2] EBIT = earnings before interest and taxes

THE DRÄGER GROUP OVER THE PAST FIVE YEARS

						Twelve months
		2011	2012	2013	2014	2015
Order intake	€ million	2,293.2	2,405.5	2,384.6	2,415.5	2,532.2
Net sales	€ million	2,255.8	2,373.5	2,374.2	2,434.7	2,608.9
EBITDA [1,2]	€ million	274.6	296.0	270.3	255.6	150.9
EBIT [3]	€ million	213.8	230.3	200.8	178.6	66.7
in % of net sales (EBIT margin)	%	9.5	9.7	8.5	7.3	2.6
Interest result	€ million	–33.0	–32.8	–23.5	–25.0	–17.2
Income taxes	€ million	–55.7	–61.8	–57.5	–48.9	–16.2
Net profit	€ million	125.1	135.7	119.9	104.7	33.3
Earnings attributable to shareholders	€ million	120.7	127.0	114.6	96.6	32.7
Earnings per share [4]						
per preferred share	€	7.35	7.73	6.94	5.73	1.89
per common share	€	7.29	7.67	6.88	5.67	1.83
Earnings per share on full distribution [5]						
per preferred share	€	4.60	5.90	5.30	4.58	1.46
per common share	€	4.54	5.84	5.24	4.52	1.40
Equity [6]	€ million	731.6	729.7	816.0	896.6	945.9
Equity ratio [6]	%	34.6	34.7	39.5	40.1	40.9
Capital employed [6,7]	€ million	880.0	901.9	1,052.9	1,107.2	1,269.3
EBIT [3,8] / Capital employed [6,7] (ROCE)	%	24.3	25.5	19.1	16.1	5.3
Net financial debt [6]	€ million	39.8	56.8	110.0	10.7	145.3
DVA [9]	€ million	134.6	150.0	113.9	81.6	–46.3
Headcount on 31. December		11,924	12,516	13,334	13,737	13,936
Drägerwerk AG & Co. KGaA dividends						
Preferred shares	€	0.19	0.92	0.83	1.39	0.19
Common shares	€	0.13	0.86	0.77	1.33	0.13

[1] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[2] Equipment leased out is recognized in property, plant and equipment since 2012. The figures for 2011 were adjusted accordingly.
[3] EBIT = earnings before interest and taxes
[4] On the basis of the proposed dividend
[5] Based on an imputed actual full distribution of earnings attributable to shareholders
[6] Value at end of period
[7] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[8] Value of the last twelve months
[9] Dräger Value Added = EBIT less cost of capital

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