Annual Report 2023

Dräger

Technology for Life

Content

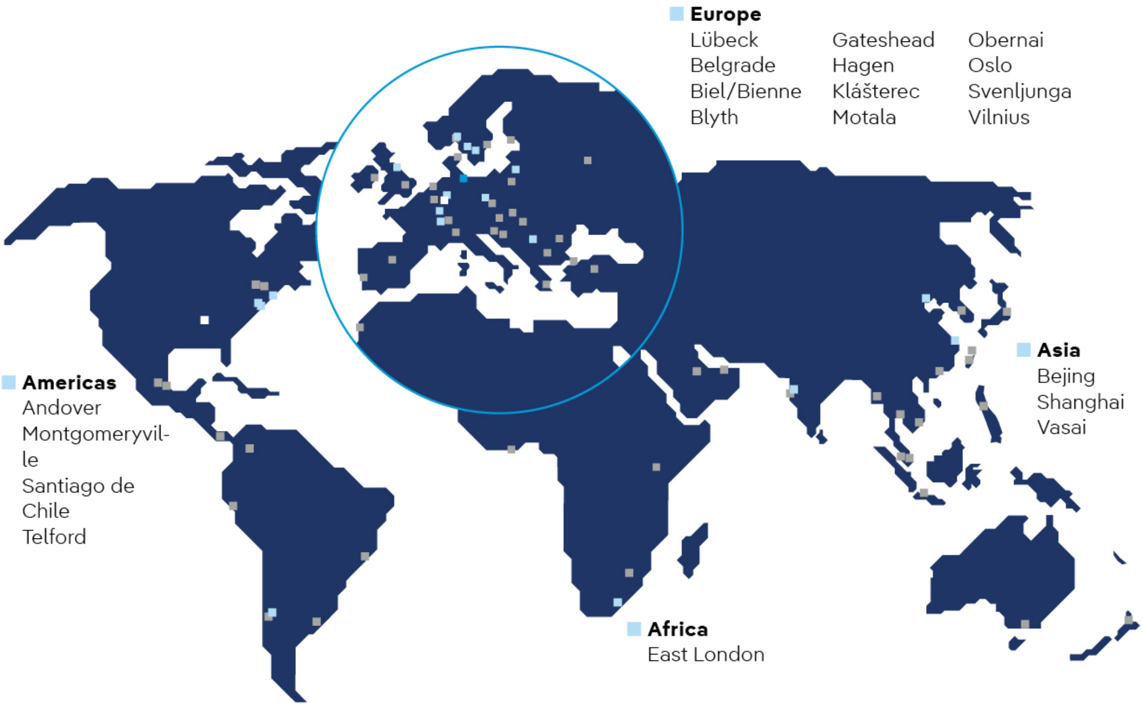
Markets

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

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

Dräger worldwide

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



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

Technology for Life

Company profile

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

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

The Company has 16,329 employees worldwide and is currently represented in over 190 countries. Dräger has sales and service subsidiaries in about 50 countries. The relevant development and production sites are located in Germany, Chile, China, the Czech Republic, France, India, Lithuania, Norway, Serbia, South Africa, Sweden, Switzerland, United Kingdom, and the United States of America.

Selected key figures Dräger Group

				Twelve months
		2023	2022	Change in %
Order intake	**€ million**	**3,290.0**	**3,284.7**	**+0.2**
Net sales	**€ million**	**3,373.5**	**3,045.2**	**+10.8**
Gross profit	**€ million**	**1,459.7**	**1,238.4**	**+17.9**
Gross profit / net sales	%	43.3	40.7	
EBIT [1]	**€ million**	**166.4**	**-88.6**	**> +100**
EBIT [1] / net sales	%	4.9	-2.9	
Net profit / net loss	**€ million**	**112.0**	**-63.6**	**> +100**
Earnings per share on full distribution [2]				
per preferred share	€	5.92	-3.41	> +100
per common share	€	5.86	-3.47	> +100
DVA [3, 4]	**€ million**	**55.8**	**-196.2**	**> +100**
Cash flow from operating activities	€ million	189.7	-144.2	> +100
Net financial debt [5] / EBITDA [3, 6]	Factor	0.63	4.64	
Equity ratio [5]	%	45.5	42.5	
Headcount as at December 31		16,329	16,219	+0.7

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

Dear Shareholders, dear Employees, dear Readers,

In our 2022 annual report, we promised you that we would return to growth and profitability in 2023. We kept this promise – and even managed to exceed our original forecast for the year. We will focus even more on profitability in the future.

Our net sales and earnings increased significantly in the past fiscal year. The strong net sales growth is primarily thanks to our noticeably improved delivery capability. Furthermore – and I am very pleased about this – we were able to successfully defend our prices and benefit from the continued good overall demand for our products and services: In nominal terms, our order intake was almost on a par with the prior year's high level, and even slightly higher net of currency effects. This means that our order books will also be well filled at the start of 2024. This shows: Our ›Technology for Life‹ remains in demand!

Below the line, the company returned to profit at the end of 2023. In addition to strong net sales growth, our successful management of costs contributed to this very positive result. The development of cash flow was also favorable. That we have achieved this and returned to profitability is also the result of a joint effort by all our employees. On behalf of the entire Executive Board, I would therefore like to thank you most sincerely for your outstanding commitment, your excellent performance, and your strong team spirit in this challenging year.

The past two years, but particularly the loss-making year 2022, have clearly shown how important profitability is for our long-term survival. We will therefore focus more strongly on earnings growth in future, even if this prevents even stronger net sales growth in individual cases.

The basis for this remains unchanged. The markets for medical and safety technology are in good shape worldwide and offer us excellent growth opportunities. However, we are still falling short of our original ambition when it comes to achieving growth in profitability in addition to net sales growth. We therefore need to improve our profitability. Why? As profitability enables us to generate a positive cash flow. This strengthens our internal financial resources and makes us less dependent on external financing. Profitability also provides the capital we need to invest in new products, technologies, markets and employees. These investments are often crucial to remaining competitive in our dynamic markets and surviving in the long term. Furthermore, as a profitable company, we can offer better working conditions that foster employee motivation and commitment and help us to attract and retain qualified talent and top performers. Profitability also acts as a buffer against economic uncertainties and unexpected challenges. This gives us more leeway to deal with crises without having to take drastic measures that may have negative consequences in the medium term. What's more, profitability is of course also an important criterion when it comes to maintaining our attractiveness on the capital market. Higher margins drive our company's valuation, i.e. the share price.

In order to increase our profitability, we will take advantage of the opportunities that arise with entrepreneurial passion and support our margins through price enforcement and careful cost management. The focus is on aligning our activities even more closely with the needs of our customers and consistently pushing ahead with our own initiatives. Unprofitable activities will be restructured or discontinued. We will continue to weigh up our decisions carefully and act sustainably. This is particularly important for me as a fifth-generation family business owner because I want to hand over my company to my successors in an even better state than when I took it over.

Sustainability will continue to play an important role in our plans. In 2023, we began to further expand our sustainability organization and implement comprehensive measures as part of our strategic areas of action. This takes sustainability at Dräger to the next level. You can find out what sustainability goals we are pursuing and what progress we have made so far in our 2023 sustainability report. You can also read about my conviction in the preface: no sustainability without profitability.

In order to achieve sustainable profitability, our EBIT margin, i.e. earnings before interest and taxes, must increase significantly in relation to net sales. This is a real challenge, but we are tackling it step by step. After earnings in 2023 benefited from some pent-up demand, we expect net sales growth (net of currency effects) of one to five percent and an EBIT margin of 2.5 to 5.5% in fiscal year 2024. We want to continue to increase our margin, by one percentage point per year on average, over the coming years. This will enable us to continuously generate a positive value contribution, i.e. a positive DVA, and steadily increase the company's value.

In terms of structure and ratio, our equity has now reached a level that means there is nothing standing in the way of a permanent distribution of a regular dividend. We want to propose a significantly higher dividend for 2023 compared to the prior year to the annual shareholders' meeting and distribute at least 30% of the profit as a dividend in the future. I am delighted about this together with you.

I would like to express my gratitude for the trust and loyalty you have shown as our shareholders. I would also like to thank the Supervisory Board for maintaining such a constructive working relationship. Let us work together to make Dräger even more profitable and thus ensure the long-term success of our company.

Best regards,

Stefan Dräger

Stefan Dräger

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

»In 2023, we returned to growth and profitability as promised and even exceeded our original forecast for the year. Our markets for medical and safety technology are in good shape worldwide and offer us excellent growth opportunities. Demand for our ›Technology for Life‹ remains high. We are therefore well placed to become even more profitable. This will be our focus in the future.«

The Executive Board

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

Stefan Dräger
Chairman of the Executive Board

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

Rainer Klug
Executive Board member for Safety Division

Dr. Reiner Piske
Executive Board member for Sales and Human Resources

Anton (Toni) Schrofner
Executive Board member for Medical Division

Gert-Hartwig Lescow

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

Rainer Klug

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

»Our financial situation has improved significantly over the past year. Our cash flow was clearly positive again. The positive Group result and the strong equity base enable us to propose a significantly higher dividend to our annual share-holders' meeting than in prior years. In future, our share-holders can expect a dividend ratio of at least 30%. Further improving profitability is our top priority – to continue to strengthen Dräger's attractive-ness and resilience.«

»In 2023, we were able to deliver many products more quickly again thanks to the improved delivery capability and thus also realize significantly higher revenues again. The increased order volume also contributed to the strong sales growth last year. Our gas detection instruments and services were particularly in demand. We expect the need for safety technology to remain high and will continue to exploit the opportunities presented by trends towards renewable energies and digitalization.«

Dr. Reiner Piske

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

»Last year, we were once again able to convince many customers of our ›Technology for Life‹. Thanks to the good performance in the Europe and America regions, order intake was again at the same high level as in the prior year. Our service organization was also very successful and was once again able to significantly increase its order intake and net sales. We have also continued to develop our HR strategy and implemented many other measures to retain our employees and attract more qualified talent. In 2023, Dräger was once again recognized as a top employer. This is something we can be very proud of!«

Toni Schrofner

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

»After a disappointing prior year, in 2023 we managed to significantly increase net sales in the medical division again and improve the operating result by around EUR 128 million. We have laid the foundation for further growth with important product licenses, in particular the approvals in the U.S. for our latest therapy devices in anesthesia, ventilation and thermoregulation. In addition to the net-working of medical technology and the development of digital solutions, in future we will also continuously expand our profitable range of accessories, consumables, and services.«

Report of the Supervisory Board

Following the loss in 2022, Dräger is able to report a profit again for 2023, which is even slightly higher than forecast. In addition to pent-up demand (from before supply chains improved) and special demand in China, this was primarily due to the Company's own efforts. Price adjustments, sales successes, innovative products and cost control all played their part towards achieving the positive result – despite a sometimes difficult market environment and ongoing geopolitical turmoil. We would like to thank the Executive Board, with whom the Supervisory Board continued to consult intensively and work together in a spirit of trust in 2023, and all employees for this achievement.

Dear Shareholders,

Dräger's economic situation improved significantly in fiscal year 2023. As supply chains improved, the Company was again able to more easily procure many electronic components for which there had previously only been limited availability – and thus also reduce the high order backlog from the previous year more quickly. However, the continued high order intake also contributed to the positive development.

During the second half of the year, business developed better than expected. The forecast was therefore raised twice. Overall, Dräger was able to increase its net sales by 13.1% (net of currency effects) in the reporting year and achieve a clearly positive EBIT margin of 4.9%. The Executive Board had originally expected a currency-adjusted increase in net sales of 7.0 to 11.0% and an EBIT margin of 0.0 to 3.0%.

The Supervisory Board believes the Executive Board also fulfilled its responsibilities in 2023. The measures implemented over the past year have helped to improve profitability: sales prices were increased, free cash flow improved and cost awareness enhanced. Together with the significant improvement in delivery capability and the continued high demand for Dräger products and services, this has enabled a return to growth and profitability. The capital market also welcomed the positive development, with Dräger's shares rising by more than 20% in 2023.

Dräger also benefited in 2023 from pent-up demand, which will not be the case in 2024. In this context, the Executive Board expects currency-adjusted net sales growth of 1.0 to 5.0% and an EBIT margin of 2.5 to 5.5% for the current fiscal year. The Supervisory Board regards these expectations to be realistic.

In fiscal year 2023, the Supervisory Board carefully and regularly monitored the work of the Executive Board of the general partner in accordance with the law and the articles of association, and provided advice on the strategic development of the Company as well as all major measures. The Supervisory Board was involved in due time in all decisions of importance to the Company. The extensive written and verbal reports by the Executive Board formed the basis for these decisions. The Chairman of the Supervisory Board was also regularly informed about current business developments and major transactions by the Chairman of the Executive Board and by individual members of the Executive Board outside of the Supervisory Board meetings.

Meetings

The Supervisory Board held four regular meetings in the reporting year, all of which took place in person. At its meetings, the Supervisory Board dealt in detail with the business and strategic development of the Dräger Group, the divisions, as well as the domestic and foreign subsidiaries, and intensively advised the Executive Board on such matters. At the meeting on February 28, 2023, one agenda item was addressed without the participation of the Executive Board of the general partner. Moreover, it was not deemed necessary to discuss meetings or individual items on the agenda without the Executive Board. The participation of the members of the Supervisory Board and the committees is indicated in the table ›Individual participation rate‹:

Individual participation rate

	Participation / number of meetings			
Supervisory Board member	Supervisory Board plenary assembly	Joint Committee	Audit Committee	Nomination Committee
Stefan Lauer (Chairman)	4/4	4/4	6/6	1/1
Christian Fischer (Vice-Chairman since May 5, 2023)	4/4	4/4	6/6	
Sandra Albert (May 5 to November 30, 2023)	2/2			
Nike Benten (until May 5, 2023)	1/1			
Maria Dietz	3/4	3/4		
Daniel Friedrich (Vice-Chairman and member until May 5, 2023)	1/1		2/2	
Andrea Görndt (since May 5, 2023)	3/3			
Prof. Dr. Thorsten Grenz	4/4	4/4	6/6	
Henning Groskreutz (since May 5, 2023)	3/3	3/3	4/4	
Astrid Hamker	3/4	3/4		
Stefanie Hirsch (since May 5, 2023)	2/3			
Uwe Lüders (until May 5, 2023)	1/1	1/1	2/2	1/1
Steffen Michalzik (January 1 to May 5, 2023)	1/1			
Laura Pooth (since December 1, 2023)	1/1			
Thomas Rickers (until May 5, 2023)	1/1	1/1		
Frank Riemensperger	3/3	3/3	4/4	
Bettina van Almsick	4/4			
Dr. Reinhard Zinkann	3/4	3/4		1/1

Focal points of the Supervisory Board's deliberations

In the past fiscal year, discussions focused on segment reporting on both the medical and safety divisions, the development of the product portfolio, and the Company's long-term strategic targets, as well as earnings trends and cost development. Carrying out an employee share program once again was also discussed. The Supervisory Board was also regularly informed about the progress of product approvals for medical devices for the U.S. market by the responsible approval authority.

One focal point of the consultations in fiscal year 2023 was the strategic considerations and measures for the return to profitability and growth, which the Supervisory Board examined in close detail at every meeting. The meeting on September 20, 2023 focused on the potential for growth and earnings as well as the strategic direction of both divisions.

In its meeting on December 19, 2023, the Supervisory Board was informed about the sustainability strategy and the plan for fiscal year 2024. Following in-depth discussion, the plan was approved by the Supervisory Board and the Joint Committee, which is responsible for resolutions concerning transactions requiring approval. In addition, the Supervisory Board concentrated on the German Corporate Governance Code at this meeting. Since submitting its most recent declaration of conformity on December 20, 2022, the Company has complied with the recommendations of the German Corporate Governance Code in the version dated April 28, 2022, apart from two deviations concerning the Executive Board's remuneration. The declaration of conformity from the Supervisory Board and Executive Board pursuant to Section 161 German Stock Corporation Act (AktG) is permanently available on the Company website and in the declaration of corporate governance.

↗ Please refer to the ›Declaration of conformity‹ on page 80.

»After a disappointing year in 2022, Dräger's business developed positively again in 2023. Essentially, a significant profit was achieved – something that shareholders can also rejoice over in the form of a higher dividend. The Supervisory Board welcomes the Executive Board's plans to shift the focus from net sales growth to earnings growth and thus continue to increase profitability. Thanks to the measures put in place to improve profitability in fiscal year 2023, the Executive Board has laid the foundations to make Dräger even more successful. The task now is to continue on this path consistently and take advantage of the opportunities to further increase profitability.«

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

Activities of the Audit Committee

The Audit Committee held three in-person meetings and three conference calls in the reporting year. The CFO, the head of the Accounting department, the head of the Internal Audit department, and representatives of the auditor took part in the meetings. The Audit Committee began its sessions on February 27, 2023 and September 19, 2023, by meeting with the auditor without any other attendees from the Company.

At its meetings, the Audit Committee dealt with the annual and consolidated financial statements, the quarterly results, the half-year financial report, the audit of the non-financial statement (sustainability report), and the proposal for the appropriation of profits. In addition, the Committee audited and assessed the financial reporting process and the risk reporting system, as well as the audit activities of the Internal Audit department and the auditors. The segment reporting, the organization of Compliance and its activities, as well as the risk management system and IT security were also discussed at the meetings. The Chairman of the Audit Committee reported to the full Supervisory Board on the outcome of its deliberations.

In January and February 2024, the Internal Audit department and Legal department audited the sustainability report on behalf of the Audit Committee. The Audit Committee based its audit and approval of the sustainability report on this internal audit report. According to that audit, there are no indications of failure to comply with the law, and/or that legally required content is missing. The Supervisory Board approved the sustainability report on the recommendation of the Audit Committee at its meeting on February 28, 2024.

Activities of the Nomination Committee

During the reporting year, the Nomination Committee met on February 27, 2023 and dealt in particular with the selection of candidates for the upcoming elections to the Supervisory Board at the annual shareholders' meeting.

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

Single entity and Group financial statements
The Supervisory Board commissioned the statutory auditor elected by the annual shareholders' meeting, Frankfurt-based PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, to audit the single entity and Group financial statements for fiscal year 2023. Subject of the audit were the single entity financial statements of Drägerwerk AG & Co. KGaA, prepared in accordance with the German Commercial Code (HGB), as well as the Group financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS), and the combined management report of Drägerwerk AG & Co. KGaA and the Dräger Group. The auditor examined the single entity financial statements of Drägerwerk AG & Co. KGaA, prepared in accordance with the provisions of the German Commercial Code, the Group financial statements, prepared in accordance with IFRS, as well as the combined management report of both Drägerwerk AG & Co. KGaA and the Group, and issued an unqualified audit opinion. The auditor confirmed that the Group financial statements and the combined management report conform to IFRS as adopted by the EU.

The members of the Supervisory Board carefully examined the single entity and Group financial statements and the combined management report, as well as the audit reports. Representatives of the statutory auditor attended the Audit Committee's meeting on February 27, 2024, during which Dräger's single entity and Group financial statements were deliberated on, as well as the Supervisory Board's meeting on February 28, 2024, 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 annual financial statements of Drägerwerk AG & Co. KGaA and the Group financial statements as well as 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 key asset and liability items and their valuation, as well as the presentation of the earnings position and the development of certain key figures. The Chairman of the Audit Committee reported on the discussions to the Supervisory Board. Further questions by members of the Supervisory Board led to a more detailed discussion of the results. The Supervisory Board was convinced that the dividend proposed by the general partner was appropriate considering the net assets, financial position, and results of operations, and approved it. The liquidity of the Company and the interests of the shareholders were given equal consideration. There were no reservations concerning the economic efficiency of the Executive Board's actions.

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

Changes in the Executive Board

There were no changes to the composition of the Executive Board of the general partner in the reporting year.

Changes in the Supervisory Board

Regular elections to the Supervisory Board were held in the reporting year. Sandra Albert, Christian Fischer, Andrea Görndt, Henning Groskreutz, Stefanie Hirsch and Bettina van Almsick emerged as successful candidates from the elections for employee representatives on March 23, 2023 and April 13, 2023. Sandra Albert resigned from her position with effect from November 30, 2023. Her successor since December 1, 2023 has been Laura Pooth. At the annual shareholders' meeting on May 5, 2023, Maria Dietz, Prof. Dr. Thorsten Grenz, Astrid Hamker, Stefan Lauer, Frank Riemensperger and Dr. Reinhard Zinkann were elected or re-elected as shareholder representatives. At its constituent meeting on May 5, 2023, the Supervisory Board elected Stefan Lauer as Chairman and Christian Fischer as Vice Chairman. In addition, the Audit Committee and the Nomination Committee were newly elected. The members of the Audit Committee are Prof. Dr. Thorsten Grenz as Chairman, Christian Fischer, Henning Groskreutz, Stefan Lauer and Frank Riemensperger. The Nomination Committee consists of Stefan Lauer as Chairman, Maria Dietz and Dr. Reinhard Zinkann.

Conflicts of interest

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

The Supervisory Board would like to recognize the Executive Board for its performance and dedicated service in the reporting year. Furthermore, it thanks management and all employees, including employee representatives, for their hard work in fiscal year 2023.

Lübeck, February 28, 2024

Stefan Lauer
Chairman of the Supervisory Board

Report of the Joint Committee

Dear Shareholders,

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

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

Lübeck, February 28, 2024

Stefan Lauer
Chairman of the Joint Committee

The Dräger shares

The capital market was characterized by uncertainty in 2023. Nevertheless, many indices rose. Dräger shares recorded significant gains and outperformed our benchmark index, the SDAX. Our business performance in particular had a positive impact on our shares.

Development of the Dräger shares

In 2023, the capital market was impacted in particular by rising interest rates, fears of recession, an uncertain corporate outlook and the wars in Ukraine and the Middle East. Added to this were factors such as the crisis among regional banks and the dispute over the debt ceiling in the USA. On the other hand, declining inflation rates and diminishing supply chain issues provided grounds for optimism. Against this backdrop, the German stock market proved robust and developed positively. The small-cap index SDAX initially rose significantly in January and February. After a correction in March, it rose sharply again. It trended sideways in June and July and recorded significant price losses from August to October. On October 30, it fell to its yearly low of around 12,076 points. However, it was able to partially recover over the following weeks. On the last trading day of the year, the SDAX closed at its high for the year at around 13,960 points, an increase of about 17% compared with the year-end level in 2022. In November and December, the cautious U.S. monetary policy in particular had a positive effect on the index.

Dräger shares had started January with gains, but lost value again by the middle of the month. Following publication of the preliminary figures for 2022 and the forecast for 2023 in mid-January, it temporarily rose significantly. The weeks that followed, and March in particular, were characterized by considerable price fluctuations at times. From mid-March to the end of April, the price of Dräger shares rose significantly, especially after the publication of the preliminary figures for the first quarter and confirmation of the full-year forecast in mid-April. At the end of April, shares reached their highest level in the first half of the year. Subsequently, they fell sharply, also in the wake of the general weakness of the capital markets. In the first half of July, they rose sharply as a result of a positive comment by M.M. Warburg, before losing value again by the end of September in the wake of a gloomy stock market environment. In the last three months of the year, they recorded strong gains, in particular due to the raised forecast for 2023 in October. In mid-November, they rose to their respective yearly highs of EUR 47.30 (common shares) and EUR 55.70 (preferred shares).

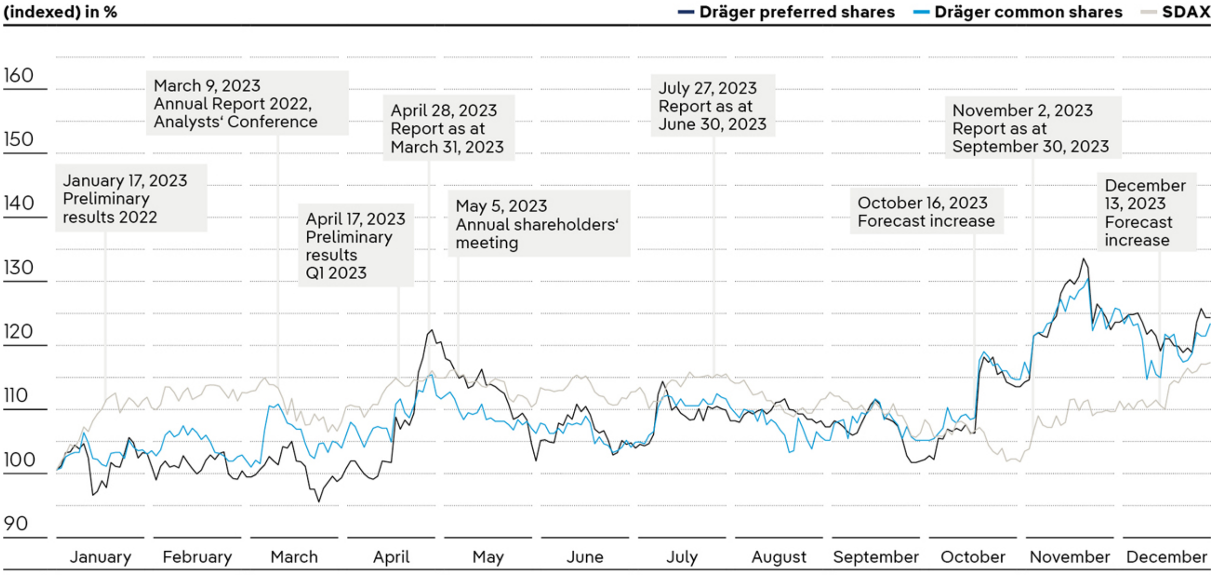
As of the reporting date December 31, 2023, the common shares were quoted at EUR 44.70. They were thus around 23% higher than at the end of 2022. The SDAX-listed preferred shares were quoted at EUR 51.80, an increase of around 24%.

↗ Please refer to the ›Dräger share price developments 2023‹ figure on page 18.

Development of the Dräger shares and SDAX as at December 31, 2023

in %	1 year	3 years	5 years	10 years
Dräger common shares	23	-25	8	-42
Dräger preferred shares	24	-18	11	-45
SDAX	17	-5	47	106

Share price developments 2023



Repayment of participation certificates completed

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

Dividend

Due to the positive result in fiscal year 2023 and the solid equity base of the Dräger Group, the Executive Board and Supervisory Board intend to propose to the annual shareholders' meeting for 2023 a higher dividend compared to the prior year of EUR 1.80 per preferred share (2022: EUR 0.19) and EUR 1.74 per common share (2022: EUR 0.13). This would correspond to a distribution of 30% of the consolidated annual net profit.

Dräger intends to continue distributing at least 30% of consolidated annual net profit in the coming years, provided that the Group's equity ratio is at least 40%.
↗ Please refer to note 20.

Dräger shares – basic figures

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

Dräger shares indicators

	2023	2022
Common shares		
No. of shares as at the reporting date	10,160,000	10,160,000
High (in €)	47.30	54.20
Low (in €)	36.40	34.00
Share price on the reporting date (in €)	44.70	36.30
Annual share price development (in %)	23.1	-32.9
Average daily trading volume [1]	2,461	4,126
Dividend per share (in €) [2]	1.74	0.13
Dividend yield (in %)	3.9	0.4
Earnings per common share (in €)	5.86	-3.47
Preferred shares		
No. of shares as at the reporting date	8,600,000	8,600,000
High (in €)	55.70	55.25
Low (in €)	39.65	38.80
Share price on the reporting date (in €)	51.80	41.75
Annual share price development (in %)	24.1	-24.4
Average daily trading volume [1]	12,269	22,319
Dividend per share (in €) [2]	1.80	0.19
Dividend yield (in %)	3.5	0.5
Earnings per preferred share (in €)	5.92	-3.41
Total distribution (in € thousand)	33,158	3,681
Distribution rate (in %)	30.0	-5.7
Market capitalization (in € thousand)	899,632	727,858

[1] All German stock exchanges (source: designated sponsors)
[2] For the reporting period, subject to approval by the annual shareholders' meeting

Shareholder structure

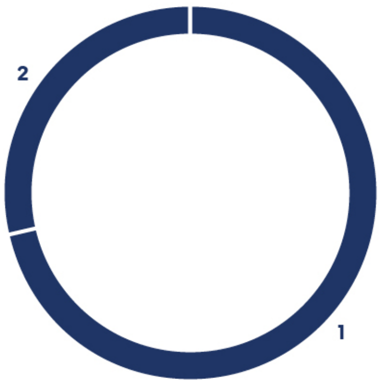
The capital stock is divided into common and preferred shares. According to the definition of Deutsche Börse AG, 71.62% of common shares are attributable to the Dräger family: 68.67% are held by Dr. Heinrich Dräger GmbH and a further 2.95% are held by members of the Dräger family. A total of 28.38% of the common shares are in free float. The free float of the non-voting preferred shares is 100%.

An analysis of the shareholder structure (common and preferred shares), which excluded the Dräger family's shares, as at December 31, 2023 showed that institutional investors from the U.S. accounted for 36% of the free float of the share capital at that point in time. Institutional investors from Europe held a share of around 21%, led by France and Norway with five percent each and Germany and the UK with three percent each. The proportion attributable to private investors and other unidentified investors was around 41%.

In 2023, Dräger once again gave its employees the opportunity to invest in the Company through deferred compensation. To this end, the employee share program took place in the fourth quarter of 2023. As in the previous year, the average number of shares acquired per participant was 36. Around 72% of eligible employees have taken part in at least one such program in the past few years and become shareholders in the Company. This means that employees in all share programs combined – and assuming that these shares are still held by them – have acquired more than seven percent of the total available preferred shares.

↗ Please refer to the ›Ownership of common shares‹ and ›Shareholder structure‹ charts on page 20.
↗ Please refer to note 30.

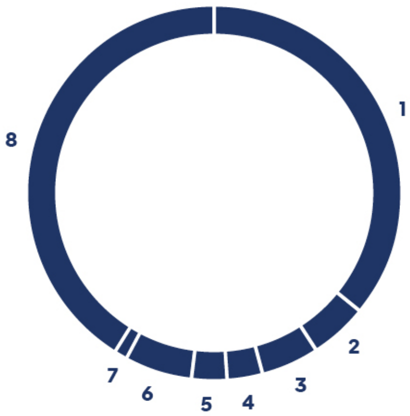
Ownership of common shares



in %

1. Dräger family	71.62	2. Free float	28.38

Shareholder structure[1]



in %

1. USA	36	5. Great Britain	3
2. France	5	6. Rest of Europe	6
3. Norway	5	7. Rest of the world	1
4. Germany	3	8. Private and unspecified investors	41

[1] Preferred shares and common shares not including shares owned by the Dräger family; as at December 31, 2023

Sustainability reporting and rating

Dräger is audited annually by respected sustainability rating agencies. In the EcoVadis Institute's CSR Assessment, Dräger was among the top five percent of companies rated by EcoVadis in 2023, achieving ›Gold‹ status. In addition, Dräger once again received the ›Prime Label‹ within the scope of ISS' ESG Corporate Rating and thus took a top position in the ›Health Care Equipment & Suppliers‹ sector. U.S. financial services provider MSCI gave Dräger an ESG rating of A, on a scale of AAA (leader) to CCC (laggard). The sustainability rating agency Sustainalytics gave Dräger an ESG risk rating of ›Medium Risk‹ at the beginning of 2024. This puts Dräger in the top 20% of companies in the ›Medical Devices‹ sector. Furthermore, Dräger came sixth in the ranking of the 1,000 most valuable employers for the common good in Germany in a study by the magazine ›Wirtschaftswoche‹. The Dräger Sustainability Report is available here:
www.draeger.com/sustainability

The sustainability report will be integrated into the management report from fiscal year 2024 due to the ›Corporate Sustainability Reporting Directive (CSRD)‹ of the European Union (EU). In future, we will therefore provide detailed information on our development in the area of sustainability as part of our annual reports. The CSRD is intended to close existing gaps in the reporting regulations and expand sustainability reporting overall. The aim is to increase the accountability of European companies with regard to sustainability aspects and to introduce binding reporting standards at EU level for the first time.

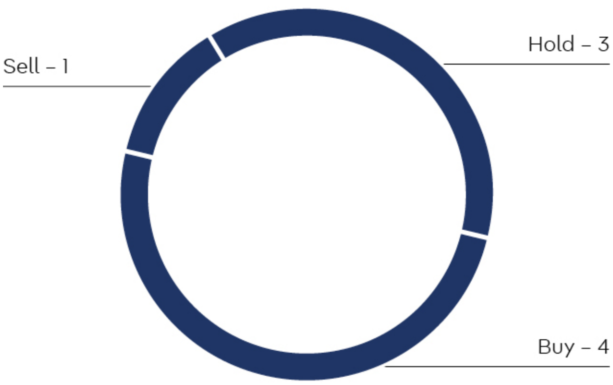
Analyst coverage

At the end of 2023, analysts from eight different institutions (2022: seven institutions) assessed Dräger's corporate development: M.M. Warburg, LBBW, Baader Bank, DZ Bank, Metzler, Hauck Aufhäuser, Kepler Cheuvreux and Jefferies. A current overview of analyst recommendations can be found at:

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

Please refer to the ›Analyst recommendations‹ chart.

Analyst recommendations[1]



[1] At the end of 2023

02

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Combined management report

-

Principles of the Group

Group structure

Drägerwerk AG & Co. KGaA is the parent company of the Dräger Group. Central functions and jointly used services are also pooled in the Company. All shareholdings that form part of global operative business are either directly or indirectly controlled by the parent company. In addition, Drägerwerk AG & Co. KGaA maintains shareholdings in some companies that are not part of the operative business of the Dräger Group.
↗ Please refer to note 46.

Dräger is represented in over 190 countries and maintains its own sales and service companies in some 50 countries. Dräger operates a total of 20 development and production sites in Germany (Lübeck, Hagen), Chile (Santiago de Chile), China (Beijing, Shanghai), France (Obernai), Great Britain (Blyth, Gateshead), India (Vasai), Lithuania (Vilnius), Norway (Oslo), Sweden (Motala, Svenljunga), Switzerland (Biel/Bienne), Serbia (Belgrade), South Africa (East London), the Czech Republic (Klášterec) and the USA (Andover, Montgomeryville, Telford).

Management, planning, and reporting

Organizational and management system

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

Medical division

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

Safety division

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

Executive Board responsibilities[1]

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

[1] Simplified presentation

Sales and service

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

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

The responsibilities within a structure that is oriented toward cooperation are therefore clearly allocated. It is also a way of fostering customer focus and entrepreneurial activity at Dräger, and accelerating our decision-making processes.

↗ Please refer to the chart ›Executive Board responsibilities‹.

In 2024, we will reorganize our regional structure in order to focus our sales activities even more strongly and specifically on our customers. The Germany region is separated from the Europe region as a new independent region. The Middle East / Africa sub-region will be spun off from the Africa, Asia, and Australia (AAA) region and merged with the Europe region to form the new Europe / Middle East / Africa (EMEA) region. The remaining part of the AAA region will be combined to form the Asia-Pacific (APAC) region. Nothing will change for our Americas region.

Value driven management

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

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

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

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

In mathematical terms, DVA is the difference between the operating result (earnings before interest and taxes – EBIT) over the preceding twelve months and calculated capital costs. Capital costs are determined using average capital employed in the past twelve months, based on the average cost of equity and borrowed capital before taxes. The weighted average cost of capital (WACC) was set unchanged at 7.0% in 2023. For 2024, we will increase the WACC to 9.0% to take account of the changed interest rate environment, among other things.

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

In addition to DVA and DWC, we also use net sales growth and the EBIT margin as key performance indicators. The Company is therefore currently managed on the basis of financial performance indicators.

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

Financial forecast

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

Strategy and goals

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

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

Corporate aspirations

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

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

We have a truly global footprint
Around the world, we offer a high level of service to our customers. We have the right structures and processes to serve our global markets, work with our suppliers, and support our sales channel partners. We encourage our people to bring out their talent wherever they are and in whatever function they operate. Our balanced global resources give us flexibility, allow us to respond quicker to opportunities, and make us resilient against crises. 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 professional and social network working across departmental, legal entity, and country borders. This goes beyond our Company and includes customers, suppliers, and sales channel partners. We manage the challenge to be connected. Our entrepreneurial spirit is based on our individual judgement and common sense.

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

Medium-term company goals

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

Focus on profitability
Profitability is the prerequisite for our long-term survival because it enables us to finance our future investments from our own resources. Our aim is therefore to increase our profitability. In order to do so, we want to increase our EBIT margin by an average of one percentage point per year over the coming years. The environment for this is good because the global markets for medical and safety technology offer an excellent growth environment for our ›Technology for Life‹. In order to sustainably increase profitability, we will focus on supporting our margins through price enforcement and careful cost management, aligning our activities even more closely with our customers and consistently pushing ahead with our own initiatives. We will also restructure or discontinue unprofitable activities.

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

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

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

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

Strategic goals in our markets

Strategic goals in the medical division
With our products, system solutions, and services, we are helping hospitals around the world to achieve the best possible treatment outcomes in acute care – despite rising challenges.

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

Connected medical technology
With such a wide variety of equipment and sensors attached to patients in operating rooms and intensive care units, therapy assistance systems and automation require medical technology to be connected securely and in a standardized and manufacturer-independent manner. That is why we have been closely involved in the further development and implementation of international standards for device connectivity in medical technology over

the past few years and will continue to do so in the future. At the same time, we are seizing the opportunities of connectivity in our own portfolio. To do so, we are focusing on the following areas:

Modernization of the product portfolio
We are continuously working on updating our product portfolio to make our medical devices fit for the requirements of digitalization in hospitals. In areas where we cannot bring our own developments to market maturity quickly enough, we also enter into targeted development and sales partnerships. We also offer OEM products in the areas of patient monitoring and transport ventilation, and will continue to do so in the future. In addition to interconnectivity, our target portfolio is also about reducing hardware variants and increasing scalability through software functionality.

Development of digital applications
We are developing a digital ecosystem based on the ISO / IEEE 11073-SDC communication standard that will allow secure interoperability of medical equipment and clinical information systems at workstations. By combining and analyzing data from different systems, we develop new digital applications to support clinical decisions, improve workflows, and automate therapeutic applications.

Strengthening offers along the product life cycle
Over the coming years, we will continue to expand our profitable range of accessories, consumables, and services.

When developing and producing our consumables, we place great importance on reducing our environmental impact. Seemingly small measures often have a major impact. For example, we save several tons of material every year by making the plastic housing of our new breathing gas filters just one gram lighter, while maintaining the same product quality.

In terms of service, we are increasingly focusing on digital solutions that not only enable remote diagnosis and maintenance of our medical devices, but also offer new applications for analyzing device data. These applications include dashboards for monitoring the consumption of anesthetics in the operating room, evaluating the frequency of alarms in the intensive care unit, and analyzing the usage times of all the different devices. By connecting our device portfolio to ›Dräger Connect‹, we are creating the basis for the continuous expansion of our range of digital services and tools.

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

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

In our target markets

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

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

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

Internationalization of rental and safety services
Our rental and safety services ensure occupational health and safety, and avert risk in relation to industrial plant shutdowns or inspections. Based on our strong market presence particularly in Germany, we will continue systematically transferring our successful business model to selected international focus markets.

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

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

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

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

Research and development

We attach a great deal of importance to our research and development (R&D) activities. In fiscal year 2023, research and development expenses fell by EUR 18.1 million year on year to EUR 325.4 million (2022: EUR 343.5 million). This equates to 9.6% of net sales (2022: 11.3%).

As at December 31, 2023, 1,759 employees worked in our development departments worldwide (December 31, 2022: 1,756). Over the course of the fiscal year, patent and trademark offices around the world issued 278 new patents to Dräger (2022: 216). We applied for another 86 patent at international patent and trademark offices (2022: 82). During the past year, our technology development experts analyzed 92 new technologies (2022: 90) in 24 fields (2022: 22) and evaluated their relevance to Dräger. In a number of projects, these new technologies laid the foundations for future product innovations.

Research and development

R&D costs in € million	2023	2022	2021	2020	2019
Dräger Group	325.4	343.5	328.6	289.6	263.7
in % of net sales	9.6	11.3	9.9	8.5	9.5
Headcount	1,759	1,756	1,668	1,514	1,482

Medical division

As in the previous year, we developed and enhanced seven new medical technology products in fiscal year 2023. Our focus was on expanding our product portfolio in the intensive care customer area and in the operating room, with activities centered on developing system solutions.

Our strategic goal is and remains to further improve acute care through therapy support and automation. In order to achieve this goal, we are continuing to drive forward the networking of medical devices and the development of digital solutions. One example of this in particular is our new software-based product ›Access and Control Package‹, which we launched in fiscal year 2023. This makes us one of the first manufacturers to launch a medical device that is compatible with IEEE SDC – the standard that enables secure two-way communication and thus interoperability between medical devices. The ›Access and Control Package‹ not only increases flexibility and comfort when using our ›M540‹ patient monitor, but also reduces noise pollution for patients and increases safety for patients and staff in isolation scenarios. To this end, staff can control the monitor from outside the room via the Core application on a Medical Grade PC. Both the patient monitor and the PC are connected via the IEEE SDC standard, which will be used in more and more Dräger devices in the future.

Another innovation during the past year was our software solution ›Lung Protective Ventilation Analytics – Anesthesia (LPV-A)‹. This enables clinicians to analyze intraoperative ventilation for a wide range of patients, helping to improve patient outcomes and overall safety during anesthesia. In addition, ›LPV-A‹ facilitates training and education to improve adherence to lung protective ventilation (LPV) strategies, which have been shown to reduce postoperative pulmonary complications (PPCs) and support faster recovery. In addition, by proactively monitoring and identifying ventilation problems, ›LPV-A‹ helps reducing the occurrence of costly PPC cases, ultimately resulting in cost savings for healthcare providers. Furthermore, ›LPV-A‹ allows clinicians to assess their ventilation performance over time. This facilitates continuous improvement and ensures adherence to best practices.

In fiscal year 2023, we also further developed our ›Integrated Care Manager (ICM)‹, one of the market-leading clinical information systems. The newly launched version ›ICM 14.0‹ is being funded under the German Hospital Future Act due to its functionality in the area of digital nursing and treatment documentation and in the area of digital medication management. In addition, ›ICM 14.0‹ enables advanced interoperability based on the FHIR standard and the SnomedCT standard for healthcare terminology, which play an important role in the exchange of healthcare data. ›ICM‹ sustainably improves patient data management and performance recording in anesthesia, ICU and neonatology. It also reduces administrative tasks, leaving clinic staff more time for patients. ›ICM‹

documents all relevant patient data and offers an intuitive progress display that facilitates therapy planning. In addition, ›ICM‹ supports the planning of medical prescriptions as well as the clinical workflow and communication of all persons involved in the patient's treatment (physician, nursing, physiotherapy). Furthermore, ›ICM‹ helps in medical controlling to code all services quickly and reliably. ›ICM‹ can be integrated into complex hospital environments through a variety of interfaces and makes reports, data sets, evaluations and documents from clinical documentation available to external systems.

At the end of July 2023, the U.S. Food and Drug Administration (FDA) approved our ›Atlan‹ anesthesia machines for the U.S. market. The ›Atlan‹ family is an important part of our product portfolio for hospitals. It combines robust, everyday reliability with state-of-the-art ventilation technology for increased patient safety and ease of use, and is designed to simplify hospital and clinical staff workflows and offers maximum efficiency in terms of both performance and costs. Your workstations can be configured in a highly flexible manner. It also provides a high degree of standardization – even across modalities – with the intuitive and uniform operating concept within the portfolio. Your future security is guaranteed by upgrades.

The new devices in the ›Atlan‹ family have been operated using software version 2.0 since their release in fiscal year 2023. As a result, it is now possible to check the ›Atlan‹ automatically and on a time-controlled basis for the upcoming anesthesia, which makes it easier to start work. In combination with the ›OR Companion‹ software solution, users can use dashboards to check gas consumption or the status of networked anesthesia machines centrally and from any location at any time. With the software function of multi-step lung recruitment to eliminate atelectasis, Dräger continues to focus on lung-protective ventilation in order to respond to the individual needs and lung condition of the patient and to enable safe, gentle recruitment. Another time-saving innovation is the leakage assistant, which helps users to find leaks by generating continuous pressure so that a leak in this complex workplace can be found quickly and easily.

In fiscal year 2023, we also released ›Software 2.0‹ for our Evita V600/V800 and Babylog VN600/VN800 ventilators. The new version enables clinic staff to set the maximum permissible airway pressure for oxygen therapy. The software thus helps to protect the patient's lungs from the outset. The set maximum pressure serves as the basis for the ventilator to automatically regulate the flow during therapy: If the condition of the patient's lungs changes and, as an example, the airway pressure reaches the set maximum limit more quickly than intended, the device reduces the flow at an early stage to protect the lungs from possible overstretching. This new safeguarding function not only helps to protect the patient, but also reduces the occurrence of alarms.

We also released the second version of our clinical software application ›Mobile Patient Watch (MPW)‹ in fiscal year 2023. In addition to data from Dräger patient monitors, ›MPW‹ now provides access to data from ventilators and anesthesia machines for the first time. ›MPW‹ enables healthcare professionals to access clinical patient information anytime, anywhere via mobile device, tablet or desktop PC. This allows staff to check the patient's vital signs and curve progressions while on the way to the patient and plan initial treatment measures or offer data-based clinical advice to colleagues seeking help at the patient's bedside. ›MPW‹ is a cross-ward solution – from the emergency department to the operating room or the intensive care unit – and can be adapted to the needs of the respective care area.

We also integrated two new self-service applications into our ›Connect Portal‹ in fiscal year 2023 and implemented them in the country organizations: With ›Service Request‹, our customers can quickly and easily order service for their devices. Registration takes place in three short steps by entering the device, address and workshop. Our customers then immediately receive a processing number with instructions on the next steps and all information about shipping the device. The self-service application ›Service Tracking‹ complements the ›Service Request‹ by regularly informing our customers about their workshop service cases and thus supporting them in improving availability and planning. ›Service Tracking‹ logs the device's entire service progress and automatically provides customers with status updates by email.

Safety division

In 2023, we launched nine (2022: eleven) new safety technology products. The focus of innovation was on expanding the Dräger product portfolio, in particular by adding connectivity functions as the basis for developing systems to deliver complete solutions for customers.

In fiscal year 2023, we expanded our range in the area of mobile gas detection, and launched the portable ›X-am 5800‹ multi-gas detector. The ›X-am 5800‹ is optimized for personal monitoring of individuals and measures up to six gases simultaneously, depending on the sensor configuration. The newly developed CatEx sensor is very robust and can be adjusted to measure flammable vapors (such as petrol, diesel, and nonane) as well as gases (such as methane, propane, or hydrogen as well as many others). In addition, the sensor is particularly resistant to poisoning by silicone or contaminants. The ›X-am 5800‹ can be used with our cloud-based software solution ›Gas Detection Connect‹, which digitizes device management and enables live data transmission: The gas detector transmits the data via Bluetooth to a smartphone, which then sends it to the ›Gas Detection Connect Cloud‹. With our automatic test station ›X-dock‹, the data can also be transferred directly, without a smartphone, to the same cloud backend. Users can securely access their data at any time via an internet browser. The ›X-am 5800‹ is comfortable to wear with a newly developed and robust clip thanks to its small size and low weight. Due to its large keys, it is easy to operate even when wearing gloves. Users can continue to use existing accessories from the well-known X-am series for the ›X-am 5800‹. The long-life Dräger sensors and the rechargeable and easily replaceable energy supply enable a long service life for the device.

After our new closed-circuit breathing apparatus ›BG ProAir‹ was already approved for Europe last year, we also received approvals for the important markets of South Africa and China in fiscal year 2023. The ›BG ProAir‹ protects rescue workers from the fire service or the mine rescue service during long missions. It continuously supplies the wearer with positive pressure for several hours – even as their respiratory rate increases – to prevent hazardous substances in the ambient air from entering the sealed breathing system. The weight of the device is evenly distributed, making it easy and comfortable to wear during longer deployments. Various cooling options and reduced breathing resistance make breathing easier. A built-in Bluetooth module makes it possible to connect the ›BG ProAir‹ with computers or other external devices to download data or perform configuration, for example. In addition, the ›BG ProAir‹ helps monitor the respirator and absorber by using integrated data telemetry and RFID. Quick release connectors enable swift (dis)assembly and cleaning. No tools are needed for maintenance.

In fiscal year 2023, we also launched ›SensorAlive‹ – an electrochemical H_2S sensor with an integrated H_2S gas generator. This combination enables a daily, automatic check of the sensor functionality and sensitivity as well as a possible blockage of the sensor opening. Users are directly informed or alerted about possible malfunctions or failures. The ›SensorAlive‹ measures the smallest concentrations of hydrogen sulfide (H_2S) – one of the most dangerous gases used in the oil and gas industry. In conjunction with our explosion-proof high-end transmitter ›Polytron 8100‹, the sensor is approved for the detection of toxic gases and oxygen for use in gas explosion hazard areas (zone 1).

In addition, we launched the ›PX4500-i‹ in fiscal year 2023, a new version of our ›PX4500‹ pressure and leak tester that is specially tailored to the needs of industrial customers. The ›PX4500-i‹ is used for pressure measurements and leak tests of pipelines in industrial environments to detect leaks. Regular maintenance and inspection of these plants (from the gas source to the terminal unit) is important because there is considerable potential for danger. The ›PX4500-i‹ is equipped with special accessories and new sensors up to 400 bar, which offer a wide range of connection options and are also suitable for tough operating conditions thanks to their pure stainless steel design. The device's intuitive menu navigation and predefined measuring programs also enable a quick detection of leaks in new or existing pipe systems.

Another innovation in fiscal year 2023 was our ›Flame 1750 H_2‹ flame detector, which was specially developed for detecting hydrogen fires. Its three infrared sensors only measure in the 2 to 4 μm range relevant for hydrogen flames, guaranteeing high performance and a low false alarm rate. The ›Flame 1750 H_2‹ detects hydrogen-based fires even at a great distance and reports a hydrogen fire (1-meter flame) up to 40 meters away within just five seconds. Due to its certified reliability, the ›Flame 1750 H_2‹ fulfills important safety integrity requirements. The housing is very resilient and weatherproof. The viewing window can be heated automatically to protect against icing and misting. This means that the ›Flame 1750 H_2‹ can also be used under extreme environmental conditions. After the ›Flame 1500‹, which we launched at the end of 2021, the ›Flame 1750 H_2‹ is the second new detector in our still young ›Flame‹ product family. With its equipment, it is specially designed to meet the needs of the rapidly growing hydrogen industry. The first projects in Europe have already been equipped with the new detectors.

In fiscal year 2023, we also introduced the innovative ›UCF FireCore‹ thermal imaging camera, which is worn on helmets. It enables firefighters to maintain a permanent view of their immediate surroundings even under the most difficult conditions. This allows them to find their way around more quickly and safely and benefit from improved situational awareness. The ›UCF FireCore‹ consists of two separate components: a camera module (›UCF FireCore‹), which is attached to the responder's helmet, and a display (FPS IMD = In-Mask Display), which is integrated into the ›FPS 7000‹ respirator mask. Both components are connected wirelessly. Rechargeable batteries based on lithium-ion technology are used for the energy supply. The ›UCF FireCore‹ is a system-integrated thermal imaging camera so that both hands remain free for essential tasks during operations and a thermal image is always available for better orientation and situation assessment, even in emergency situations.

We have also received important approvals for the ›HPS SafeGuard‹: After our multifunctional firefighting and rescue helmet was approved in Europe and other countries in 2021, we were also able to launch it in North America (USA and Canada) as well as Australia and New Zealand in 2023 – in appropriately modified versions. This means that the ›HPS SafeGuard‹ family now consists of three product versions that are specifically tailored to their respective markets. Due to the different product requirements and the corresponding test procedures in these markets, the design of the helmet also differs; this mainly concerns the internal helmet components. The external appearance with the painted helmet shell, the visors, and the externally integrated or attached optional accessories is almost identical for all three product versions. The main difference is the shock absorption system and the associated parts and assemblies in the internal helmet components. The ›HPS SafeGuard‹ is a particularly lightweight helmet for firefighting and rescue operations that offers a high level of protection and comfort.

We also acquired the rights to the ›EMS incident reporting system‹ software from Systemtechnik Fey during fiscal year 2023. The ›EMS‹ is aimed at emergency and relief services and is another service for classic alerting by sirens or radio message receivers. Emergency services receive a message on their smartphone via the ›EMS‹ app as soon as their unit is called to an incident via the control center. They can report their availability accordingly. The software can be networked with our digital mission information system ›Smart Rescue‹ or IoT-enabled devices, such as our mobile gas measurement system ›X-node‹. In addition, the ›EMS‹ can be supplemented by an alarm monitor that visualizes the incident mission, operating location and feedback from the emergency services. An acoustic announcement is also available as an option.

Product innovations in fiscal year 2023 also include three ›MicroTubes‹ for methyl chloride, vinyl chloride and acetic acid. They are used in our ›X-act 7000‹ analysis system and make it possible to precisely measure carcinogenic and toxic substances in the lower billionth concentration range. The ›MicroTubes‹ for methyl chloride and vinyl chloride complement the existing variants for trichloroethylene and perchloroethylene in the portfolio for the detection of chlorinated hydrocarbons. By adding ›MicroTubes‹ for acetic acid, we are expanding our portfolio in the field of disinfection. Furthermore, a Dräger-Tube for the absorption of hydrogen sulfide was introduced for the ›MicroTubes Mercury 0.005-0.25 mg/m^3‹. This means that mercury-specific measurements are now also possible in acid gas for the oil and gas segment. In addition, we have equipped the ›X-act 7000‹ with a new software version that takes account of changing customer desires and market requirements. Users are now also informed about the remaining measuring time and alerted in case internal company limit values are exceeded. A downstream cleaning mode also enables measurement of higher concentrations.

In fiscal year 2023, we also launched the ›PointGuard 3000‹ product family on the market. The new series consists of four complete single-channel gas detection systems that measure toxic gases or oxygen (model 3100), flammable gases or vapors (models 3200 and 3700) and carbon dioxide (model 3720) in the ambient air. All devices have a robust yet compact housing that is certified in accordance with protection class IP66 and contains all the necessary alarm equipment. The ›PointGuard 3000‹ series is tailored specifically to the market for small gas detection systems. The devices are also our first fixed gas detection systems that can be configured and ordered by end customers via a web store.

In the previous year, we also equipped our single-gas measuring device ›Pac 8000‹ with the electrochemical sensor ›XXS H_2 HC‹ and introduced it to the market as ›Pac 8000 H_2‹. The device is now also capable of detecting hydrogen and thus increases safety in hydrogen-related work environments such as industry, battery compartments, laboratories, power plants and the production of fuel cell vehicles. The measurement data can be easily transferred to our ›Gas Detection Connect‹ system via Bluetooth.

We have also launched our ›X-plore 8000‹ helmet, including an HL1 polycarbonate visor. This new version of helmet serves as a breathing connection for use with our ›X-plore 8000‹ powered air-purifying respirator in harsh industrial environments and provides breathing air via the respiratory protective device. Breathing air is supplied via a breathing hose on the rear of the helmet. The breathing air flows from behind over the wearer's head to the inhalation area. The resulting positive pressure counteracts the penetration of polluted ambient air. The new helmet can be fitted without the need for tools, making it easier to maintain the helmet. The air outlet, head size and chin strap can be individually adjusted for a comfortable fit and secure hold. The flip-up panoramic visor offers a wide field of view and ensures optimum eye protection.

We have also connected our rapid drug test ›DrugCheck 3000‹ to our mobile app ›Dräger add‹. The app reduces the effort required to document and evaluate tests by saving all relevant test data, displaying it clearly and generating statistics. A map shows the GPS positions of all tests carried out. The saved information can be sent as a password-protected PDF file. Furthermore, the app provides the option of synchronizing measurement data stored in it to a central system with personalized accounts. This allows the data of several users from one organization to be displayed, evaluated and stored together. This functionality is offered as part of a subscription model.

Employees

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

Human resources (HR) strategy

We updated our HR strategy in 2023. With the following four areas of action, the HR Strategy 2023 builds on the content of the areas of action from 2018 and develops them further:

- attracting and retaining the right people.
- creating attractive and healthy working conditions.
- cultivating leadership and cooperation.
- tackling change – taking people with us.

Our newly developed HR vision describes how we are guided by our unique corporate culture and values in everything we do. We see it as our mission to reinforce this culture and to support our organization in its ongoing development. We are proud that as an employer we can offer something that many others cannot: a deeply meaningful job. In this way, we inspire people to turn technology into ›Technology for Life‹ every day.

Last year, we were once again able to make progress in the areas of action mentioned above. For example, Dräger has refreshed its image as an employer and continued to implement its strategic personnel planning. Furthermore, the existing company agreement on mobile working was evaluated and affirmed.

The measures for an even better work-life balance were also further expanded during the reporting year: Back in 2020, we launched a pilot project for the flexible working time model Topsharing at Dräger, during which two part-time employees shared a management position. Since March 2023, Dräger has been one of four companies taking part in the pilot of the external job-sharing platform Pair2Share. In 2024, we want to introduce a landing page where it will be possible to find all information about job and top sharing at Dräger. Following successful initial certification in 2020, Dräger was again awarded the Total E-Quality award in 2023, which recognizes companies that successfully implement gender equality in their HR and organizational policies.

The participation rate in the 2023 employee survey reached a high level of 83.7%. Cooperation within the teams and the performance of managers were rated as very good. Area-specific improvements will now be agreed following the survey. The follow-up phase is scheduled to run until August 2024. These follow-up processes will be supported by an internal advisory network as required. Internal moderators, change managers, and agile coaches remain a central pillar in the support and monitoring of organizational development processes and in the continued development of leadership and collaboration.

We are also evolving our occupational health and safety management system and intensifying the implementation of our international program ›Vision Zero – a world without work-related accidents and illnesses‹ by establishing a program management system for this purpose.

Employee participation

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

In fiscal year 2023, our employees once again had the opportunity to acquire up to 60 preferred shares and receive a bonus share for every three preferred shares they purchased. Executive Board members also once again had the opportunity to acquire additional shares by converting a part of their variable remuneration in accordance with the terms and conditions of the employee share program. Dräger acquired both the preferred shares ordered by the workforce and the bonus shares in regular market trading (Xetra trading platform).

In fiscal year 2023, 1,455 employees (2022: 1,823 employees) purchased 60,345 preferred shares (2022: 81,672 preferred shares). Excluding the shares purchased by members of the Executive Board, employees purchased an average of 36 shares each. Including the shares purchased by Executive Board members, this figure rises to 55 shares per participant (2022: 45 shares per participant). Dräger contributed an additional 20,115 bonus shares (2022: 27,224 bonus shares).

All in all, our employees purchased 80,460 preferred shares (2022: 108,896 preferred shares) in the prior year of Drägerwerk AG & Co. KGaA as part of the employee share program.

Employees in numbers

As of December 31, 2023, the Dräger Group employed 16,329 people worldwide, 110 more than in the previous year (December 31, 2022: 16,219); this equates to a 0.7% rise in the workforce. In Germany, there were 187 more people employed than at the end of 2022; while the number of people working abroad fell by 77. As at December 31, 2023, 52.9% of Dräger employees worked outside Germany.

In Germany, the number of employees increased by 99, mainly in the areas of Production, Quality Assurance, Logistics, and Purchasing. In sales-related areas, primarily in Service, Dräger employed 63 more people than on the 2022 balance sheet date. We employed 18 more people in Research and Development than during the previous year. The number of employees also increased in General Administration (+7), primarily in IT.

Outside Germany, the number of employees in General Administration rose by 27. The increase in personnel largely pertained to the Finance division. In Sales, Service, and Marketing, the number of employees fell by 72. We also reduced the headcount in Production by 17 employees year on year. The number of employees in Research and Development fell by 15.

Of the 16,329 employees worldwide, 58.9% (December 31, 2022: 59.4%) worked in Sales, Marketing, and Service, 18.8% (December 31, 2022: 18.4%) in Production, Quality Assurance, Logistics, and Purchasing, 10.8% (December 31, 2022: 10.8%) in Research and Development, and 11.5% (December 31, 2022: 11.4%) in General Administration.

Personnel expenses within the Group rose by 3.6% year-on-year (net of currency effects: 5.8%) to EUR 1,331.5 million. The rise in personnel costs is due to both an increase in the number of employees and higher average costs per employee. The cost per employee increased by an average of 2.6% (net of currency effects: 4.7%). This was due to the collective agreement pay rise in the metal and electrical industries in Germany and higher wage and salary expenses abroad. The personnel expenses ratio in fiscal year 2023 was 39.5% (2022: 42.2%).

↗ Please refer to the ›Workforce development‹ and ›Key figures for workforce development‹ tables on page 37.

Workforce trend

		Headcount as at the balance sheet date		Headcount (average)	
		December 31, 2023	December 31, 2022	2023	2022
Germany		7,699	7,512	7,614	7,451
Abroad		8,630	8,707	8,659	8,636
Dräger Group total		**16,329**	**16,219**	**16,273**	**16,087**
Women		4,801	4,688	4,745	4,687
Men		11,528	11,531	11,528	11,400
Dräger Group total		**16,329**	**16,219**	**16,273**	**16,087**
Personnel development costs	**€ million**	**14.5**	**16.3**		
thereof training expenses	€ million	5.3	7.2		

Key workforce trend figures

		Headcount as at the balance sheet date	
		December 31, 2023	December 31, 2022
Number of employees		16,329	16,219
Percentage of female employees	%	29.4	28.9
Part-time employees		1,158	1,049
Average years with Dräger in Germany	years	14	13
Average age of employees	years	43	43
Turnover of employees	%	5.8	6.6
Sick days of work days in Germany	%	6.6	6.9
Accidents in Germany (accidents at work and while commuting to work), Time off sick > 3 days		56	36

Sustainability

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

According to Regulation (EU) 2020/852 on the EU Taxonomy, quantitative information on the proportion of turnover, capital expenditure (CapEx), and operating expenditure (OpEx) attributable to certain sustainable activities must be disclosed in the non-financial statement starting with the financial statements for 2021. With the extension of the delegated act, the technical screening criteria for all six environmental objectives must be examined for the first time from 2023 onwards. We have therefore determined this year for the first time that some business activities in the Dräger Group fall under the taxonomy-eligible categories and that we are required to disclose them accordingly. A detailed description of the review and presentation of the taxonomy-eligible activities is presented in the sustainability report.

See www.draeger.com/sustainability

Business performance

General economic conditions

Slow recovery of the global economy

General economic conditions remained difficult during 2023. According to the International Monetary Fund (IMF), the global economy has only recovered slowly from the consequences of the COVID-19 pandemic and the Russian war on Ukraine. However, performance was better than expected during the second half of the year, in particular due to solid growth in the U.S. as well as in developing and emerging countries. Many economies also benefited from falling inflation and higher public and private spending. Furthermore, the return of supply chains to normal had a positive impact on the economy.

In its January 2024 report, the IMF forecast global economic growth of 3.1% for both 2023 and 2024 (2022: 3.5%).

Further tightening of monetary policy

With inflation remaining high, several central banks have tightened their monetary policy even further in 2023. The U.S. Federal Reserve raised its key interest rate range by 0.25 percentage points in each of February, March, May, and July. As a result, the key interest rate range at the end of December 2023 stood at 5.25 % to 5.5 %.

The European Central Bank (ECB) raised its key interest rate by 0.5 percentage points in both February and March and by 0.25 percentage points in May, June, August, and September. As a result, the key interest rate stood at 4.5 % at the end of December 2023.

Declining inflation – euro stronger compared to the U.S. dollar

Inflation rates have declined noticeably in the wake of the interest rate hikes during 2023. The inflation rate in the eurozone amounted to 2.9% in December 2023. This was significantly lower than the previous year's figure (December 2022: 9.2%). In Germany, the inflation rate in December 2023 amounted to 3.7% and was therefore also significantly lower than in the previous year (December 2022: 8.1%). Nevertheless, inflation rates in 2023 remained high by historical standards.

In 2023, the euro appreciated against the majority of foreign currencies relevant to Dräger. This development had a negative impact on our Group result. In particular, the exchange rate development of the Chinese yuan (+8.3%), the South African rand (+16.5%) and the development of the two hyperinflationary currencies, the Argentine peso (+373.6%) and the Turkish lira (+63.6%), weighed on our results. In contrast, the weaker U.S. dollar (+3.1%) had a positive impact on the Group result.

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

Major currency changes and their impact on Dräger's earnings

Average rates compared to the euro	12 months 2023	12 months 2022	Change in %	Impact on Dräger's earnings (EBIT) [1]
US dollar	1.08	1.05	3.1	↑
Turkish new lira [2]	32.68	19.98	63.6	↓
South African rand	20.05	17.21	16.5	↓
Argentine peso [2]	895.44	189.08	373.6	↓
Chinese yuan	7.69	7.10	8.3	↓

[1] Please refer to the comments on the earnings of the Dräger Group and the segments on pages 45 et seq. for further details on the effects of changes in exchange rates on earnings.

[2] Due to hyperinflation valuation in accordance with IAS 29, the closing rate is used. Please refer to note 7 in the notes to the annual financial statements for further information on the effects of hyperinflation in Argentina and Türkiye.

Market and industry performance

Medical technology

According to data from Germany Trade and Invest (GTAI), the European medical technology sector developed positively during 2023. According to the German Medical Technology Association (BVMed), however, management of the COVID-19 pandemic and the effects of the Russian war on Ukraine put pressure on medical technology companies. This had a negative impact on global supply chains and increased production costs.

According to GTAI, the U.S. medical technology sector developed positively in 2023. In the U.S. market, the increased demand for treatment led to an expansion of capacity in the healthcare sector, resulting in increased sales of medical technology products. The use of digital health applications also increased significantly. The most important medical technology market in Latin America, Mexico, also grew.

The Africa, Asia, and Australia region saw stable development according to GTAI data. In some countries, such as China and India, development was hampered by protectionist tendencies. In China, for example, domestic manufacturers of medical technology products continued to expand their market position; the general conditions for imported products are becoming increasingly difficult. Market growth was also recorded in the Arabian Peninsula. In Africa, the most important markets for medical technology developed positively, albeit at a low level.

Safety technology

The European safety technology sector remained uncertain during 2023. According to the German Chemical Industry Association (VCI), production of chemicals declined in Europe compared with the same period in the previous year. This was due to higher production costs and lower demand from customer sectors.

The U.S. market for safety business developed differently from industry to industry. According to the American Chemistry Council (ACC), the U.S. market for chemical products shrank by just under two percent in 2023. According to GTAI, this was due to low demand stimuli from important customer sectors such as construction and industry. The U.S. oil and gas sector developed positively, with companies generating high profits. In the Latin American market for chemical products, on the other hand, the trend was negative – particularly due to high inflation rates and low demand for chemical products.

In the Africa, Asia, and Australia region, development varied depending on the sector. According to the VCI, the trend for production in the Asian chemical industry was quite positive over the course of 2023. However, according to GTAI, the Chinese chemical industry, for example, is feeling the effects of weak global demand and the significant economic slowdown. In the Gulf region, the chemical industry has lost momentum, but numerous major projects to expand the industry are still being driven forward politically. According to GTAI, the mining industry in South Africa showed weak growth in 2023, but demand for safety technology is high. The mining industry in Australia grew, mainly due to the increasing mining of rare earths and iron ore.

According to data from the International Technical Committee for the Prevention and Extinction of Fire (CTIF), the global fire services market, which is heavily influenced by local structures, was stable overall and less volatile.

Trends with an influence on our business performance

The megatrends of globalization and the increasing need for safety as well as health and connectivity play a particularly important role for Dräger's business.

Globalization and increasing need for safety

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

Health

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

Connectivity

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

Overall assessment of the underlying conditions

General economic conditions remained difficult overall in 2023, particularly due to the slow recovery of the global economy from the consequences of the COVID-19 pandemic, the wars in Ukraine and the Middle East, and high inflation. However, the supply chain situation has returned to normal for the most part.

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

Business performance of the Dräger Group

↗ Please refer to table ›Business performance of the Dräger Group‹ on page 42.

Overall management assessment of business performance

We returned to growth and profitability as planned in 2023. Net sales and earnings increased significantly. This was due in particular to the noticeable improvement in delivery capability as a result of the problems with global supply chains diminishing. This enabled us to generate strong net sales growth from the high order backlog of the previous year and from the continued high demand for our products and services. At the beginning of the year, we also benefited from the surge in demand for ventilators in China. In addition to the good net sales trend, successful cost management also had a positive impact on earnings. Overall, our business has therefore developed very positively.

Our order intake increased by 2.2% in 2023 (net of currency effects; 0.2% in nominal terms) and even exceeded the previous year's high level.

Our net sales increased by 13.1% (net of currency effects; 10.8% in nominal terms) and thus grew more strongly than originally expected.

Our gross profit increased significantly due to the strong net sales growth and the improved gross margin. The gross margin rose to 43.3% as a result of higher production and service utilization as well as more effective price enforcement. This was within the forecast target range.

Thanks to strong growth in net sales and successful cost management, our earnings before interest and taxes (EBIT) of EUR 166.4 million were significantly higher than in the previous year (2022: EUR -88.6 million). The EBIT margin thus increased to 4.9% (2022: -2.9%) and exceeded our original expectations.

Dräger Value Added (DVA) rose to EUR 55.8 million (2022: EUR -196.2 million) and was therefore also well above our target range.

Our research and development costs were lower than expected due to lower expenditure in the medical division.

Our net financial debt fell significantly in 2023 and has therefore improved as expected.

Our investment volume – excluding acquisitions and the capitalization of right-of-use assets pursuant to IFRS 16 – was within the forecast range.

Our interest result was in line with expectations.

The number of days working capital was just above the upper end of the forecast range.

For 2023, we originally forecast an increase in net sales of 7.0 to 11.0% (net of currency effects), an EBIT margin of 0.0 to 3.0%, and DVA of EUR -110 to 0 million. We raised our forecast twice throughout the course of the fiscal year: In October 2023, we held out the prospect of reaching the upper end of the net sales forecast and an EBIT margin of 2.0 to 4.0% thanks to the positive net sales performance and successful cost management. From December 2023, we expected to achieve net sales growth of more than 11.0% (net of currency effects) and an EBIT margin of more than 4.0% due to the continued high level of realizing net sales with high-margin products and effective cost management.

↗ Please refer to the ›Comparison of forecast figures and actual figures‹ on page 43.

Business performance of the Dräger Group

				Twelve months
		2023	2022	Change in %
Order intake	**€ million**	**3,290.0**	**3,284.7**	**+0.2**
Net sales	**€ million**	**3,373.5**	**3,045.2**	**+10.8**
Gross profit	**€ million**	**1,459.7**	**1,238.4**	**+17.9**
Gross profit / net sales [1]	%	43.3	40.7	+2.6 pp
EBITDA [2]	**€ million**	**315.0**	**55.8**	**> +100**
EBIT [3]	**€ million**	**166.4**	**-88.6**	**> +100**
EBIT [3] / net sales [1]	%	4.9	-2.9	+7.8 pp
Net profit / net loss	**€ million**	**112.0**	**-63.6**	**> +100**
Earnings per share on full distribution [4]				
per preferred share	€	5.92	-3.41	> +100
per common share	€	5.86	-3.47	> +100
DVA [5, 6]	**€ million**	**55.8**	**-196.2**	**> +100**
Research and development costs	€ million	325.4	343.5	-5.3
Equity ratio [1, 7]	%	45.5	42.5	+3.1 pp
Cash flow from operating activities	€ million	189.7	-144.2	> +100
Net financial debt [7, 8]	€ million	197.7	259.2	-23.7
Investments	€ million	141.5	130.7	+8.3
Capital employed [7, 9]	€ million	1,523.2	1,537.2	-0.9
Net working capital [7, 10]	€ million	658.5	661.2	-0.4
EBIT [3, 5] / capital employed [7, 9] (ROCE) [1]	%	10.9	-5.8	+16.7 pp
Net financial debt [7, 8] / EBITDA [2, 5]	Factor	0.63	4.64	
Gearing [8, 11]	Factor	0.14	0.20	
Headcount as at December 31		16,329	16,219	+0.7

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

Comparison of forecast figures and actual figures

	Forecast 2023 according to annual report 2022	Forecast 2023 last published	Results achieved in fiscal year 2023
Net sales (net of currency effects)	7.0 to 11.0%	> 11.0%	13.1%
Gross margin	43.0 to 45.0%	confirmed	43.3%
EBIT margin	0.0 to 3.0%	> 4.0%	4.9%
DVA	EUR -110 to 0 million	EUR -60 to 30 million	EUR 55.8 million
Research and development costs	EUR 335 to 350 million	confirmed	EUR 325.4 million
Net financial debt	Improvement compared to prior year (2022: EUR 259.2 million)	confirmed	EUR 197.7 million
Investment volume [1]	EUR 80 to 100 million	confirmed	EUR 86.3 million
Interest result	EUR -20 to -26 million	confirmed	EUR -25.1 million
Days working capital (DWC)	103 to 108 days	confirmed	108.8 days

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

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

Order intake

Order intake

				Twelve months
in € million	2023	2022	Change in %	Net of currency effects in %
Medical division	1,916.2	1,979.3	-3.2	-1.3
Safety division	1,373.8	1,305.4	+5.2	+7.4
Total	**3,290.0**	**3,284.7**	**+0.2**	**+2.2**
thereof Europe	1,830.3	1,737.9	+5.3	+5.6
thereof Germany	745.5	718.4	+3.8	+3.8
thereof Americas	688.9	666.4	+3.4	+4.4
thereof Africa, Asia, and Australia	770.9	880.4	-12.4	-6.4

In fiscal year 2023, our order intake increased by 2.2% (net of currency effects), in particular thanks to the positive development in the Europe and Americas regions. Demand declined in the Africa, Asia, and Australia region. In the fourth quarter, order intake increased by 5.0% (net of currency effects) – the decline in the Africa, Asia, and Australia and Americas regions was more than offset by significant growth in Europe.

In the medical division, order intake decreased by 1.3% during fiscal year 2023 (net of currency effects). This was due to a significant decline in the Africa, Asia, and Australia region. However, demand increased in the Europe and Americas regions. In the fourth quarter, order intake remained nearly stable compared with the same period in the previous year. Significant growth in Europe was offset by a clear decline in the Africa, Asia, and Australia region and the Americas region. The decline in the Africa, Asia, and Australia region can mainly be attributed to demand for ventilators in China, which had risen sharply in the fourth quarter of 2022 following relaxation of the zero-Covid policy and the increase in infection figures, before returning to normal in the second quarter of 2023. Accordingly, this demand was also significantly lower in the fourth quarter of 2023 than in the same quarter of the previous year.

In the safety division, order intake in fiscal year 2023 increased by 7.4% (net of currency effects) due to significant growth in the Europe region. In the Americas, Africa, Asia, and Australia regions, demand also rose noticeably. In the fourth quarter, we recorded an increase in orders of 12.8% (net of currency effects). All regions contributed to this, particularly Europe as well as Africa, Asia, and Australia.

Net sales

Net sales

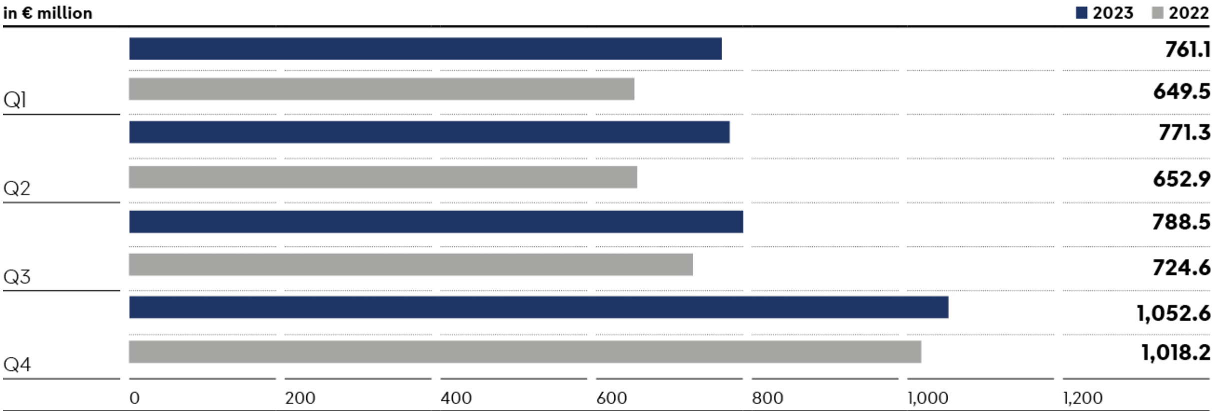
in € million	2023	2022	Change in %	Twelve months Net of currency effects in %
Medical division	1,966.2	1,821.5	+7.9	+10.3
Safety division	1,407.3	1,223.7	+15.0	+17.2
Total	**3,373.5**	**3,045.2**	**+10.8**	**+13.1**
thereof Europe	1,857.9	1,651.6	+12.5	+12.8
thereof Germany	748.6	669.5	+11.8	+11.8
thereof Americas	700.7	619.7	+13.1	+14.7
thereof Africa, Asia, and Australia	814.9	774.0	+5.3	+12.4

Our net sales increased by 13.1% (net of currency effects) during fiscal year 2023. Both divisions recorded significant growth in all regions.

The main reason for the positive net sales development was the noticeably improved delivery capability as a result of the decreasing global supply chain problems. This enabled Dräger to generate strong net sales growth from the high order backlog of the previous year and from the continued high demand for Dräger products and services. In the previous year, Dräger had not been able to realize the high order intake to the usual extent due to global supply chain disruptions, meaning that some of the orders had to be postponed to 2023. Furthermore, the significant increase in demand for ventilators in China had a positive impact on our net sales performance, particularly in the first quarter of the reporting year.

In the fourth quarter, our net sales increased by 5.1% (net of currency effects). Growth was driven by the safety division, while net sales in the medical division were just above the previous year's level (net of currency effects). Net sales rose significantly in the Americas region. The Europe region also recorded growth. In the Africa, Asia, and Australia region, net sales declined slightly.

Development of net sales by quarter



Earnings

In fiscal year 2023, our gross profit increased by 17.9% to EUR 1,459.7 million (2022: EUR 1,238.4 million). This was due to high net sales growth and improved gross margin, which rose to 43.3% as a result of higher production and service utilization as well as more effective price enforcement (2022: 40.7%). Both divisions contributed to this significant improvement in gross profit and gross margin, with the margin improvement in safety being more pronounced than in medical.

In the fourth quarter, gross profit of EUR 438.0 million was also significantly higher than in the previous year (Q4 2022: EUR 417.6 million). The gross margin increased by 0.6 percentage points to 41.6% as a result of the reasons mentioned above (Q4 2022: 41.0%). Safety contributed to the improvement in gross profit. In medical, the gross profit and gross margin were slightly lower than in the same quarter of the previous year.

In fiscal year 2023, our functional expenses decreased slightly by 1.3% (net of currency effects; -2.7% in nominal terms), in particular due to reduced expenses in administration as well as in research and development. Functional expenses dropped in medical, but rose slightly in safety. In the fourth quarter, functional expenses fell by 2.9% (net of currency effects: -4.3%). Medical business also recorded a decline and safety business an increase. It was possible to compensate for the increase in wage costs resulting from the collective agreement pay rises.

In fiscal year 2023, research and development (R&D) spending declined by 4.5% (net of currency effects; -5.3% in nominal terms). Due to this decline and as a result of the significant increase in net sales, the ratio of R&D costs to net sales (R&D ratio) was below the previous year's level at 9.6% (2022: 11.3%).

The financial result (without interest result) amounted to EUR -6.4 million (2022: EUR -4.0 million). The main reason for the change were higher write-downs on investments in associates and other investments.

Due to strong net sales growth and successful cost management, our Group earnings before interest and taxes (EBIT) of EUR 166.4 million in fiscal year 2023 were significantly higher than in the previous year (2022: EUR -88.6 million). The EBIT margin thus increased by 7.8 percentage points to 4.9% (2022: -2.9%). In the fourth quarter, EBIT of EUR 89.5 million was also significantly higher than in the previous year (Q4 2022: EUR 59.7 million). The EBIT margin was 8.5% (Q4 2022: 5.9%).

The interest result decreased by EUR 11.3 million to EUR -25.1 million in fiscal year 2023 due to higher interest expenses (2022: EUR -13.8 million).

At 20.8%, the tax rate was significantly below the previous year's figure (2022: 37.9%). In the previous year, the tax rate was based on tax income due to the negative pre-tax result, which was mainly attributable to the capitalization of deferred taxes on tax losses in Germany. The tax rate in 2023 is mainly influenced by tax income not relating to the period under review and the additional capitalization of deferred taxes. Earnings after income taxes amounted to EUR 112.0 million (2022: EUR -63.6 million).

Functional expenses

in € million	2023	2022	Change in %
Research and development expenses	325.4	343.5	-5.3
in % of net sales	9.6	11.3	
Marketing and selling expenses	717.8	717.9	-0.0
in % of net sales	21.3	23.6	
General administrative expenses	237.9	258.7	-8.0
in % of net sales	7.1	8.5	
Selling and general administrative expenses	955.7	976.5	-2.1
in % of net sales	28.3	32.1	
Other operating result	5.8	3.0	97.4
Total functional expenses	**1,286.9**	**1,323.0**	**-2.7**
in % of net sales	38.1	43.4	

Investments

In fiscal year 2023, we invested EUR 83.5 million in property, plant and equipment (2022: EUR 86.5 million), EUR 2.9 million in intangible assets (2022: EUR 6.9 million) and EUR 55.2 million in right-of-use assets from leases (2022: EUR 37.3 million). The investments in property, plant and equipment primarily comprised replacement investments and equipment for leasing. Depreciation and amortization totaled EUR 148.6 million in the reporting year (2022: EUR 144.5 million), EUR 46.0 million of which (2022: 43.8 million) was attributable to depreciation and amortization from capitalized right-of-use assets. Depreciation and amortization amounted to 105.0% of total investment, meaning that non-current assets decreased by EUR 7.0 million.

↗ Please refer to the ›Investments/depreciation and amortization‹ table.

Investments / depreciation and amortization

	2023		2022	
in € million	Investments	Depreciation/ amortization	Investments	Depreciation/ amortization
Intangible assets	2.9	-7.4	6.9	-11.5
Property, plant and equipment	83.5	-95.2	86.5	-89.2
Subtotal without right-of-use assets	**86.3**	**-102.6**	**93.4**	**-100.7**
Right-of-use assets	55.2	-46.0	37.3	-43.8
Total	**141.5**	**-148.6**	**130.7**	**-144.5**

Cash flow statement[1]

In fiscal year 2023, the Dräger Group's cash inflow from operating activities amounted to EUR 189.7 million (2022: cash outflow of EUR 144.2 million). The main reasons for this were the year-on-year improvement in profitability and the EUR 13.0 million decrease in inventories (2022: increase of EUR 81.8 million). In addition, provisions decreased by a total of EUR 52.8 million less than in the same period of the previous year. Trade payables, on the other hand, decreased by EUR 67.2 million, after increasing by EUR 66.3 million in the same period of the previous year.

In the reporting year, there was a cash outflow from investing activities of EUR 67.3 million, following a cash inflow of EUR 36.8 million in the same period of the previous year. The cash inflow in the previous year was mainly attributable to the money market funds (net cash inflow from sales and purchases of money market funds totaling EUR 129.8 million), in which Dräger had invested available cash with a short-term investment horizon. In fiscal year 2023, cash outflows totaling EUR 65.1 million (2022: EUR 79.7 million) were recorded for investments in property, plant and equipment; of this amount, a total of EUR 40.6 million (2022: EUR 57.1 million) was attributable to the German subsidiaries. No payments were made to associates (2022: EUR 6.6 million).

The increased cash outflow from financing activities of EUR 154.6 million (2022: cash outflow of EUR 29.4 million) was primarily due to the repayment of terminated participation certificates in the amount of EUR 208.8 million in January 2023. On the other hand, bank loans and current account liabilities were also raised in the net amount of EUR 105.4 million (2022: EUR 19.6 million).

The financial statements and comparative figures of economically independent foreign entities operating in a hyperinflationary environment and reporting in a currency of a hyperinflationary economy are continuously revalued. The result from net exposure from monetary items in the earnings after income taxes is adjusted in the operating cash flows from assets.
↗ Please also refer to note 7.

Cash and cash equivalents decreased by EUR 32.2 million (2022: EUR -136.8 million) to EUR 272.0 million (December 31, 2022: 311.6 million) and exclusively comprised liquid assets; these were subject to restrictions on their use amounting to EUR 12.0 million (December 31, 2022: EUR 9.1 million).

Unused credit lines amounted to EUR 655.9 million as at the balance sheet date (December 31, 2022: EUR 694.4 million). The credit lines are subject to standard market restrictions.

Financial position of the Dräger Group

in € million	2023	2022	2021	2020	2019
Cash flow from operating activities	189.7	-144.2	384.9	460.0	164.4
Cash flow from investing activities	-67.3	36.8	-109.9	-263.1	-62.1
Free cash flow	122.3	-107.4	275.0	196.9	102.4
Cash flow from financing activities	-154.6	-29.4	-334.6	114.3	-87.9
Change in liquidity (excluding exchange rate effects)	-32.2	-136.8	-59.7	311.1	14.5

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

Financial management

Borrowing

The term of the master loan agreement for existing bilateral credit lines to secure working capital financing over the medium term runs until November 2026. These credit lines were utilized as sureties in Germany and abroad and as cash facilities. The master loan agreement was extended in 2022 with the addition of further cash facilities of EUR 250.0 million available until September 2024 at the latest.

Bilateral credit lines under the master loan agreement

Type of credit	€ million	Intended use	Lender
Cash	250.0	Secure working capital requirements (limited until November 30, 2026)	BNP Paribas, Commerzbank, Deutsche Apotheker- und Ärztebank, Deutsche Bank, Helaba, HSBC, SEB, Sparkasse zu Lübeck
Cash	250.0	Secure working capital requirements (limited until September 30, 2024)	BNP Paribas, Commerzbank, Deutsche Apotheker- und Ärztebank, Deutsche Bank, Helaba, HSBC, SEB
Sureties	155,0 [1]	Within the context of conducting business activities (limited until November 30, 2026)	BNP Paribas, Commerzbank, Deutsche Bank, Helaba, HSBC
Total	**655.0**		

[1] The sureties will increase from EUR 155.0 million to EUR 165.0 million from October 2024.

Another bilateral surety credit line of EUR 5.0 million outside the scope of the master loan agreement was agreed with DZ Bank.

Internal Group cash pools exist in several different currencies through which liquidity is balanced within the Group. On December 31, 2023, the Dräger Group's short-term loans amounted to around EUR 92.6 million (December 31, 2022: EUR 83.6 million).

In addition to bilateral credit lines, we use promissory note loans totaling EUR 100.0 million with maturity dates in 2026 and 2028 for medium- and long-term financing. The interest rates of the promissory note loans are linked to Dräger's ESG rating by EcoVadis, which is updated every two years. In 2021, EUR 60.0 million of a EUR 110.0 million European Investment Bank (EIB) investment loan for ongoing research projects was repaid. The remaining amount of the loan (EUR 50.0 million) is due in October 2025. A further loan from the EIB amounting to EUR 100.0 million with a term of five years was agreed in 2021 and disbursed in full in January 2023. In addition, we sold receivables from German Dräger companies in 2023 (factoring). At present, Dräger does not have a rating from agencies such as Standard & Poor's, Moody's, or Fitch.
↗ Please refer to note 24 for further information on factoring.

Liquidity forecast

The Dräger Group's liquidity came to EUR 272.0 million as at the end of 2023 (December 31, 2022: EUR 311.6 million). The final payment obligation from the repurchase of the terminated participation certificates totaling EUR 208.8 million was settled as planned in January 2023 using available liquidity and credit lines. On the basis of its forecast business performance, Dräger expects a stable cash flow from operating activities in fiscal year 2024. The Dräger Group's short- and medium-term liquidity is secured by existing cash in hand and bank balances, as well as the existing credit lines with a term of more than one year.

Derivative financial instruments

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

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

Net assets

Net assets of the Dräger Group

		2023	2022	2021	2020	2019
Non-current assets	€ million	1,222.8	1,203.9	1,186.6	1,159.0	1,061.4
Current assets	€ million	1,868.3	1,902.6	1,991.7	2,147.0	1,509.5
thereof cash and cach equivalents	€ million	272.0	311.6	445.7	497.3	196.3
Equity	€ million	1,409.2	1,319.4	1,260.5	1,033.8	1,076.4
Debt	€ million	1,685.3	1,787.1	1,917.8	2,272.2	1,494.6
thereof liabilities to banks	€ million	350.3	245.8	225.9	254.1	169.6
Total assets	€ million	3,094.5	3,106.6	3,178.3	3,306.0	2,570.9
Long-term equity-to-fixed assets ratio [1]	%	225.8	201.2	235.9	239.8	212.1

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

Financial figures

in € million	December 31, 2023	December 31, 2022	Change in %
Total assets	3,094.5	3,106.6	-0.4
Equity	1,409.2	1,319.4	+6.8
Equity ratio	45,5 %	42,5 %	
Capital employed [1]	1,523.2	1,537.2	-0.9
Net financial debt	197.7	259.2	-23.7

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

The Dräger Group's equity increased by EUR 89.8 million to EUR 1,409.2 million in fiscal year 2023, which is mainly due to the positive net result. The equity ratio amounted to 45.5% as at December 31, 2023 and was therefore significantly higher than the previous year's figure (December 31, 2022: 42.5%). This was due to the increase in equity and, to a lesser extent, the reduction of the balance sheet by EUR 12.0 million to EUR 3,094.5 million.

On the assets side, non-current assets increased slightly by EUR 18.9 million. We recorded a decline in property, plant and equipment including right-of-use assets of EUR 16.6 million, intangible assets (EUR -5.0 million), investments in associates (EUR -4.5 million), and other non-current financial assets (EUR -3.9 million). Deferred tax assets, on the other hand, increased by EUR 47.1 million.

Short-term assets fell by EUR 34.3 million. The main reason for this was the reduction in inventories by EUR 42.2 million and in cash and cash equivalents by EUR 39.6 million. Trade receivables, on the other hand, increased by EUR 48.9 million.

The change on the liabilities side results from the reduction in short-term liabilities by EUR 198.0 million with a simultaneous increase in long-term liabilities by EUR 92.6 million and in equity by EUR 89.8 million.

The increase in long-term liabilities is mainly due to higher long-term liabilities to banks (EUR +95.5 million), which are mainly attributable to the drawing of a loan from the European Investment Bank (EIB) in the amount of EUR 100 million.

The lower short-term liabilities resulted primarily from the repayment of the participation certificates still outstanding at the beginning of the year (EUR -208.8 million). With the redemption of the series D participation certificates in fiscal year 2023, all Dräger participation certificates have now been redeemed.

Dräger Value Added

Dräger Value Added increased by EUR 252.0 million to EUR 55.8 million in fiscal year 2023 (2022: EUR -196.2 million). Our EBIT increased by EUR 255.0 million. Average capital employed increased by EUR 43.9 million to EUR 1,581.0 million. As a result, our capital costs increased by EUR 3.1 million to EUR 110.7 million (2022: EUR 107.6 million). Average working capital increased more slowly than net sales. As a result, days working capital (coverage of working capital) reduced year on year by 3.8 days to 108.8 days.

Business performance of the medical division

Business performance of the medical division

					Twelve months
		2023	2022	Change in %	Net of currency effects in %
Order intake	**€ million**	**1,916.2**	**1,979.3**	**-3.2**	**-1.3**
thereof Germany	€ million	415.2	395.3	+5.0	+5.1
Net sales	**€ million**	**1,966.2**	**1,821.5**	**+7.9**	**+10.3**
thereof Germany	€ million	402.6	369.5	+8.9	+9.0
EBITDA [1]	**€ million**	**102.7**	**-17.6**	**> +100**	
EBIT [2]	**€ million**	**37.1**	**-90.4**	**> +100**	
EBIT [2]/ net sales [3]	%	1.9	-5.0	+6.8 pp	
Capital employed [4, 5]	€ million	867.2	903.1	-4.0	
EBIT [2, 6]/ capital employed [4, 5] (ROCE) [3]	%	4.3	-10.0	+14.3 pp	
DVA [6, 7]	€ million	-27.2	-153.2	+82.2	

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

Order intake

Order intake

				Twelve months
in € million	2023	2022	Change in %	Net of currency effects in %
Europe	979.4	950.7	+3.0	+3.2
thereof Germany	415.2	395.3	+5.0	+5.1
Americas	446.2	435.3	+2.5	+3.0
Africa, Asia, and Australia	490.6	593.3	-17.3	-11.7
Total	**1,916.2**	**1,979.3**	**-3.2**	**-1.3**

Our order intake in the medical division in fiscal year 2023 was 1.3% below the previous year's level (net of currency effects), in particular due to lower demand for ventilators and anesthesia machines as well as products for patient monitoring. On the other hand, there was noticeable growth in the service business and in the area of hospital infrastructure. In the Africa, Asia, and Australia region order intake declined significantly. However, demand increased in the Europe and Americas regions.

In the fourth quarter, order intake in the medical division remained nearly stable compared with the same period in the previous year. In the Africa, Asia, and Australia region, demand fell sharply after having risen significantly in the same quarter of the previous year due to the surge in demand for ventilators in China. The Americas region also recorded a decline. In Europe, on the other hand, order intake increased significantly.

Net sales

Net sales

in € million	2023	2022	Change in %	Twelve months Net of currency effects in %
Europe	981.8	894.3	+9.8	+10.1
thereof Germany	402.6	369.5	+8.9	+9.0
Americas	454.2	412.3	+10.2	+11.4
Africa, Asia, and Australia	530.2	514.9	+3.0	+10.0
Total	**1,966.2**	**1,821.5**	**+7.9**	**+10.3**

In fiscal year 2023, our net sales in the medical division increased by 10.3% (net of currency effects), driven by significant growth in all regions; this was due in particular to the noticeable improvement in delivery capability. Another reason for the positive development was the significant increase in demand for ventilators in China at the beginning of the year, which resulted in a very significant boost to net sales in the Africa, Asia, and Australia region during the first quarter.

In the fourth quarter, net sales (net of currency effects) in the medical division were just under one percent higher than in the previous year. Net sales increased in the Europe and Americas regions. By contrast, the Africa, Asia, and Australia region recorded a decline.

Earnings

Our gross profit in the medical division increased significantly by 12.6% in fiscal year 2023. The main factors here were strong net sales growth in all regions and the improvement in gross margin. This increased by 1.7 percentage points, in particular as a result of improved production and service utilization. Gross profit reduced by 2.3% during the fourth quarter. The gross margin was 0.5 percentage points below the previous year's level.

Functional expenses in 2023 were significantly below the previous year's level, declining by 3.0% (-4.4% in nominal terms; net of currency effects). All functional areas of the segment contributed to this decline. In the fourth quarter, functional expenses decreased by 7.6% (net of currency effects; -9.1%).

EBIT in the medical division amounted to EUR 37.1 million in 2023 (2022: EUR -90.4 million). The EBIT margin improved from -5.0% to 1.9%. In the fourth quarter, EBIT came to EUR 39.4 million (Q4 2022: EUR 26.4 million). The EBIT margin was 6.5% (Q4 2022: 4.3%).

Dräger Value Added increased by EUR 126.1 million to EUR -27.2 million year on year as at December 31, 2023 (12 months to December 31, 2022: EUR -153.2 million). EBIT rose year on year by EUR 127.5 million. Capital costs climbed by EUR 1.4 million on account of the higher capital employed.

Business performance of the safety division

Business performance of the safety division

		2023	2022	Change in %	Twelve months Net of currency effects in %
Order intake	**€ million**	**1,373.8**	**1,305.4**	**+5.2**	**+7.4**
thereof Germany	€ million	330.3	323.1	+2.2	+2.2
Net sales	**€ million**	**1,407.3**	**1,223.7**	**+15.0**	**+17.2**
thereof Germany	€ million	346.0	299.9	+15.4	+15.4
EBITDA [1]	**€ million**	**212.3**	**73.4**	**> +100**	
EBIT [2]	**€ million**	**129.4**	**1.8**	**> +100**	
EBIT [2]/ net sales [3]	%	9.2	0.1	+9.0 pp	
Capital employed [4, 5]	€ million	656.0	634.1	3.5	
EBIT [2, 6] / capital employed [4, 5] (ROCE)[3]	%	19.7	0.3	+19.4 pp	
DVA [6, 7]	€ million	83.0	-43.0	> +100	

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

Order intake

Order intake

in € million	2023	2022	Change in %	Twelve months Net of currency effects in %
Europe	850.9	787.2	+8.1	+8.4
thereof Germany	330.3	323.1	+2.2	+2.2
Americas	242.6	231.1	+5.0	+7.2
Africa, Asia, and Australia	280.3	287.1	-2.4	+4.7
Total	**1,373.8**	**1,305.4**	**+5.2**	**+7.4**

Our order intake in the safety division increased by 7.4% in fiscal year 2023 (net of currency effects). This was primarily due to our gas detection devices area, which had been increasingly affected by supply chain problems during the previous year and benefited from pent-up demand for customer orders in 2023 thanks to improved delivery capability. Our service business also grew significantly in the past fiscal year. All regions recorded a noticeable increase in demand.

During the fourth quarter, order intake increased by 12.8% (net of currency effects), due in particular to growth in Europe as well as Africa, Asia, and Australia. The Americas region also recorded higher level of demand (net of currency effects).

Net sales

Net sales

in € million	2023	2022	Change in %	Twelve months Net of currency effects in %
Europe	876.0	757.3	+15.7	+16.1
thereof Germany	346.0	299.9	+15.4	+15.4
Americas	246.6	207.4	+18.9	+21.2
Africa, Asia, and Australia	284.7	259.1	+9.9	+17.2
Total	**1,407.3**	**1,223.7**	**+15.0**	**+17.2**

Our net sales in the safety division increased by 17.2% in fiscal year 2023 (net of currency effects). During the fourth quarter, growth was 11.8% (net of currency effects). All regions contributed to this with a significant increase in net sales during both reporting periods. In addition to the noticeable improvement in delivery capability, this was also due to the positive order trend.

Earnings

In the safety division, net sales in fiscal year 2023 were significantly higher than in 2022. The gross margin increased by 3.8 percentage points. As a result of these two effects, gross profit increased by 25.4%. The gross margin was supported by higher production and service utilization as well as an effective price enforcement. Gross profit increased by 15.5% during the fourth quarter. The gross margin increased by 2.1 percentage points.

Functional expenses in 2023 were roughly on a par with the previous year's level, with an increase of 1.4% (net of currency effects; +0.0% in nominal terms). This was mainly due to lower administrative costs and reduced logistics expenses. In the fourth quarter, functional expenses increased by 5.1% (net of currency effects; 3.7% in nominal terms).

EBIT in the safety division amounted to EUR 129.4 million in 2023 (2022: EUR 1.8 million). The EBIT margin came to 9.2% (2022: 0.1%). In the fourth quarter, EBIT stood at EUR 50.1 million (Q4 2022: EUR 33.3 million). The EBIT margin reached 11.2% (Q4 2022: 8.2%).

Dräger Value Added increased by EUR 126.0 million to EUR 83.0 million year on year as at December 31, 2023 (12 months to December 31, 2022: EUR -43.0 million). Our EBIT rose year on year by EUR 127.6 million. Capital costs climbed by EUR 1.7 million on account of the higher capital employed.

Potential

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

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

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

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

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

Recognizing, managing, and reporting risks

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

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

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

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

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

Recognizing and taking advantage of opportunities

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

Internal control and risk management system

Definition and elements of the internal control system[2]

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

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

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

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

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

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

Internal Audit prepares a risk-oriented audit plan each year. It performs random checks to determine whether the internal guidelines for the Group's entire control and risk management system are being met. This monitoring function also includes reviewing the functionality and effectiveness of the defined controls. Standardized risk-control matrices are used and continuously enhanced. With regard to Group-wide key controls, we also use a structured self-assessment that is specifically verified by Internal Audit. The auditing activities of Internal Audit form the basis for measuring the maturity of our control and risk management system.

The Executive Board and Supervisory Board, and in particular the latter's Audit Committee, are involved in the regular audit of the ICS and the RMS by Internal Audit and receive regular reports on the current status of the audit findings. The same applies to reviews conducted by Internal Audit as part of compliance audits. In this respect, the audit process takes into account the fact that a large number of checks performed during the ICS audits also relate to the CMS.

The Internal Audit department carried out audits at selected subsidiaries and Group functions in fiscal year 2023 on the basis of a risk-oriented audit plan. Specific measures for enhancing the control system were agreed with the audited areas. The implementation of these measures is continuously monitored by Internal Audit. In addition, the following steps, among others, contributed to strengthening the ICS in 2023:

– Establishment of a specialized team within Internal Audit for the audit of Group-wide key controls.
– Expansion of the standardized auditing of key controls to other subsidiaries and Group functions.
– Updating and supplementing the published Group-wide best practices with regard to the ICS.

In addition to the regular risk reporting processes and the discussion of significant risks at RMB meetings, measures such as those set out below were taken to strengthen and enhance the RMS in 2023:

– training new staff on the risk reporting process and the risk management software.
– communicating focus issues during the processes and providing information on updates to the software.
– consideration of correlations between risks in the risk value calculation.

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

The measures and concepts mentioned above include:

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

↗ For more information on the CMS, please refer to the ›Compliance‹ section on page 84 of the 2023 annual report and the ›Business‹ section in the 2023 sustainability report.

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

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

Accounting-related internal control and risk management system

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

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

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

Use of IT systems in accounting

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

Essential regulatory measures and controls

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

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

The accounting processes are systematically structured in accordance with the principle of the separation of functions and include a system of checks and balances. In our accounting systems, for example, we ensure the separation of the administrative, executive, and authorization functions by issuing different access profiles. This allows us to reduce the potential for deliberately fraudulent acts against the Company by employees. Group accounting determines the scope of consolidation and the reporting packages that have to be prepared by Group companies, ensuring that the consolidated financial statements can be prepared in good time and in accordance with all applicable reporting standards and laws.

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

Risk assessment

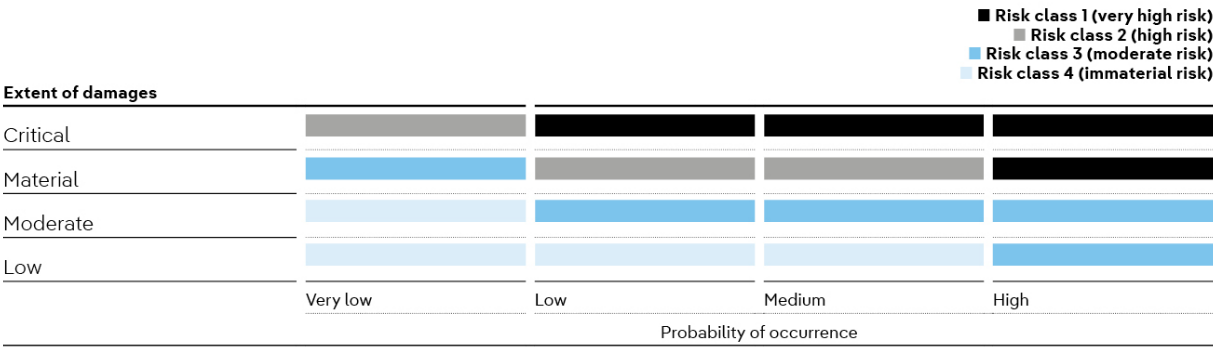
In the interest of a better overview, risks are pooled into risk categories. Within the risk categories, risk classes provide insight into the potential impact of the risks on our Company. With our risk management software, we are capable of determining an expected value for each risk category in a more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

The due date for reported risks is December 31, 2023; the risk assessment is based on the updated internal risk report. Although the forecast horizon for the Company’s results is one year, we also examine long-term risk topics (such as risks related to research and development) as part of the risk assessment process. Accordingly, we also take the long-term impact of risks on our results into consideration when classifying risk categories.

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

↗ Please refer to the section ›Risks from financial instruments‹ on page 64.

Risk matrix



Key to probability of occurrence

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

Key to extent of damages

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

Risk categories

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

Material risks

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

Political, economic, and social development

General economic conditions remained difficult during 2023. According to the International Monetary Fund (IMF), the global economy has only recovered slowly from the consequences of the COVID-19 pandemic and the Russian war on Ukraine. However, performance was better than expected during the second half of the year, in particular due to solid growth in the U.S. as well as in developing and emerging countries. Many economies also benefited from falling inflation and higher public and private spending. Furthermore, the return of supply chains to normal had a positive impact on the economy. In its January 2024 report, the IMF forecasted global economic growth of 3.1% for both 2023 and 2024 (2022: 3.5%).

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

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

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

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

Organization and management

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

Information security and IT risks

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

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

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

Procurement

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

In the case of components and modules that are no longer produced by suppliers, we have purchased the estimated number of components or modules required for the remaining product life cycle and stored these components and modules either at Dräger or with the supplier. In the medical division, we analyze potential risks relating to purchased module components across multiple functions. In some cases, we purchase these module components from a single supplier. As these module components are used in a number of our products, supply bottlenecks can cause production to be interrupted for a certain period of time. Potential interruptions to supply, including disruptions to global trade routes, or the bankruptcy of suppliers could also lead to production outages and additional costs. An escalation of the conflict regarding Taiwan would further exacerbate the global shortage of electronic components and lead to disruptions in the supply chain. (Risk class 2)

Quality

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

Research and development

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

Compliance and legal

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

Dräger companies are currently involved in legal disputes and may be involved in legal disputes within the scope of their business activities in the future as well. In some regions, legal uncertainty could result from Dräger only having limited possibilities to assert its rights. These uncertainties continue to increase due to the geopolitical situation and different national reactions to it.

Our business and conduct principles and the manuals and processes derived therefrom are designed to ensure that we conduct our business responsibly and in accordance with legal regulations. We have also established a Company-wide compliance system. Subsidiaries are subject to Group-wide requirements, are responsible for compliance, and report on their compliance annually. Despite the control and prevention mechanisms in place in our compliance structure, there remains a risk that we could be in breach of certain regulations. In addition, due to

the increasing connectivity of our devices, the risk of cyberattacks and importance of data protection are rising. The international transfer of data also carries a residual risk of infringement of data protection regulations, which can vary from country to country and are constantly changing. Sales partners may assert compensation or equalization claims pursuant to respective applicable laws if the cooperation is terminated. To the extent permitted by law, such claims are excluded in the sales agreements.
↗ Please refer to the ›Compliance‹ section of the corporate governance report on page 84 et seq.

Additional regulatory requirements and increasingly challenging local standards necessitate greater spending on product licensing. The issue of cybersecurity is also becoming increasingly important in this area. Further risks arise from the ongoing renewal of necessary, but time-limited licensing certificates and national adjustments to these certificates. Furthermore, there is also the possibility that, despite extensive quality management processes, licensing authorities auditing our products or processes do not consider the licensing requirements to have been met. In such cases, the licensing authorities could demand reworking and, in extreme cases, revoke the license, impose import bans on certain products or product areas, or order installed devices to be changed. Following publication of a warning letter by the FDA in the first quarter of 2020, we have been in regular contact with the agency to discuss the status of the countermeasures as well as current and upcoming submissions. The warning letter being processed in accordance with a risk mitigation plan that was developed with the FDA. One way in which Dräger counters the increasing risks associated with approval requirements is by adapting the relevant processes and the respective structural and procedural organization in the areas of product and quality management.

One risk relates to the European Union's planned ban on perfluorinated and polyfluorinated chemicals (PFAS) from 2025. The majority of Dräger products contain components or coatings that belong to the PFAS group. In many cases, it is not possible to replace these substances in the short term due to a lack of alternatives or long approval periods. A blanket ban could have a considerable impact on the economic substance of the Company. We currently assume that the intensive efforts of European commercial enterprises and associations in the ongoing consultation process will lead to a regulatory approach that distinguishes between short-chain and long-chain polymers and takes appropriate account of the recovery of substances after use in a closed system. (Risk class 1)

Currency risks

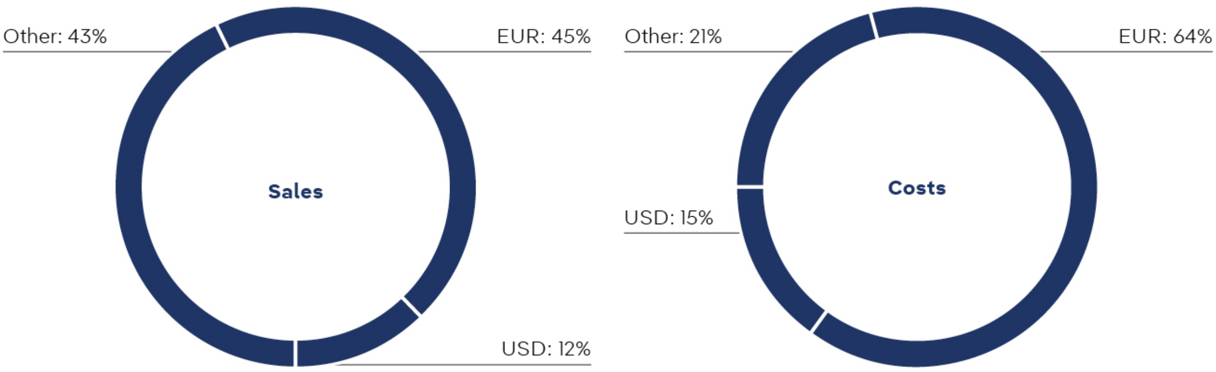
As an international company, we conduct business in a large number of different countries and currencies. As a result, assets and payment flows from these business transactions are exposed to currency risks, which can arise as a result of exchange rate fluctuations in the period between planning, accounting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

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

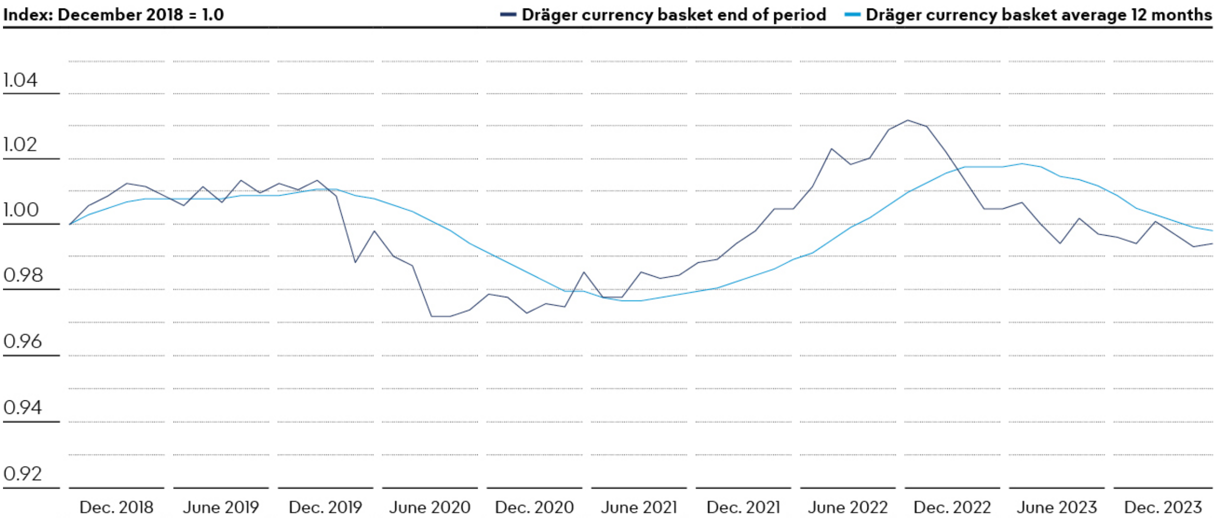
In order to minimize the currency risk from operating activities in an efficient and cost-effective manner, the currencies to be hedged for the subsequent fiscal year are determined on an annual basis using a statistical ›at risk‹ calculation model. In this model, we use planned cash flows denominated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

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

Net sales and costs by currencies (2023)



Development of the sales-weighted Dräger currency basket (weighted according to net sales)



The Dräger currency basket is based on the respective proportion of net sales in the functional currencies as a share of Dräger's group net sales during the past fiscal year. The curve is based on the weighted changes in the exchange rate of the foreign currency to the euro compared to the base rate at the start of a five-year observation period (currently benchmark rates as at December 2018). A rising curve should be seen as a positive currency effect on the Group's net sales, with a falling curve indicating a negative currency effect. An index value of more than 1 indicates that the exchange rates had a positive effect on the Group's net sales compared to the base rate at the start of the observation period. An index value of less than 1 indicates a negative currency effect compared to the base rate at the start of the observation period. Currencies from high-inflation countries (currently Argentinian peso and Turkish lira) are excluded from the index calculation.

Risks from financial instruments

Our aim is to minimize liquidity risk and risk from financial instruments, particularly interest rate, currency, and credit risk. Except for a handful of exceptions, we hedge liquidity risks, currency risks, and interest rate risks centrally at Drägerwerk AG & Co. KGaA. We also limit default risks for financial investments centrally by exclusively using counterparties or investment instruments with an investment grade rating.

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

To secure its liquidity, the Dräger Group has concluded a master loan agreement, maturing on November 30, 2026. Under this agreement, there are cash credit facilities of EUR 250.0 million with a term until September 30, 2024, and cash credit facilities of EUR 250.0 million with a term until November 30, 2026. In addition, there are currently guarantee credit facilities of EUR 155 million under the master loan agreement, which will increase to EUR 165 million from October 2024 (term until November 30, 2026). As at December 31, 2023, credit lines of EUR 655.0 million were made available on this basis. The framework agreement stipulates a target value for these bilateral credit lines based on a specific financial covenant. Should Dräger not comply with this value, the banks are entitled to terminate the bilaterally agreed credit lines. In this case, there would be a right to terminate other loans due to a cross-default provision. The value has been specified so that we would only run the risk of being unable to comply with the agreed value threshold in the event of a significant deterioration in our results of operations and financial position. The value was complied with at the end of 2023; it was well below this threshold. To reduce our liquidity risk, at the Dräger Group we also use note loans of EUR 50 million with a residual term until January 5, 2026, and note loans of EUR 50 million with a residual term until January 4, 2028. We also have a loan of EUR 50 million from the European Investment Bank (EIB) with a five-year fixed-interest period, which will be repaid on October 2, 2025. An additional loan of EUR 100 million from the EIB with a five-year fixed-interest period was disbursed in January 2023. This loan will be repaid on January 26, 2028.

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

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

Finance (financial market risks)
The high rate of inflation and rising interest rates are currently affecting the financial market. Monetary policy decisions will continue to cause fluctuations on the markets and have an effect on the future development of capital cost parameters. Higher capital costs may lead to the impairment of our assets, especially goodwill. (Risk class 2)

Risks of receivable losses
In principle, Dräger is exposed to the risk of financial crises, political upheaval, or other events leading to receivable losses or late payments. Default risks for receivables from the operating business are limited both centrally and locally in the subsidiaries and secured, for example, by letters of credit or guarantees. Significantly overdue receivables represent an increased default risk. The specific risk of significant receivable losses is very low. Specifically, such a risk of receivable losses currently exists in relation to our business activities in Saudi Arabia. (Risk class 2)

Climate-related risks
The intensity and frequency of natural disasters and extreme weather situations occurring is increasing as a result of climate change. Climate-related risks are therefore becoming increasingly significant for companies. We are aware of current physical environmental risks, for example in the form of floods or tornadoes, for our endangered locations and these risks are assessed in the risk management system (RMS). No other environmental or climate-related risks are included in the Group's RMS.

The Corporate Sustainability Reporting Directive (CSRD) requires companies to reassess their climate-related risks. Physical and transitory climate risks are assessed as part of this. The focus here is in particular put on the

Company's impact on climate change due to greenhouse gas emissions, the climate-related physical risks and the climate-related transition risks and opportunities in the Company's own division and in the upstream and downstream value chain. The analysis is part of the non-financial statement in accordance with the CSRD, which will be published in the 2024 annual report.

A transitional risk in the current fiscal year relates to the European Union's planned ban on perfluorinated and polyfluorinated chemicals (PFAS) from 2025. This risk is explained in the ›Compliance and legal‹ section.
↗ Please refer to the section ›Compliance and Legal‹ on page 62 et seq.

Recognizing trends and taking advantage of opportunities

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

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

Activities in growth markets

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

Further developments currently result in opportunities for Dräger:

Pandemics

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

Global trends

Globalization vs. protectionism

Nationalistic tendencies are emerging in politics and society in some industrialized nations and emerging markets. The coronavirus crisis has further strengthened protectionist sentiment. This development is creating further uncertainty in the market and will remain a key issue in the years ahead. Despite the rising complexity, globalization continues to offer us many opportunities.

Health

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

Connectivity

The growing extent of digital connectivity is increasing the requirements that devices must fulfill in use. Our Company must explore the potentials offered by new platform-oriented sales models, as well as new innovation and production possibilities. The digital connectivity of devices and the availability of more and more data increases the importance of information security.
↗ Please also refer to the section ›Trends with an influence on our business performance‹ on page 40.

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

High barriers to market entry for competitors
There are still high barriers to entry in the markets for medical and safety technology: stricter approval requirements due to government regulations such as the MDR (Medical Device Regulation), complex and often proprietary technologies, and many customers who prefer to trust solutions that are tried and tested in practice. These barriers give Dräger, as an established provider, freedom to achieve stable customer relationships.

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

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

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

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

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

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

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

Growing importance of health and safety departments at companies

In the medium to long term, there is a chance that health and safety departments at industrial companies will be given greater priority when it comes to investments. Products and services for such areas of business are among Dräger's core competencies, particularly in terms of safety products. Dräger is part of the international Vision Zero initiative with the aim of completely eradicating occupational accidents, promoting a healthy lifestyle as a preventative measure to avoid work-related illnesses, and encouraging individual well-being.

Overall assessment of risks and opportunities

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

Demand could decline in 2024 due to localized recessions. General economic and geopolitical developments, as well as regulatory requirements, particularly with regard to the developing PFAS issue, could pose further risks. Currency risks may have a negative impact on our business. We reduce these risks by means of regional management and the diversification of our product and service offering.

Overall, we are able to appropriately address the risks facing the Dräger Group. Based on the information currently known, the continued existence of our company is not at risk. Even though we view the PFAS Regulation with concern, we do not expect a blanket ban due to the threat of damage to the European industry. We therefore believe that the opportunities for the Group outweigh the risks, particularly those arising from the growing need for healthcare as a result of the pandemic, the economic development of emerging markets, and the future importance of the systems business. We are therefore optimistic about the future.

↗ Please refer to the ›SWOT analysis – Dräger Group‹ on page 69.

SWOT analysis – Dräger Group

Company-specific

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

Market/sector-specific

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

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

Outlook

Future market environment

The International Monetary Fund (IMF) has raised its growth forecast for the global economy in January 2024 by 0.2 percentage points compared to the October 2023 estimate. Accordingly, it now expects growth of 3.1% in 2024 (2023: 3.1%). The reason for the increase is the resilient economic development in the U.S. as well as in developing and emerging countries. Furthermore, inflation is falling faster than expected. The IMF is forecasting growth of 3.2% for the coming year. The IMF forecasts for 2024 and 2025 are therefore below the historical average from 2000 to 2019 (3.8%).

According to the IMF, the probability has decreased of a ›hard landing‹ for the global economy. The risks are mainly balanced. On the one hand, the quick decline in inflation could lead to an easing of monetary policy and thus temporarily stimulate growth. On the other hand, however, the general conditions might become more stringent again, particularly if raw material prices were to rise significantly again due to geopolitical crises or supply chain disruptions.

According to the IMF, the short-term challenge for policymakers is now to achieve the inflation targets by aligning monetary policy with the underlying inflation dynamics and adopting a less restrictive stance where wage and price pressure is easing.

↗ Please refer to the table ›IMF January 2024 forecast for gross domestic product (GDP) growth‹.

IMF January 2024 gross domestic product (GDP) growth forecast

in %	2023	2024	2025
Global economy	3.1	3.1	3.2
U.S.	2.5	2.1	1.7
Eurozone	0.5	0.9	1.7
Germany	-0.3	0.5	1.6
China	5.2	4.6	4.1

Future market and segment situation

Medical division

According to forecasts by Germany Trade and Invest (GTAI), the European market for medical business will develop positively in 2024. One reason for this is increasing government investment. However, according to Bundesverband Medizintechnologie (the German medical technology institute), the industry is still under pressure, partly due to increased production costs.

According to GTAI, the outlook for the U.S. medical business market is also positive. In the U.S. market, the increased need for treatment will require an expansion of healthcare capacities. Fitch Solutions is forecasting an average growth rate of 5.7% for the medical technology business market in the years 2022 to 2027. Digital health applications will continue to gain in importance in the future. According to GTAI, the outlook for Central and South America is positive too. In Mexico (the most important Latin American market), demand for medical technology products is expected to rise.

In the countries of the Africa, Asia, and Australia region, the medical technology business industry will develop heterogeneously, according to GTAI. Countries such as China and India are continuing to tend towards protectionism. In China, the market share of imported products will continue to decline, while domestically manufactured products will continue to expand their market position. The medical technology market in Africa is currently still undersupplied and therefore has a lot of catching up to do. However, the expected future growth will be at a comparatively low level. The GTAI also expects growth in the Arabian Peninsula.

Safety division

The European market for safety technology is also likely to be dominated by uncertainty in 2024. According to GTAI, the chemical industry will have to contend with persistently high costs in the current year.

In the countries of the Americas region, the market for safety technology business is expected to develop differently. According to the industry association American Chemistry Council (ACC), the US chemical market will only grow very slightly due to lower demand stimuli. According to Verband der Chemischen Industrie (VCI – German Chemical Industry Association) and GTAI, chemical production in Latin America will continue to be dominated by uncertainty in 2024. The oil and gas market in the U.S. is expected to get off to a solid start in 2024, provided the macroeconomic environment does not deteriorate further.

In the countries of the Africa, Asia, and Australia region, the market for safety technology business is likely to develop differently from industry to industry. The outlook for the chemical industry is modest. According to GTAI, an economic slowdown and lower global demand will cloud the outlook in China. On the Arabian Peninsula, the chemical industry will remain a focus for government investment. However, according to GTAI, growth will also slow down here due to lower global demand. In South Africa, the mining industry will grow more slowly as a result of energy shortages and considerable logistical difficulties. Nevertheless, Africa's raw materials such as gold, iron ore and platinum group metals remain of great strategic interest. According to GTAI, the mining industry in Australia will grow and benefit from investments in mining sites. In addition, climate protection targets will increase demand.

According to the Business Research Company, the global firefighting market is set for stable growth. However, this market is also affected by the rise in raw material prices, among other things.

Future situation of the Company

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

↗ Please refer to the ›Expectations for fiscal year 2024‹ table.

Expectations for fiscal year 2024

	Results achieved for fiscal year 2023	Forecast for fiscal year 2024
Net sales (net of currency effects)	13.1%	1.0 to 5.0%
Gross margin	43.3%	43.0 to 45.0%
EBIT margin	4.9%	2.5 to 5.5%
DVA	EUR 55.8 million	EUR -60 to 40 million
R&D costs	EUR 325.4 million	EUR 330 to 350 million
Net financial debt	EUR 197.7 million	at prior-year level
Investment volume [1]	EUR 86.3 million	EUR 95 to 115 million
Net interest result	EUR -25.1 million	EUR -20 to -26 million
Days Working Capital (DWC)	108.8 days	108 to 113 days

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

In fiscal year 2023, growth and profitability were supported by pent-up demand from before the improvement in the previously limited delivery capability; in addition, the surge in demand for ventilators in China at the beginning of the year had a positive impact on net sales and earnings. These two effects will not play a part in the current fiscal year. Considering this, Dräger expects an increase in net sales of 1.0% to 5.0% (net of currency effects), a gross margin of 43.0% to 45.0%, and an EBIT margin of 2.5% to 5.5%.

For Dräger Value Added (DVA), we forecast a range of EUR -60 to 40 million. We assume a weighted average cost of capital of nine percent and a slightly higher capital employed.

We are also planning to invest more in the future sustainability of our company throughout 2024. Our research and development spending will therefore be higher than in the previous year. In the medical division, we intend to bring eleven new products or developments to market. In the safety division, we aim to launch 13 new products or developments.

We assume that net interest result will be at the same level as in 2023.

In terms of days working capital (DWC), we expect the increase in net sales to result in a figure of between 108 and 113 days.

Our investment volume, excluding acquisitions and the capitalization of right-of-use assets in accordance with IFRS 16, is expected to amount to between EUR 95 million and EUR 115 million. Our focus will be on replacement investments.

With regard to net financial debt, we expect the figure to be at the previous year's level.

Dräger management estimate

After returning to growth and profitability in 2023, we are expecting profitable growth again in 2024. Although our outlook remains subject to uncertainty due to ongoing risk factors such as the wars in Ukraine and the Middle East, continued high inflation and political developments in China, we are still confident that we can achieve a good result. This assumption is based in particular on the fact that our delivery capability has returned to normal over the past year and we do not currently expect any significant impairment. We also expect to continue to benefit from demand for our products and services. By implementing our strategic measures, we also aim to leverage the potential of our growth markets for medical and safety technologies, which remain intact.

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

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

Composition of subscribed capital stock

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

Restrictions related to voting rights or the transfer of shares

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

Direct or indirect shareholdings exceeding 10 %

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

Shares with special rights conferring control

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

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

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

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

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

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

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

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

Power of the general partner to issue or buy back shares

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

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

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

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

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

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

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

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

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

Business performance of Drägerwerk AG & Co. KGaA

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

In fiscal year 2023, Drägerwerk AG & Co. KGaA recorded net profit of EUR 52.7 million (2022: net loss of EUR 195.1 million). The previous year's earnings were significantly impacted by increased procurement costs and supply chain disruptions for certain electronic components. Over the course of the year, the Company had 3,156 employees on average (2022: 3,093 employees), of which 663 worked in Production (2022: 660 employees) and 2,493 in other areas (2022: 2,433 employees).

Earnings effects from operating activities

In fiscal year 2023, Drägerwerk AG & Co. KGaA posted a loss from operating activities – excluding income from investments, interest result, and taxes – of EUR 105.9 million (2022: loss of EUR 193.5 million).

Net sales from medical business rose to EUR 1,159.5 million (2022: EUR 1,130.6 million). This was due in particular to the noticeable improvement in delivery capability as a result of the problems with global supply chains diminishing. This enabled us to generate strong net sales growth from the high order backlog of the previous year and from the continued high demand for our products and services. At the beginning of the year, the Company also benefited from the surge in demand for ventilators in China.

As a result of the improved availability of parts and the improved logistics situation, the cost of materials fell in the 2023 fiscal year to EUR 629.4 million (2022: EUR 663.1 million). Personnel expenses rose slightly year on year from EUR 316.4 million to EUR 318.1 million. Other operating expenses amounted to EUR 381.4 million (2022: EUR 452.7 million). The exchange rate result had a negative impact on the Company's operating result, while income from financial assets improved it slightly.

The decrease in other operating expenses is mainly due to foreign currency effects and lower freight costs.

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

Results of subsidiaries

Income from profit and loss transfer agreements is mainly attributable to the higher profit transfer from Dräger Safety AG & Co. KGaA (EUR +146.3 million), Dräger ANSY GmbH (EUR +3.9 million), Dräger Holding International GmbH (EUR +3.4 million) and Dräger Medical Deutschland GmbH (EUR +3.1 million). This was offset by a decline at Dräger Medical International GmbH (EUR -42.0 million).

Payment obligation for terminated participation certificates

On January 2, 2023, the remaining 382,289 series D participation certificates were repaid for EUR 208.8 million using part of the credit lines. Based on the dividend resolution for preferred shares of EUR 0.19 (2022: EUR 0.19), the distribution for participation capital amounted to EUR 1.90 per participation certificate for fiscal year 2022 (2021: EUR 1.90).

Investments

In fiscal year 2023, the Company invested EUR 1.6 million (2022: EUR 3.3 million) in software and other intangible assets. Investments in property, plant and equipment came to EUR 49.6 million (2022: EUR 26.7 million). Investments were primarily focused in connection with the redevelopment of buildings, the construction of production facilities, office equipment and machinery, and the production of various tools.

Net assets and financial position

After deducting cash and cash equivalents, net financial liabilities to banks amounted to EUR 248.2 million as at December 31, 2023 (2022: net financial liabilities EUR 24.8 million). Group financing of affiliated companies came to EUR 76.1 million. The equity of Drägerwerk AG & Co. KGaA stood at EUR 963.9 million, increasing by a total of EUR 49.7 million year on year. The net profit for the year of EUR 52.7 million had a significant impact on the equity ratio. The decline in total assets and the increase in equity gave Drägerwerk AG & Co. KGaA an equity ratio of 48.7% as at the balance sheet date (2022: 44.2%).

Comparison of forecast figures and actual figures

Drägerwerk AG & Co. KGaA's net sales and earnings developed better than originally expected in fiscal year 2023. This was due in particular to the noticeable improvement in delivery capability, the continued high level of order intake and the surge in demand for ventilators in China. In addition to the good net sales trend, successful cost management also had a positive impact on earnings. Net profit amounted to EUR 52.7 million. EUR 3.0 million was distributed on common and preferred shares for fiscal year 2022. Net financial liabilities in fiscal year 2023 came to EUR 248.2 million. The equity ratio was 48.7%.

Forecast for fiscal year 2024

After returning to growth and profitability in 2023, we are expecting profitable growth again in 2024. Although our outlook remains subject to uncertainty due to ongoing risk factors such as the wars in Ukraine and the Middle East, continued high inflation and political developments in China, we are still confident that we can achieve a good result. This assumption is based in particular on the fact that our delivery capability has returned to normal over the past year and we do not currently expect any significant impairment. We also expect to continue to benefit from demand for our products and services. By implementing our strategic measures, we also aim to leverage the potential of our growth markets for medical and safety technologies, which remain intact.

In the 2023 fiscal year, we generated net profit for the year of EUR 52.7 million. This had a significant impact on the equity ratio in the reporting year (December 31, 2023: 48.7%). For 2024, we expect net profit to remain at the previous year's level and a slight increase in the equity ratio.

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

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

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

Report on corporate governance

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

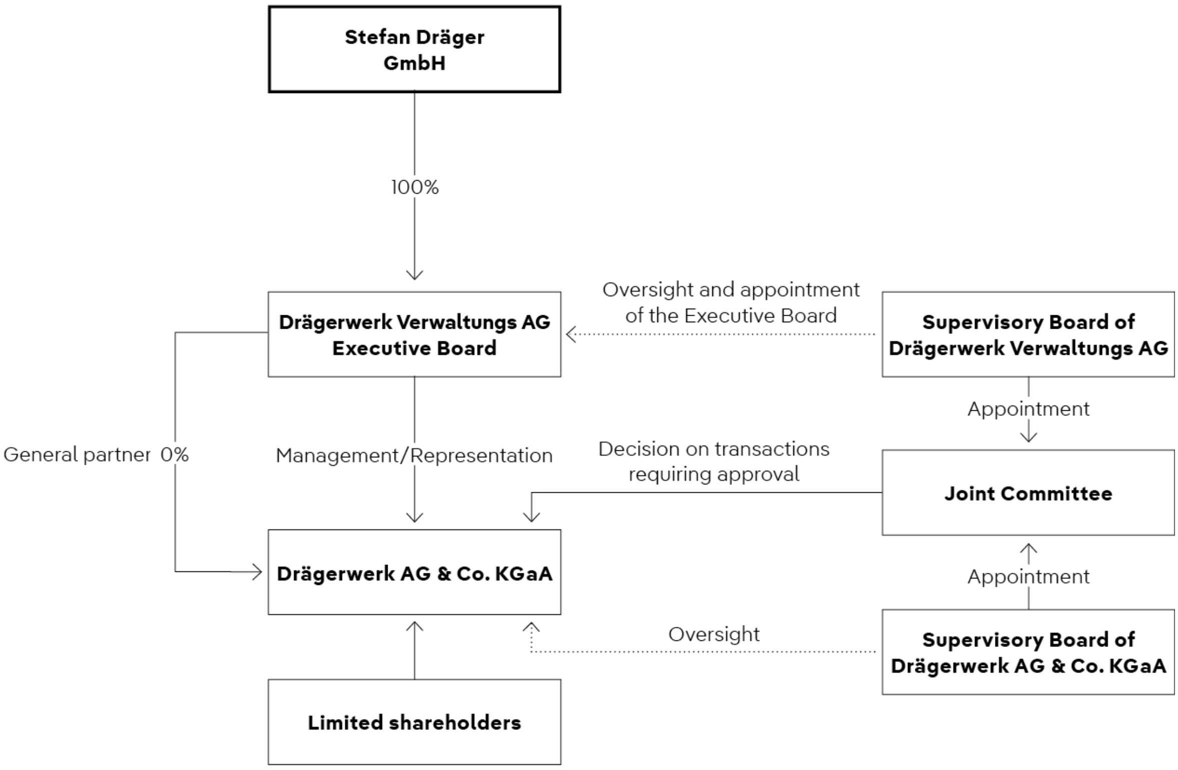
Partnership limited by shares

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

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

The sole general partner of Drägerwerk AG & Co. KGaA is Drägerwerk Verwaltungs AG, which is a wholly owned company of Stefan Dräger GmbH. Drägerwerk Verwaltungs AG manages the operations of Drägerwerk AG & Co. KGaA and represents it, acting through its Executive Board. Drägerwerk Verwaltungs AG does not hold an equity interest in Drägerwerk AG & Co. KGaA.
↗ Please refer to the ›Drägerwerk AG & Co. KGaA‹ chart on page 80.

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 at the meeting of the Supervisory Board on December 19, 2023. It states that the Company applied the recommendations of the Government Commission of the German Corporate Governance Code in most areas.

The declaration was published on December 20, 2023, with the following wording:

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

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

Recommendation G.10 is partly not complied with. According to this recommendation, the variable remuneration amounts granted to the member of the Executive Board, taking into account the long-term tax burden, shall be invested primarily in shares of the Company or granted accordingly on a share basis. The Executive Board member shall only be able to dispose of these after four years. In the current remuneration system, the majority of the variable remuneration component is based on the development of the Company-related ratio Dräger Value Added (DVA) in a three-year and a five-year period. In the opinion of the Supervisory Board, this variable remuneration component, which is based on the increase in the value of the Company, also achieves the objectives of the recommended long-term and sustainable orientation. Starting in fiscal year 2023, there will also be a partial investment of the disbursement of the annual bonus in virtual shares with a retention period of five years. As a result, remuneration will also be linked to Dräger's performance on the capital market, thus creating an incentive to achieve a sustainable increase in value in the interests of our shareholders.

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

Oversight bodies

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

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

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

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

The most recent elections for shareholder representatives took place at the annual shareholders' meeting on May 5, 2023. The criteria described above were taken into account and fulfilled without exception. It was ensured that a high proportion of Supervisory Board members have experience in representing family-run companies and listed companies, as well as in marketing and sales at technology-led companies. It is the view of the Supervisory Board that, in its current composition, it possesses the requirements included in the competency profile:

Qualification matrix

	Intellectually and financially independent personality of high personal integrity	International management experience with presence in various cultural regions	Experience in family-owned and/or listed companies	Proven track record in finance and accounting as well as in financing and capital market communication
Members	12	8	10	5

Qualification matrix

	Experience in marketing and sales at diversified technology companies	Expertise in sustainability issues and organisation of ESG concerns	Independent of the Company and free of conflicts of interest	Not older than 71 years for new election or re-election
Members	8	11	8	12

According to the assessment of the Supervisory Board, the shareholder representatives Stefan Lauer, Maria Dietz, Professor Dr. Thorsten Grenz, Astrid Hamker, Frank Riemensperger, and Dr. Reinhard Zinkann are independent as defined by recommendation C.6 of the German Corporate Governance Code. The indicators to be taken into consideration under recommendation C.7 of the Code when assessing independence have been fulfilled without exception for all of the aforementioned Supervisory Board members, with the exception of the indicator relating to the duration of Supervisory Board membership, in the cases of Professor Dr. Thorsten Grenz and Dr. Reinhard Zinkann. Both of these members have served on the Supervisory Board since 2008 and have since then continued discharging their duties with outstanding commitment and tremendous care. As a result, the Supervisory Board believes their independence is not impaired. Frank Riemensperger has been a member of the Supervisory Board since 2023, Stefan Lauer since 2013. Maria Dietz and Astrid Hamker have been members since 2018. On the employee side, Bettina van Almsick has been a member of the Supervisory Board since 2016, and Christian Fischer since 2022. Andrea Görndt, Henning Groskreutz, Stefanie Hirsch, and Laura Pooth were elected to the Supervisory Board in 2023.

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

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

In an effort to improve its effectiveness and efficiency, the Supervisory Board of Drägerwerk AG & Co. KGaA has established an audit committee pursuant to Section 107 (4) Sentence 1 in conjunction with Section 107 (3) Sentence 2 of the German Stock Corporation Act (AktG) and a nomination committee in accordance with recommendation D.4 of the Code. The audit committee consists of Stefan Lauer, Chair of the Supervisory Board, as well as four further members, of whom two are shareholder representatives (Professor Dr. Thorsten Grenz, who is Chair of the Audit Committee, Uwe Lüders until May 5, 2023 and Frank Riemensperger since July 5, 2023) and two are employee representatives (Daniel Friedrich until May 5, 2023 and Henning Groskreutz since May 5, 2023, and Christian Fischer). The Supervisory Board ensures that the Committee members are independent and places great emphasis on their particular knowledge and experience in applying accounting standards and internal control processes. The Audit Committee monitors the adequacy and functionality of the Company's external and internal financial reporting system. Together with the auditor of the consolidated financial statements, the Audit Committee discusses the reports drawn up by the Executive Board during the year, the Company's financial statements, and the audit reports. On this basis, the Audit Committee draws up recommendations for the approval of the financial statements by the annual shareholders' meeting. It deals with the Company's internal control system and with the procedure for recording risks, for risk control, and risk management as well as compliance. The Internal Audit department reports regularly to the Audit Committee and is engaged by this Committee to carry out audits as is deemed necessary. Reference is also made to the report of the Supervisory Board.

The majority of the audit committee members possess the knowledge and skills necessary for this position and fulfill the requirements to be considered ›financial experts‹. Due to his years of service as CFO of companies listed on the stock exchange, his role as an active and former member and financial expert in multiple supervisory boards, his leading position at a professional association of financial experts and honorary professor of business administration, Prof. Dr. Thorsten Grenz is considered to have particularly expert knowledge in the area of accounting as the Chair of the Audit Committee. Due to his long-standing position as Chair of the Executive Board of the German subsidiary of a leading global consulting firm and as Chair and member of supervisory boards, where he supervised multiple audits of annual financial statements including various audits and analyses of the economic, tax, and legal circumstances in takeover situations (due diligence), Frank Riemensperger is considered to have particularly expert knowledge in the area of auditing financial statements as a member of the Audit Committee.

Stefan Lauer, Chair of the Supervisory Board, as well as two shareholder representatives, Uwe Lüders until May 5, 2023 and Maria Dietz since May 5, 2023 and Dr. Reinhard Zinkann, are members of the Nomination Committee. Stefan Lauer is also Chair of the Nomination Committee, which is charged with proposing suitable candidates for election to the Supervisory Board. On this basis, the Supervisory Board compiles appropriate suggestions for the annual shareholders' meeting.

The Supervisory Board regularly deals with the application and enhancement of corporate governance principles within the Dräger Group. The Supervisory Board evaluates its activities and conducts an internal efficiency audit at regular intervals, most recently in 2023 for the period 2022/2023.

Management

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

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

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

Relationship to shareholders

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

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

Compliance

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

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

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

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

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

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

The activities of the compliance function in fiscal year 2023 included providing advice and guidance on the aforementioned aspects of compliance, focusing above all on the following subjects:

- establishing compliance resources at the Corporate Compliance Office (CCO) (headquarters) and worldwide: setting up a regional compliance role for the EMEA region and additional compliance officers and ambassadors.
- multiple compliance communication measures in internal and external media by the CCO and, in particular, the Regional Compliance Office in Singapore.

- reorganization of online compliance training and organization of various virtual training courses to familiarize employees with issues relating to antitrust law.
- improving target group-specific allocation of compliance training and training reporting.
- continuing with the digitalization of compliance reporting processes.
- monitoring the further development of compliance issues at the Group, in particular preparing for the implementation of the German Supply Chain Due Diligence Act (LkSG) and requirements concerning the protection of whistleblowers.
- revision of the bottom-up risk assessment and its digitalization.
- performing ad hoc investigations due to reports filed by whistleblowers and assessing ad hoc compliance audits.

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

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

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

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

Further information is provided in the Dräger sustainability report 2023.

Declaration pursuant to Sec. 161 AktG

Our declaration of conformity is available to the public on the company website www.draeger.com in the ›Investor Relations/Corporate Governance‹ section.
↗ and is also printed in this annual report on page 80 et seq.

Remuneration report and remuneration system on the Company website

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

Our remuneration report is available to the public on the Company website www.draeger.com in the ›Investor Relations/Calendar and publications‹ section.
Our remuneration system is also available to the public at www.draeger.com in the ›About Dräger/Executive Board‹ section.

Disclosure 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 and their application are based on integrity and social responsibility in areas such as environmental protection, quality, product and process safety, and compliance with local laws and regulations. The Internal Audit department continuously monitors the implementation of these principles as well as the reliability and functionality of the control systems. The Executive Board of Drägerwerk Verwaltungs AG governs the Group in the interest of its shareholders and is aware of its responsibility to employees, society, and the environment. We have made it our goal to use the resources entrusted to us in a manner that increases the value of the Dräger Group. According to the resolution passed by the annual shareholders' meeting on May 5, 2023, the Supervisory Board appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft as the independent auditor of the single entity financial statements of Drägerwerk AG & Co. KGaA for fiscal year 2023.

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 2023.

Working methods of the executive and supervisory boards

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

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

Target indicators pursuant to Secs. 76 (4) and 111 (5) AktG

At its meeting on July 4, 2022, the Executive Board of the general partner defined a target of 20% in relation to female participation in the first level of management below the Executive Board and a target of 23% for the second level of management below the Executive Board. The deadline for the achievement of these two targets was set at June 30, 2027. The quotas, targets, and reasons provided above fulfill the legal reporting requirements. Please refer to the sustainability report for more information about the topic of women in management positions.
www.draeger.com/sustainability

Minimum quotas for the composition of the Supervisory Board

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

Diversity concept regarding the composition of the Executive Board of the general partner and the Supervisory Board

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

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

Forward-looking statements

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

Lübeck, February 20, 2024

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

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

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Annual Financial Statements

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Annual Financial Statements 2023 of the Dräger Group

Consolidated income statement of the Dräger Group January 1 to December 31

in € thousand	Notes	2023	2022
Net sales	9	3,373,504	3,045,227
Cost of sales	10	-1,913,810	-1,806,841
Gross profit		**1,459,694**	**1,238,385**
Research and development costs	11	-325,362	-343,482
Marketing and selling expenses	12	-717,765	-717,882
General administrative costs	13	-237,919	-258,659
Impairment losses on financial assets and contract assets	14	-8,194	-5,631
Other operating income	15	9,283	4,956
Other operating expenses	15	-6,921	-2,280
Functional expenses		**-1,286,878**	**-1,322,978**
Result from net exposure from monetary items	7	1,466	-544
Result from associates accounted for using the equity method		-3,231	-2,608
Other expenses from investments in associates		-987	-
Result from other investments		-1,022	667
Other financial result		-2,612	-1,529
Financial result (before interest result)	**16**	**-6,385**	**-4,015**
EBIT		**166,431**	**-88,608**
Interest and similar income		5,987	8,819
Interest and similar expenses		-31,098	-22,620
Interest result	**16**	**-25,111**	**-13,801**
Earnings before income taxes		**141,320**	**-102,409**
Income taxes	17	-29,327	38,772
Net profit / net loss		**111,994**	**-63,637**
Net profit / net loss		**111,994**	**-63,637**
Earnings to non-controlling interests		1,561	925
Earnings attributable to shareholders and in the prior year also to holders of participation certificates	20	110,433	-64,562
Undiluted earnings per share on full distribution	**20**		
per preferred share (in €)		5.92	-3.41
per common share (in €)		5.86	-3.47
Diluted earnings per share on full distribution	**20**		
per preferred share (in €)		5.92	-3.41
per common share (in €)		5.86	-3.47

Consolidated statement of the comprehensive income of the Dräger Group

in € thousand	Notes	2023	2022
Net profit / net loss		**111,994**	**-63,637**
Items that cannot be reclassified into the income statement			
Remeasurements of defined benefit pension plans	32	-21,441	156,473
Deferred taxes on remeasurements of defined benefit pension plans		10,659	-49,110
Items that may be reclassified into the income statement in the future			
Currency translation adjustment for foreign subsidiaries		-14,292	5,937
Changes in the fair value of the cash flow hedge reserve recognized directly in equity		1,153	11,562
Deferred taxes on changes in the fair value of the cash flow hedge reserve recognized directly in equity		-394	-3,642
Other comprehensive income (after taxes)		**-24,315**	**121,220**
Total comprehensive income		**87,679**	**57,583**
of which attributable to non-controlling interests		1,213	980
thereof earnings attributable to shareholders and in the prior year also to holders of participation certificates		86,466	56,603

Consolidated balance sheet of the Dräger Group

in € thousand	Notes	December 31, 2023	December 31, 2022
Assets			
Intangible assets	21	345,640	350,641
Property, plant and equipment	22	456,172	478,376
Right-of-use assets	38	115,104	109,517
Investments in associates	23	11,552	16,036
Non-current trade receivables	24	2,658	2,214
Other non-current financial assets	25	20,343	24,224
Deferred tax assets	17	262,989	215,900
Other non-current assets	28	8,342	7,036
Non-current assets		**1,222,800**	**1,203,945**
Inventories	26	654,740	696,983
Trade receivables	24	727,494	678,608
Contract assets	24	55,111	56,328
Other current financial assets	25	27,041	41,045
Cash and cash equivalents	27	271,956	311,554
Current income tax refund claims		68,294	41,794
Other current assets	28	63,669	76,318
Current assets		**1,868,305**	**1,902,631**
Non-current assets classified as held for sale	**29**	**3,445**	**-**
Total assets		**3,094,549**	**3,106,576**
Equity and liabilities			
Capital stock		48,026	48,026
Capital reserves		307,035	307,035
Reserves retained from earnings, including group result		1,071,284	969,303
Other comprehensive income		-19,566	-6,317
Non-controlling interests	31	2,457	1,384
Equity	**30**	**1,409,235**	**1,319,430**
Provisions for pensions and similar obligations	32	204,562	202,886
Non-current personnel provisions	33	35,412	34,721
Other non-current provisions	33	15,335	22,362
Non-current note loans	34	100,000	100,000
Non-current liabilities to banks	34	157,711	62,212
Other non-current financial liabilities	35	92,950	93,702
Non-current income tax liabilities		2,780	5,526
Deferred tax liabilities	17	1,671	2,452
Other non-current liabilities	36	50,788	44,763
Non-current liabilities		**661,210**	**568,625**
Current personnel provisions	33	127,191	105,076
Other current provisions	33	148,870	144,131
Current liabilities to banks	34	92,630	83,575
Trade payables	35	215,864	285,608
Other current financial liabilities	35	115,587	324,466
Current income tax liabilities		80,076	48,024
Other current liabilities	36	240,304	227,641
Current liabilities		**1,020,522**	**1,218,521**
Liabilities from non-current assets classified as held for sale	**29**	**3,582**	**-**
Total equity and liabilities		**3,094,549**	**3,106,576**

Consolidated cash flow statement of the Dräger Group

	in € thousand	Notes	2023	2022
Operating activities				
	Earnings after income taxes		111,994	-63,637
+	Write-down / Write-up of non-current assets		151,316	141,935
+	Interest result		25,111	13,801
+/-	Income taxes		29,327	-38,772
-	Decrease in provisions		-4,898	-57,653
+	Other non-cash expenses		28,311	5,803
+	Loss from the disposal of non-current assets		6,557	1,082
+/-	Decrease/increase in inventories		12,968	-81,776
-	Increase in leased equipment		-12,049	-9,220
-	Increase in trade receivables		-68,495	-74,694
+/-	Decrease/increase in other assets		28,719	-879
+/-	Increase/decrease in trade payables		-67,217	66,270
+	Increase in other liabilities		24,212	7,343
+	Dividends received		396	1,041
-	Cash outflow for income taxes		-61,462	-49,505
-	Cash outflow for interest		-20,929	-12,607
+	Cash inflow from interest		5,815	7,239
	Cash inflow/outflow from operating activities		**189,677**	**-144,228**
Investing activities				
-	Cash outflow for investments in intangible assets		-3,143	-7,145
+	Cash inflow from the disposal of intangible assets		102	0
-	Cash outflow for investments in property, plant and equipment		-65,068	-79,714
+	Cash inflow from disposals of property, plant and equipment		1,113	1,625
-	Cash outflow for investments in financial assets [1]		-922	-57,414
+	Cash inflow from the disposal of financial assets [1]		14	179,474
+	Cash inflow from the disposal of subsidiaries	5	561	-
	Cash outflow/inflow from investing activities		**-67,341**	**36,826**
Financing activities				
-	Distribution of dividends (including payments to participation certificates holders)	30	-3,681	-3,681
-	Cash outflow from the repurchase of participation certificates	35	-208,806	-
-	Cash outflow from the acquisition of treasury shares for the employee share program	30	-3,962	-4,549
+	Cash inflow from the transfer of treasury shares from the employee share program	30	3,066	3,328
+	Cash provided by raising loans		168,620	1
-	Cash used to redeem loans		-91,737	-17,035
+	Net balance of other liabilities to banks		28,487	36,676
-	Repayment of lease liabilities		-46,407	-43,941
-	Profit distributed to non-controlling interests		-140	-180
	Cash outflow from financing activities		**-154,561**	**-29,381**
Change in cash and cash equivalents in the fiscal year			**-32,225**	**-136,782**
+/-	Effect of exchange rates on cash and cash equivalents		-7,373	2,591
+	Cash and cash equivalents at the beginning of the reporting period		311,554	445,746
	Cash and cash equivalents on reporting date		**271,956**	**311,554**

[1] In prior year, these items included the purchase and sale of money market funds in which Dräger had a current investment.

Consolidated statement of changes in equity of the Dräger Group

in € thousand	Capital stock	Capital reserves	Reserves retained from earnings incl. group result	Treasury shares	Other comprehensive income	Total equity of shareholders of Drägerwerk AG & Co. KGaA	Non-controlling interests	Equity
January 1, 2022	**48,026**	**307,035**	**924,970**	**0**	**-20,120**	**1,259,910**	**584**	**1,260,494**
Net loss	-	-	-64,562	-	-	-64,562	925	-63,637
Other comprehensive income	-	-	107,363	-	13,803	121,165	54	121,220
Total comprehensive income	**0**	**0**	**42,801**	**0**	**13,803**	**56,603**	**980**	**57,583**
Distributions (including payments to participation certificates holders)	-	-	-3,681	-	-	-3,681	-180	-3,861
Acquisition of treasury shares	-	-	-	-4,549	-	-4,549	-	-4,549
Employee share program	-	-	-	4,549	-	4,549	-	4,549
Miscellaneous [1]	-	-	5,214	-	-	5,214	-	5,214
December 31, 2022 / January 1, 2023	**48,026**	**307,035**	**969,303**	**0**	**-6,317**	**1,318,047**	**1,384**	**1,319,430**
Net profit	-	-	110,433	-	-	110,433	1,561	111,994
Other comprehensive income	-	-	-10,782	-	-13,185	-23,967	-348	-24,315
Total comprehensive income	**0**	**0**	**99,651**	**0**	**-13,185**	**86,466**	**1,213**	**87,679**
Distributions	-	-	-3,681	-	-	-3,681	-140	-3,821
Acquisition of treasury shares	-	-	-	-3,962	-	-3,962	-	-3,962
Employee share program	-	-	-	3,962	-	3,962	-	3,962
Change in scope of consolidation	-	-	-38	-	-64	-102	-	-102
Miscellaneous [1]	-	-	6,049	-	-	6,049	-	6,049
December 31, 2023	**48,026**	**307,035**	**1,071,284**	**0**	**-19,566**	**1,406,778**	**2,457**	**1,409,235**

[1] This item includes the subsequent recognition of deferred tax assets in connection with the termination of the participation certificates (see also note 30).

Notes of the Dräger Group for 2023

1 General

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

On February 28, 2024, the Executive Board is approving the publication of the Group financial statements of Drägerwerk AG & Co. KGaA for fiscal year 2023. The Group financial statements are published in the electronic version of the Company register.

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

2 Basis of preparation of the Group financial statements

Drägerwerk AG & Co. KGaA prepared its Group financial statements for fiscal year 2023 in accordance with the International Financial Reporting Standards (IFRS) as defined by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRS IC). Drägerwerk AG & Co. KGaA applied all the IFRSs adopted by the IASB as at December 31, 2023, to its 2023 Group financial statements, provided that these standards had been endorsed by the European Commission and published in the Official Journal of the European Union by the date of publication of the Group financial statements and that application of such standards is mandatory for fiscal year 2023.

In particular, Dräger applied the following revised standards issued by the IASB for the first time in fiscal year 2023 on their effective dates:

- The new IFRS 17 ›Insurance Contracts (issued May 2017)‹ governs the recognition, measurement, and disclosure of insurance contracts, reinsurance contracts, and capital investment contracts with discretionary participation features. Due to the deferral of the effective date of IFRS 17 to fiscal years beginning on or after January 1, 2023, the option for companies to delay IFRS 9 and apply it for the first time at the same time as IFRS 17 has also been extended until January 1, 2023. The impact analysis on the application of IFRS 17 at Dräger has led to the conclusion that no contracts have currently been concluded that would have to be recognized as insurance contracts in accordance with IFRS 17.
- The IASB's ›Disclosure Initiative‹, aims to improve and simplify IFRS financial statements. According to ›Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued February 2021)‹, immaterial disclosures on accounting methods are to be omitted from IFRS financial statements. It also defines when an accounting method is to be seen as material and therefore must be disclosed. This does not materially impact Dräger's Group financial statements.
- In ›Amendments to IAS 8: Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued February 2021)‹ the IASB has defined the differences between accounting methods and accounting-related estimates. In particular, the amendment has an impact on changes made prospectively (as in the case of accounting-related estimates) and retrospectively (largely, as in the case of accounting methods). This does not materially impact Dräger's Group financial statements.
- In December 2021, the OECD published Pillar 2 model rules (Global Anti-Base Erosion Proposal or GloBE) to reform international corporate taxation. Multinational companies with a turnover of more than 750 million euros must determine their effective GloBE tax rate for each country in which they operate An additional tax is levied in countries where this tax rate is below the minimum tax rate of 15%. The >Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023)< provide for a temporary, mandatory exemption from the recognition of deferred taxes from the introduction of the Pillar 2 rules. The following additional disclosures must also be made in the notes (for further details refer to ↗ note 17):
  - Disclosure of the fact that the mandatory exemption is being used.

- Separate disclosure of the actual tax expense / income in connection with Pillar 2 income taxes.
- For periods in which legislation to implement the Pillar 2 rules has been enacted or substantively enacted but has not yet come into force, disclosures must be made that enable users of the financial statements to estimate the effects of the Pillar 2 rules or the resulting income taxes on the Company. If the effects are not known or cannot be reliably estimated, information on the progress the Company has made in assessing the effects of the Pillar 2 rules must be disclosed.

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

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

The following accounting requirements are to be applied to fiscal years beginning on or after January 1, 2024, and, in some cases, have already been adopted into European law by the EU. Dräger did not voluntarily apply these requirements prematurely.

– The ›Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued January 2020)‹ and ›Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants (issued October 2022)‹ clarify that the classification of liabilities as current or non-current must be based on the contractual arrangements in place at the balance sheet date. The amendments also stipulate that a liability is to be classified as non-current if the reporting entity has a substantive right at the reporting date to defer settlement of this liability for at least twelve months. Any conditions only affect the disclosure of the maturity if the Company must fulfill these conditions on or before the reporting date. In the case of liabilities classified as non-current that are subject to certain conditions, an entity must provide disclosures in the notes that enable users of the financial statements to assess the risk that non-current liabilities with conditions could become repayable within twelve months. This has no significant impact on Dräger's Group financial statements.
– The ›Amendments to IFRS 16: Lease Liability in a Sale and Leaseback‹ clarifies how a seller-lessee subsequently measures sale and leaseback transactions that are recognized as sales in accordance with IFRS 15. The amendment aims to ensure that the retained right-of-use asset has no effect on earnings in the subsequent measurement of the lease liability. This has no significant impact on Dräger's Group financial statements.
– The ›Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on May 25, 2023)‹ govern additional disclosure requirements regarding qualitative and quantitative information on financing arrangements with suppliers. This has no significant impact on Dräger's Group financial statements.
– In ›Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on August 15, 2023)‹ the IASB adapts IAS 21 in the event of a long-term lack of exchangeability of a currency. The amendments include rules for determining the exchangeability of currencies and the closing rate to be applied by a company if a currency is not exchangeable. The information to be disclosed is also specified. This has no significant impact Dräger's Group financial statements.

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

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

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

3 Effects of external factors on financial reporting

The special external factors that influence the global economy and to which the Dräger Group is therefore also exposed are constantly increasing in number and intensity. They already have a global impact on both prices and the predictable availability of production factors. They can also represent unforeseeable risks against which a manufacturing company such as the Dräger Group must protect itself.

The challenges of climate change and the transition to a low-carbon economy are considered in two directions within the Dräger Group and their effects on the Group's financial reporting are analyzed. Firstly, with regard to the identification of aspects that are material for the reporting company from a financial perspective in terms of business performance, business results, and the general company situation. Secondly, with regard to the identification of sustainability aspects in relation to the impact of the Company's own business activities and its own value chain. On this basis, the management of the Dräger Group has analyzed the effects of climate change on the preparation of Dräger's consolidated financial statements. As a result, management does not see any significant impact on the value or change in the useful life of intangible assets and property, plant and equipment. In addition, there is no significant impact on the planning of future cash flows and therefore on the measurement of assets and liabilities or on the calculation of impairment losses on assets. The Dräger Group continues to protect itself against the known extraordinary weather events and their impact on buildings, people, and operations. The Dräger Group is not currently aware of any further obligations arising from climate change.

An environmental aspect that goes beyond this relates to the European Union's planned ban on perfluorinated and polyfluorinated chemicals (PFAS) from 2025. The majority of Dräger products contain components or coatings that belong to the PFAS group. In many cases, it is not possible to replace these substances due to a lack of alternatives or long release periods. A blanket ban would have a significant impact on Dräger's business.

The war in Ukraine and the various subsequent embargoes against Russia only have an indirect impact on the Dräger Group's financial reporting because the direct business volume with Russia is of minor importance. The significant impact of this conflict on energy prices also has only a minor effect on the Dräger Group as production does not require very much energy.

On the other hand, the high rate of inflation and rising interest rates have an impact on the Company's capital cost parameters and therefore also on the impairment testing of assets, including goodwill. These factors have not however led to an impairment of goodwill to date.

4 Scope of consolidation

The scope of consolidation of Drägerwerk AG & Co. KGaA consists of 102 fully consolidated companies as at December 31, 2023 (2022: 106 companies) and four associated companies as in the prior year.

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

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

The scope of consolidation includes two property management companies (2022: three property management companies) and a further special purpose entity as a structured entity. 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 8). Dräger does not provide these companies with any financing or guarantees, nor does it intend to do so in the future.

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

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

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

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

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

The consolidated companies of the Dräger Group as at December 31, 2023, are listed under ↗ note 46.

5 Effects of the changes in the scope of consolidation

The scope of consolidation of Drägerwerk AG & Co. KGaA developed as follows in fiscal year 2023:

Scope of consolidation

	Germany	Abroad	Total
Drägerwerk AG & Co. KGaA and fully consolidated companies			
January 1, 2023	20	86	106
Mergers	1	1	2
Disposals	-	2	2
December 31, 2023	**19**	**83**	**102**
Associates			
January 1/December 31, 2023	**2**	**2**	**4**
Total	**21**	**85**	**106**

In March 2023, Draeger Safety Bulgaria EOOD, Sofia, Bulgaria, was merged with Draeger Medical Bulgaria EOOD, Sofia, Bulgaria, and subsequently renamed Draeger Bulgaria EOOD, Sofia, Bulgaria.

In addition, AEC SAS, Antony, France, was sold in April 2023 and therefore deconsolidated.

In May 2023, MOLVINA Vermietungsgesellschaft mbH & Co. Objekt Finkenstraße KG, Düsseldorf, merged with Drägerwerk AG & Co. KGaA, Lübeck.

In July 2023, Draeger Panama S. de R.L., Ciudad de Panama, Panama, was liquidated and subsequently deconsolidated.

The deconsolidation of the two companies resulted in a Group profit of EUR 625 thousand and payments of EUR 561 thousand. There was no significant effect on the Group's net assets and results of operations.

6 Consolidation principles

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

Successively acquired shares that do not affect the controlled status of an entity are treated as transactions between providers of equity capital ("entity concept"). The carrying amounts of assets and liabilities remain the same. The value shift between Dräger and the non-controlling interests is recorded directly in equity. Any noncontrolling interests in equity are shown in the consolidated balance sheet (see also ↗ note 31).

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

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

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

7 Currency translation

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

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

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

The financial statements and comparative figures of economically independent foreign entities operating in a hyperinflationary environment and reporting in a currency of a hyperinflationary economy are to be remeasured. The remeasurement must take place at the measuring unit applying on the balance sheet date by indexing these financial statements using a general price index for the respective country. Since fiscal year 2018, Argentina has been considered a hyperinflationary economy, meaning that the subsidiary in Argentina is affected by remeasurement. The applied price index of the Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) stood at 3,533.19 as at December 31, 2023 (December 31, 2022: 1,144.04). Türkiye exceeded the criteria required for a hyperinflationary economy for the first time in fiscal year 2022, and so the two sales and service companies operating in the country are affected by remeasurement. The applied price index Türkiye iStatistik Kurumu (TÜiK) stood at 1,859.38 as at December 31, 2023 (December 31, 2022: 1,128.45). The effect of inflation totaled EUR -1,025 thousand (2022: EUR 5,591 thousand) and was recognized in the currency translation differences as a decrease in equity (2022: increase in equity). The result from the net exposure of monetary items remained immaterial and totaled EUR 1,466 thousand (2022: EUR −544 thousand). The result from the net exposure of monetary items essentially affects the gross profit on sales and general administrative expenses in the consolidated income statement. In the cash flow statement, the result from the net exposure of monetary items in the earnings after income taxes is adjusted in the operating cash flows from assets. The exchange rate-related changes in the value of cash and cash equivalents, which are attributable to the effects of hyperinflation, are insignificantly low. Previously presented comparative amounts denominated in stable currency have not been adjusted. The financial statements of these subsidiaries are based on the concept of historical cost.

The exchange gains/losses on operating foreign currency items included in cost of sales gave rise to a total loss of EUR -21,513 thousand (2022: loss of EUR –16,052 thousand).

The exchange gains/losses on foreign currency items disclosed in the financial result led to total losses of EUR -271 thousand (2022: loss of EUR −886 thousand).

Currency translation for foreign subsidiaries resulted in an increase in other comprehensive income of EUR -13,944 thousand (2022: increase of EUR 5,883 thousand).

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

Currencies / exchange rates

		Closing rate		Average rate	
	1 € =	December 31, 2023	December 31, 2022	2023	2022
U.S.	USD	1.11	1.07	1.08	1.05
People's Republic of China	CNY	7.85	7.40	7.69	7.10
United Kingdom	GBP	0.87	0.89	0.87	0.85
Australia	AUD	1.63	1.57	1.63	1.52

8 Accounting policies

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

General

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

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

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

Net sales recognition (including contract assets and contract liabilities)

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

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

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

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

In the event that several performance obligations are provided to the same customer at the same time or at times close together and are contained in a single civil-law contract with a single transaction price (›multi-component contracts‹) and the respective performance dates differ, the agreed transaction price is to be allocated to the individual performance obligations on the basis of the individual stand-alone selling prices.

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

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

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

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

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

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

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

In the event of the acquisition of intangible assets as part of a business combination, the acquisition costs correspond to their fair value at the time of acquisition.

The intangible assets are amortized on a straight-line basis over their expected useful lives. Borrowing costs are capitalized as part of the cost of a qualifying asset in accordance with IAS 23 if it takes more than one year to get it ready for its intended use or sale. This is the case if they are material and can be directly allocated to the acquisition, construction or production of this asset.

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

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

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

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

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

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

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

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

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

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

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

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

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

Land is not depreciated.

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

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

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

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

After the equity value has been updated, investments in associates must also be checked to see whether there is an additional impairment of a remaining positive equity value. In the event of a permanent or significant impairment of the remaining equity value, an impairment loss must be recognized.

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

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

The Dräger Group holds the following financial assets:

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

The Dräger Group reports the following financial liabilities:

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

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

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

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

These assets are classified on the basis of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities are generally disclosed at amortized cost in subsequent periods, taking into account repayment amounts, as well as premiums and discounts. Any difference between the disbursement amount (after deduction of transaction costs) and the repayment amount is recognized in the income statement over the term of the loan using the effective interest method.

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

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

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

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

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

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

Derivative financial instruments

The Dräger Group uses derivative financial instruments in the form of currency futures as part of its risk management to hedge currency and interest rate risks. The individual interest rate swap reported in the previous year expired as planned in fiscal year 2023.

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

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

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

Dräger applies the accounting and measurement methods defined in IFRS 9 for hedge accounting. Accordingly, the spot component is recognized in the cash flow hedge reserve (OCI I) and the forward component is recognized in the cost of hedging reserve (OCI II).

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

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

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

Please refer to ↗ note 37 for details on the nature and scope of the financial instruments held by the Dräger Group.

Inventories

Inventories comprise raw materials, consumables, and supplies, as well as work in progress, finished goods, and merchandise. They are measured at the lower of cost and net realizable value. Costs are measured using the average cost method. Cost comprises production-related full costs calculated on the basis of normal capacity utilization. In addition to direct materials and production costs, it includes material and production overheads as well as special direct production costs allocable to the production process. Depreciation on items classified as fixed assets used in the production process is also included. Borrowing costs are capitalized as part of the cost of a qualifying asset in accordance with IAS 23 if it takes more than one year to get it ready for its intended use or sale. This is the case if they are material and can be directly allocated to the acquisition, construction or production of this asset.

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

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

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

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

Provisions for pensions and similar obligations
Provisions for pensions and similar obligations in the Dräger Group are calculated annually by actuaries in accordance with IAS 19 (revised) using the projected unit credit method. Future salary and pension adjustments and fluctuation are taken into account.

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

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

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

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

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

Other provisions

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

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

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

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

Income taxes

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

The additional tax according to Pillar 2 is an income tax within the meaning of IAS 12. Use was made of the mandatory temporary exception from the recognition of deferred taxes from the Pillar 2 rules. The Pillar 2 additional tax will be recognized as current tax in future periods to the extent that such tax arises.

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

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

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

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

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

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

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

Share-based payment
In fiscal year 2023, Dräger offered all Dräger employees in Germany share-based compensation in the form of an employee share program. The intent is to increase employees' identification with the Company and Dräger's attractiveness as an employer.

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

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

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

A) Dräger Group as a lessee
The lessee is required to recognize assets and liabilities for the right-of-use assets and obligations arising under all existing leases.

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

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

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

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

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

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

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

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

B) Dräger Group as a lessor

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

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

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

In the case of contracts for several leased assets, the fee is divided between the individual assets based on the relative individual sales price, if an estimate is required using the cost surcharge method.

Use of estimates and assumptions and changes in method
In preparing the Group financial statements in accordance with IFRS, assumptions and estimates have to be made which have an effect on recognition of assets and liabilities, the disclosure of contingent liabilities as at the balance sheet date, and the recognition of income and expenses. These estimates include the Group's climate-related opportunities and risks (also see Note 3). Actual amounts may differ from these estimates and assumptions.

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

The estimates pertain to the following areas in particular:

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

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

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

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

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

Defined benefit pension plans and similar obligations are recognized in accordance with actuarial methods. These methods are based on actuarial assumptions such as the discount rate, wage and salary trends, increases in pensions, and biometrics. The discount factors used are calculated on the basis of the effective market return on high-quality corporate bonds. Deviations of actuarial assumptions from actual developments could have serious implications for the measurement of defined benefit pension plans and similar obligations. The results of sensitivity analyses for the discount rate, future increases in pensions, and life expectancy as stated in ↗ note 32 provide indications of these effects.

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

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

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

Notes to the income statement

9 Net sales

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

Net sales

			2023			2022
in € thousand	Medical division	Safety division	Dräger Group	Medical division	Safety division	Dräger Group
Net sales from the sale of products and goods [1]	985,006	880,742	1,865,749	893,202	712,049	1,605,251
Net sales from the sale of services and accessories (including replacement parts) [1]	871,779	462,407	1,334,186	841,103	449,763	1,290,866
Net sales from operating leases of products and goods	3,060	48,415	51,474	2,629	45,942	48,571
Net sales from projects	106,315	15,780	122,095	84,574	15,964	100,538
Net sales	**1,966,161**	**1,407,343**	**3,373,504**	**1,821,509**	**1,223,718**	**3,045,227**

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

A detailed segment report, including net sales by region, is provided in ↗note 40.

Net sales of EUR 748.6 million (2022: EUR 669.5 million) were generated in Germany in the fiscal year.

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

Net sales from the sale of products are recognized at the time at which control is transferred to the buyer. Net sales from services and projects are recognized primarily over the period in which the service is rendered if the customer receives the benefit from the service while it is being rendered.

Net sales recognized in the amount of EUR 114,360 thousand (2022: EUR 117,970 thousand) were still included in contract liabilities at the beginning of the reporting period, which include accrued net sales and prepayments received.

Future net sales from long-term service and construction contracts

in € thousand	2023	2022
Expected net sales in year 1	78,190	79,327
Expected net sales in year 2	78,498	63,441
Expected net sales from year 3 on	71,145	87,945
	227,833	**230,713**

The reporting period includes net sales of EUR 149 thousand (2022: EUR 245 thousand) that were fulfilled in full or in part in previous fiscal years.

10 Cost of sales

Cost of sales include the following:

Cost of sales

in € thousand	2023	2022
Direct materials	1,004,932	861,208
Direct labour	365,505	350,483
Direct costs	**1,370,437**	**1,211,692**
Material overheads	68,164	83,783
Production overheads	341,627	327,565
Other indirect costs	133,584	183,801
Indirect costs	**543,374**	**595,150**
Cost of sales	**1,913,810**	**1,806,841**

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

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

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

With regard to the effects of currency translation included in the cost of sales, please refer to our comments in ↗ Note 7.

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

11 Research and development costs

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

12 Marketing and selling expenses

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

13 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.

14 Impairment losses on financial assets and contract assets

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

Impairment losses on financial assets and contract assets

in € thousand	2023	2022
Release of risk provisions	3,451	2,986
Allocations to risk provisions	-10,820	-8,274
Direct derecognition	-826	-344
	-8,194	**-5,631**

15 Other operating income/expenses

Other operating income/expenses

in € thousand	2023	2022
Gains on the disposal of intangible assets and property plant and equipment	554	493
Income from the disposal of subsidiaries	562	-
Rental income	1,961	1,894
Income from the derecognition of liabilities	6,206	2,569
Other operating income	**9,283**	**4,956**
Expenses for leased assets	-726	-694
Losses on the disposal of intangible assets and property, plant and equipment	-6,194	-1,586
Other operating expenses	**-6,921**	**-2,280**

16 Financial result

Financial result (before interest result)

in € thousand	2023	2022
Profit from net exposure from monetary items	**1,466**	**-544**
Distributions from associates	273	374
Share in result of associates	-3,504	-2,983
Impairment of shares in associates	-987	-
Profit from investments in associates	**-4,218**	**-2,608**
Net result from the measurement of financial assets measured at fair value through profit and loss	-1,022	667
Profit from other investments	**-1,022**	**667**
Net result from foreign exchange transactions	-271	-886
Other financial expenses	-2,341	-643
Other financial result	**-2,612**	**-1,529**
Financial result (before interest result)	**-6,385**	**-4,015**

Interest result

in € thousand	2023	2022
Income from financial assets measured at amortized cost	5,866	8,683
Income from financial assets measured at fair value through profit and loss	9	9
Interest contained in lease payments	53	94
Income from interest hedges	60	33
Interest and similar income	**5,987**	**8,819**
Expenses from financial liabilities measured at amortized cost	-15,421	-12,229
Interest portion contained in pension provisions	-6,741	-4,184
Interest contained in lease payments	-5,568	-4,883
Expenses from interest hedges	-112	-461
Other interest and similar expenses	-3,255	-863
Interest and similar expenses	**-31,098**	**-22,620**
Interest result	**-25,111**	**-13,801**

In the previous year, the expenses from financial liabilities measured at amortized cost mainly include EUR 4,981 thousand for the compounding of the payment obligation from the terminated participation certificate series D.

Other interest and similar expenses include expenses from the compounding of other provisions (see also ↗ Note 33).

17 Income taxes

Composition of income taxes

Income (+)/expense (-) in € thousand	2023	2022
Germany	**3,715**	**-142**
Abroad	**-65,801**	**-32,172**
Current taxes	**-62,086**	**-32,314**
Germany		
Deferred taxes from temporary differences	7,163	-4,020
Deferred taxes from loss carryforwards	10,647	64,559
Deferred taxes Germany	**17,810**	**60,539**
Abroad		
Deferred taxes from temporary differences	16,900	6,660
Deferred taxes from loss carryforwards	-1,951	3,887
Deferred taxes abroad	**14,949**	**10,547**
Deferred taxes	**32,759**	**71,086**
Income taxes	**-29,327**	**38,772**

As in the previous year, deferred tax income in Germany in the 2023 fiscal year mainly results from the recognition of deferred tax assets on tax losses in the income tax group of Drägerwerk AG & Co. KGaA. The deferred tax income abroad is mainly due to a change in legislation on the tax capitalization of research and development expenses in the USA.

Deferred tax income includes tax income from the change in tax rates in the amount of EUR 58 thousand (2022: Tax expense in the amount of EUR 1,412 thousand).

Deferred tax liabilities of EUR 2,559 thousand (2022: EUR 2,345 thousand) are recognized on temporary differences in connection with retained earnings at foreign subsidiaries. No deferred tax liabilities are recognized on temporary differences in the carrying amounts of shares in subsidiaries amounting to EUR 21,336 thousand

(2022: EUR 19,333 thousand), as a sale of the companies or a distribution of retained earnings is not likely in the foreseeable future.

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

Reconciliation of expected income taxes to recognized income taxes

Income (+)/expense (-) in € thousand	2023	2022
Earnings before income taxes	**141,320**	**-102,409**
Expected income taxes (tax rate: 31.5%; 2022: 31.5%)	**-44,516**	**32,259**
Reconciliation		
Effects from other periods and non-deductible withholding tax	1,794	3,043
Effect from changes in tax rates	58	-1,412
Effect from different tax rates	13,666	10,300
Tax effect of non-deductible expenses and tax-free income	-5,240	-4,305
Recognition and measurement of deferred tax assets	5,270	-425
Other tax effects	-359	-689
Recognized income taxes	**-29,327**	**38,772**
Tax rate (%) overall	**20.8**	**37.9**

The parent company's tax rate of 31.5% (2022: 31.5%) is applied as the expected tax rate. The expected tax rate consists of 15.83% (2022: 15.83%) from the corporate income tax share (including 5.5% solidarity surcharge) and 15.67% (2022: 15.67%) from the trade tax share. A tax rate of 31.5% (2022: 31.5%) is used for the measurement of domestic deferred taxes.

As at the reporting date, the Pillar 2 legislation in Germany, the jurisdiction in which Drägerwerk AG & Co. KGaA is based, had already been transposed into local law and entered into force on January 1, 2024. In future, the Dräger Group will fall within the scope of the OECD model regulations on global minimum taxation (Pillar 2). As the Pillar 2 legislation was not yet in force on the reporting date, the Group is not currently subject to any additional tax liability in this respect. The Group applies the exemption for the recognition of deferred taxes in connection with Pillar 2 income taxes, which was the subject of the amendments to IAS 12 published in May 2023.

The Group is currently assessing the impact of Pillar 2 once the legislation comes into force. Given the complexity of applying the legislation, it is not yet possible to reliably estimate the quantitative impact of the legislation that has been passed or entered into force. The Group is conducting an interdisciplinary project to support the application of the Pillar 2 legislation. Within the framework of this project, an initial indicative analysis was started at the reporting date in order to determine the future fundamental impact and the relevant jurisdictions from which the Group is exposed to possible effects in connection with a Pillar 2 top-up tax or a qualified domestic minimum top-up tax.

Based on the current indicative analysis, the top-up tax is expected to be applicable at the level of Drägerwerk AG & Co. KGaA, as Drägerwerk AG & Co. KGaA qualifies as an Ultimate Parent Entity within the meaning of the regulations. National particularities in the respective jurisdictions in which the Group operates must be taken into account when determining the top-up tax.

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	**2023**	**2022**	**2023**	**2022**
Intangible assets	23,141	851	6,759	7,076
Property, plant and equipment	7,188	9,419	7,963	10,826
Right-of-use assets	-	-	21,053	18,769
Other non-current financial assets	507	140	3,990	4,618
Other non-current assets	-	-	-	-
Non-current assets	**30,836**	**10,410**	**39,765**	**41,289**
Inventories [1]	27,156	25,762	1,030	1,166
Trade receivables	5,597	5,688	480	489
Contract assets	-	-	8,491	9,032
Other current financial assets [1]	674	2	3,756	1,416
Other current assets [1]	809	477	947	1,240
Current assets [1]	**34,236**	**31,929**	**14,704**	**13,343**
Provisions for pensions and similar obligations	47,096	38,004	-	-
Non-current personnel provisions [1]	5,067	4,917	-	-
Other non-current provisions [1]	1,996	828	-	-
Non-current liabilitites to banks	-	-	-	-
Other non-current financial liabilities	117	464	567	4,413
Non-current lease liabilities	13,609	12,676	-	-
Other non-current liabilities [1]	5,223	4,064	-	-
Non-current liabilities [1]	**73,108**	**60,953**	**567**	**4,413**
Current personnel provisions [1]	9,148	7,058	-	-
Other current provisions [1]	9,099	12,358	-	-
Current liabilities to banks	-	-	-	-
Trade payables	509	534	-	-
Other current financial liabilities [1]	689	4,161	446	373
Current lease liabilities	8,519	6,571	-	-
Other current liabilities [1]	10,161	11,760	540	563
Current liabilities [1]	**38,125**	**42,442**	**986**	**936**
Gross amount temporary differences [1]	**176,305**	**145,734**	**56,022**	**59,981**
Valuation allowance on temporary differences	-600	-6,818	-	-
Capitalized tax loss carryforwards and tax credits (net incl. valuation allowances)	97,434	82,753	-	-
Deferred taxes from consolidation entries	70,457	78,764	26,256	27,004
Offset	-80,607	-84,533	-80,607	-84,533
Carrying amount	**262,989**	**215,900**	**1,671**	**2,452**

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

The recoverable amount of the deferred tax assets from tax losses carried forward and temporary differences of the consolidated companies is reviewed annually on the basis of future taxable results using an operational planning calculation. If it is unlikely that the deferred tax assets will be realized, an impairment is recognized. Deductible temporary differences of EUR 2,399 thousand (2022: EUR 22,085 thousand) are not recognized, as they are not expected to be used in the planning period.

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

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

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

Capitalized tax loss carryforwards

in € thousand	2023	2022
Corporate income tax	307,468	269,320
Trade tax and U.S. state tax	269,792	213,463
Interest Barrier	5,227	-
	582,487	**482,783**

Non-capitalized tax loss carryforwards

in € thousand	2023	2022
Corporate income tax	40,121	58,606
of which does not expire	40,121	57,388
Trade tax and U.S. state tax	14,580	35,420
of which does not expire	14,580	35,420
	54,701	**94,026**

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

Deferred tax assets are recognized for unused tax credits amounting to EUR 5,280 thousand (2022: EUR 3,738 thousand).

Deferred taxes of EUR 10,335 thousand (2022: EUR 16,511 thousand) would theoretically have to be recognized for the non-capitalized corporate income tax and trade tax losses carried forward. However, they are not recognized as it is not assumed that these losses carried forward are recoverable.

Deferred tax assets of EUR 159,754 thousand (2022: EUR 127,666 thousand) are recognized for losses carried forward and temporary differences despite tax losses in the current and previous year. They are capitalized on the basis of tax planning calculations. The management assumes that the affected companies will generate sufficient taxable income in the future. Past tax losses are also attributable to one-off special effects, which account for a significant proportion of the loss carryforwards. Moreover, various measures were implemented with the aim of improving the Group's profitability in the future. These include that divisions with low profitability should improve significantly through appropriate measures. In addition, the goal is to press ahead with existing successful measures, such as the focus on improved price implementation. The introduction of new, innovative products should also ensure profitability in the future. The high figure is mainly due to deferred tax assets of EUR 154,983 thousand (2022: EUR 120,115 thousand) on temporary differences and tax losses carried forward by the tax group of Drägerwerk AG & Co. KGaA.

The expense from the write-down of deferred tax assets amounted to EUR 1,533 thousand (2022: EUR 3,412 thousand). The income from the reversal of a previous write-down of deferred tax assets amounted to EUR 6,803 thousand in fiscal year 2023. (2022: EUR 2,987 thousand).

The change in deferred tax assets in connection with the termination of the profit participation certificates in fiscal year 2020 increased equity in fiscal year 2023 by EUR 6,049 thousand outside of other comprehensive income in retained earnings (2022: EUR 5,214 thousand). The change results from the additional recoverable amount of deferred tax assets on tax losses carried forward in Germany.

The initial consolidation of subsidiaries will not result in any deferred taxes in fiscal year 2023 (2022: also no deferred taxes).

Deferred tax assets recognized in other comprehensive income, which mainly relate to the recognition of the effects of remeasurements of pension plans directly in equity, increased by EUR 10,265 thousand during the period (2022: reduction by EUR 52,752 thousand).

18 Personnel expenses / headcount

Personnel expenses include the remuneration of the members of the Executive Board of the general partner Drägerwerk Verwaltungs AG, Lübeck, Germany. Please refer to our comments in the disclosures on the remuneration of the Executive Board and Supervisory Board (see also ↗ note 40).

Personal expenses

in € thousand	2023	2022
Wages and salaries	1,102,665	1,052,759
Social security	203,557	197,134
Pension expenses and related employee benefits	25,326	35,491
	1,331,548	**1,285,384**

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

Personnel expenses include severance payments amounting to EUR 2,261 thousand (2022: EUR 3,055 thousand).

Headcount as at the balance sheet date

	2023	2022
Germany	7,699	7,512
Abroad	8,630	8,707
Total headcount	**16,329**	**16,219**
Production	2,127	2,136
Other	14,202	14,083
Total headcount	**16,329**	**16,219**

Headcount (average)

	2023	2022
Germany	7,614	7,451
Abroad	8,659	8,636
Total headcount	**16,273**	**16,087**
Production	2,144	2,205
Other	14,129	13,882
Total headcount	**16,273**	**16,087**

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

19 Amortization and impairments of intangible assets and right-of-use assets and depreciation of property, plant and equipment

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

Distribution of depreciation/amortization on the functional areas

in € thousand	2023	2022
Cost of sales	69,691	63,485
Research and development costs	5,545	9,178
Marketing and selling expenses	14,351	13,801
General administrative costs	58,965	57,987
	148,552	**144,451**

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

The following impairments and reversals of impairments were recognized in the fiscal years 2023 and 2022:

Recognized need for impairment 2023

Cash Generating Unit in € thousand		Discount rate	Value in use	Recognized need for impairment loss	Recognized reversal of impairment loss
Draeger Medical Systems, Inc., Wilmington, New Castle County	Safety division	8.2%	682	4,662	-
Draeger Safety UK Ltd., Blyth	Safety division	7.7%	126,417	3,343	-
ACE Protection AB, Svenljunga	Safety division	8.5%	11,250	1,533	-
Draeger Peru S.A.C., Lima	Medical division	9.4%	2,539	944	-
Draeger Arabia LLC, Riyadh	Safety division	9.7%	13,221	927	-
Draeger Safety Korunma Teknolojileri A.S., Istanbul	Safety division	14.0%	3,860	707	-
Dräger Indústria e Comércio Ltda., São Paulo	Medical division	10.7%	18,693	492	-
Dräger Tehnika d.o.o., Vozdovac Belgrade	Medical division	11.5%	2,193	451	-
Draeger Colombia S.A., Bogotá D.C.	Medical division	11.9%	3,865	423	-
Draeger Singapore Pte Ltd., Singapore	Medical division	7.6%	1,118	181	-
Dräger Tehnika d.o.o., Vozdovac Belgrade	Safety division	12.9%	424	170	-
Drager Argentina S.A., Buenos Aires	Medical division	109.2%	-120	165	-
Drager Argentina S.A., Buenos Aires	Safety division	110.6%	-12	156	-
Draeger Safety Canada Ltd., Mississauga	Safety division	8.5%	12,196	118	-
AB Ulax, Motala	Medical division	7.1%	2,115	-	457
Dräger-Simsa S.A., Santiago	Safety division	11.5%	5,637	-	430
Dräger South Africa (Pty) Ltd, Buccleuch	Safety division	13.8%	5,790	-	354
Dräger Safety Zenith (Pty) Ltd, East London	Safety division	13.8%	1,752	-	315
			211,621	**14,272**	**1,556**

Recognized need for impairment 2022

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

In fiscal year 2023, there were also triggering events in the course of the year that led to impairments as part of the impairment tests for individual cash-generating units. Some of the resulting impairments were corrected again due to an improved forecast company performance at the end of 2023. The impairment loss includes EUR 9,538 thousand, which is mainly attributable to production capacity for certified FFP masks that is no longer required and mainly relates to property, plant and equipment.

Depreciation of the cash-generating units amounted to EUR 14,272 thousand, (2022: EUR 2,713 thousand) of which EUR 2,656 thousand (2022: EUR 871 thousand) was attributable to the medical division and EUR 11,616 thousand (2022: EUR 1,842 thousand) to the safety division, with EUR 6,204 thousand (2022: EUR 871 thousand), relating to the Europe region, EUR 6,960 thousand (2022: EUR 1,842 thousand) to the Americas region and EUR 1,108 thousand (2022: EUR 0 thousand) to the Africa, Asia and Australia region.

The write-ups to the cash-generating units in the amount of EUR 1,556 thousand (2022: EUR 2,049 thousand) are attributable to the medical division at EUR 457 thousand (2022: EUR 2,049 thousand) and the safety division at EUR 1,099 thousand (2022: EUR 0 thousand) and relate to the Europe region at EUR 457 thousand (2022: EUR 380 thousand) the Americas region at EUR 430 thousand (2022: EUR 524 thousand) and the Africa, Asia and Australia region at EUR 669 thousand (2022: EUR 1,145 thousand). In addition, an impairment of EUR 721 thousand was reversed in the safety division in the previous year.

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

In view of IAS 36.105, the recoverable amount of Dräger assets is based on the assumption of resale. For this purpose, the fair value less selling costs is determined internally. As a result, a partial amount of EUR 12,702 thousand (2022: EUR 8,430 thousand) of the calculated impairment requirement was not recognized.

20 Earnings/dividend per share

Dräger calculates and reports earnings per share with full distribution. The method of calculating earnings per share with full distribution assumes an actual full distribution of net profit for the year after non-controlling interests to common and preferred shares and, for the last time in the previous year, to profit participation certificates, to which, however, no share of the net loss for the year was attributable. In the event of an assumed actual full distribution of the net profit for the year, the earnings per share in the event of a full distribution are calculated as follows due to the effects on the profit shares of the profit participation certificates with an unchanged average number of shares outstanding:

Earnings per share on full distribution

		2023	2022
Net profit / net loss	in € thousand	111,994	-63,637
less the share of earnings attributable to non-controlling interests	in € thousand	1,561	925
Earnings attributable to shareholders [1]	**in € thousand**	**110,433**	**-64,562**
Weighted average of outstanding preferred shares	piece	8,600,000	8,600,000
Weighted average of outstanding common shares	piece	10,160,000	10,160,000
Undiluted earnings per common share	**in €**	**5.86**	**-3.47**
Preference per preferred share	in €	0.06	0.06
Undiluted earnings per preferred share	**in €**	**5.92**	**-3.41**
Diluted earnings per common share	**in €**	**5.86**	**-3.47**
Preference per preferred share	in €	0.06	0.06
Diluted earnings per preferred share	**in €**	**5.92**	**-3.41**

[1] Due to the negative result in the previous year, no profit share was attributable to the holders of participation certificates.

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

Calculation of proposed distribution

	Number of shares (piece)	Dividend per share in €	Dividends in €
Common shares	10,160,000	1.74	17,678,400.00
Preferred shares	8,600,000	1.80	15,480,000.00
			33,158,400.00

The proposed payout ratio is effectively 30.03% (2022: -5.70%).

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

There are no reasons to believe that they will dilute earnings per share.

Notes to the consolidated balance sheet

21 Intangible assets

Intangible assets as at December 31, 2023

in € thousand	Goodwill	Patents, trademarks and licenses	Purchased software	Internally generated intangible assets	Prepay-ments made	2023 Total
Costs						
January 1, 2023	316,643	56,246	119,154	12,621	2,929	507,594
Additions	-	318	1,774	-	768	2,860
Disposals	-	-19,787	-12,488	-	-	-32,275
Reclassifications	-	1,864	1,046	-	-2,910	0
Currency translation effects	-618	-421	-458	-29	0	-1,527
December 31, 2023	**316,025**	**38,219**	**109,028**	**12,592**	**788**	**476,652**
Accumulated amortization and impairment losses						
January 1, 2023	4,830	30,558	108,944	12,621	-	156,953
Additions	-	2,405	4,997	-	-	7,402
Disposals	-	-19,787	-12,386	-	-	-32,173
Currency translation effects	-44	-687	-410	-29	-	-1,170
December 31, 2023	**4,786**	**12,489**	**101,144**	**12,592**	**0**	**131,012**
Net carrying value	**311,239**	**25,730**	**7,883**	**0**	**788**	**345,640**

Intangible assets as at December 31, 2022

in € thousand	Goodwill	Patents, trademarks and licenses	Purchased software	Internally generated intangible assets	Prepay-ments made	2022 Total
Costs						
January 1, 2022	315,812	54,913	138,308	12,572	1,269	522,874
Additions	-	188	3,888	-	2,828	6,904
Disposals	-	-22	-24,894	-	-	-24,915
Reclassifications	-	-	1,167	-	-1,167	0
Currency translation effects	830	1,167	685	50	-1	2,731
December 31, 2022	**316,643**	**56,246**	**119,154**	**12,621**	**2,929**	**507,594**
Accumulated amortization and impairment losses						
January 1, 2022	4,828	27,077	124,262	12,572	-	168,739
Additions	-	2,352	9,122	-	-	11,474
Disposals	-	-22	-24,880	-	-	-24,902
Currency translation effects	2	1,150	440	50	-	1,642
December 31, 2022	**4,830**	**30,558**	**108,944**	**12,621**	**0**	**156,953**
Net carrying value	**311,813**	**25,688**	**10,211**	**0**	**2,929**	**350,641**

Goodwill results primarily from the transfer of the ›Electromedical Systems‹ business area of Siemens Medical Solutions to Dräger Medical GmbH (now: Drägerwerk AG & Co. KGaA) in fiscal year 2003. Goodwill increased further on account of the buyback of Siemens' 35% share in Dräger Medical GmbH (now: Drägerwerk AG & Co. KGaA) in fiscal years 2007 and 2009. Restructuring in prior years resulted in goodwill being reallocated to existing cash-generating units.

Amortization is contained in the cost of sales and the other functional costs.

Goodwill impairment

The medical division and the safety division represent the groups of cash-generating units for the purpose of goodwill impairment testing. Their value in use is determined using the discounted cash flow method on the basis of the five-year operating plan. A reconciliation of goodwill can be found in the statement of changes in intangible assets.

As at December 31, 2023, goodwill of EUR 311.2 million (2022: EUR 311.8 million) comprises EUR 158.4 million (2022: EUR 158.7 million) for the medical division and EUR 152.8 million (2022: EUR 153.1 million) for the safety division.

The key planning assumptions include market growth in the individual markets, the development of market shares and price trends in the individual markets. Based on these assumptions, sales growth is planned for each region and for selected focus countries by division. This results in sales growth of 5.6% for the medical division and 6.1% for the safety division for the period 2024 to 2028, resulting in overall growth of 5.8% for the Group for this period. In the previous year, the Group recorded overall growth of 5.8%, which was calculated for the period from 2023 to 2027 based on sales growth of 5.4% for the medical division and 6.3% for the safety division. At the same time, the consolidated gross margins of the regions per division as well as the regional and central functional costs are planned. The resulting average EBIT margin for the medical division is 5.1% (2022: 4.7%) and for the safety division 8.8% (2022: 7.4%).

The calculation is also based on assumptions regarding the discount rate. In the current planning, a discount rate of 8.5% after tax (11.7% before tax) and a growth rate of 1.0% for the perpetual annuity were taken into account for the medical division. In the previous year, the discount rate for the medical division was 7.6% after tax (10.5% before tax) and the growth rate for the perpetual annuity was 1.0%. For the safety division, a discount rate of 9.6% after tax (13.5% before tax) and a growth rate of 1.0% for the perpetual annuity were included in the planning. By contrast, a discount rate of 9.2% after tax (13.0% before tax) and a growth rate of 1.0% were applied to the perpetual annuity in the previous year. The underlying planning assumptions are checked for plausibility using external sources of information on market developments. Based on this multi-year plan, there was no reason for depreciation or amortization. For goodwill in the medical and safety divisions, there is no reason for extraordinary depreciation or amortization even in the event of zero growth in the perpetual annuity or, alternatively, an increase in the discount rate by a further 4 percentage points. In this respect, no possible change in a material assumption would lead to an impairment of goodwill in the medical and safety divisions.

22 Property, plant and equipment

Property, plant and equipment as at December 31, 2023

in € thousand	Land, equivalent titles and buildings	Production plant and machinery	Other plant, factory and office equipment	Leased equipment	Prepay-ments made and assets under con-struction	2023 Total
Costs						
January 1, 2023	520,363	171,767	561,061	72,022	69,915	1,395,128
Additions	8,279	5,303	24,164	2,650	28,562	68,959
Disposals	-5,400	-9,796	-23,409	-2,679	-2,306	-43,589
Reclassifications	16,453	11,977	15,631	1,878	-46,191	-252
Reclassification of rental and demo equipment	-	-	6,144	7,460	-	13,604
Change in the scope of consolidation	-374	-1,740	-638	-	-	-2,752
Currency translation effects	-2,990	-1,180	-4,390	-906	20	-9,446
December 31, 2023	**536,331**	**176,332**	**578,562**	**80,426**	**50,001**	**1,421,652**
Accumulated depreciation and impairment losses						
January 1, 2023	292,855	118,177	448,383	57,337	-	916,752
Additions	17,521	13,646	41,139	10,601	-	82,907
Impairments	-	5,102	8,733	-	-	13,835
Write-ups	-	-	-1,555	-	-	-1,555
Disposals	-2,572	-9,492	-22,052	-2,353	-	-36,468
Reclassifications	0	-2	-1,014	1,017	-	0
Reclassification of rental and demo equipment	-	-	352	-1,266	-	-915
Change in the scope of consolidation	-374	-1,360	-555	-	-	-2,289
Currency translation effects	-1,526	-904	-3,503	-855	-	-6,788
December 31, 2023	**305,904**	**125,167**	**469,928**	**64,480**	**0**	**965,480**
Net carrying value	**230,427**	**51,164**	**108,634**	**15,946**	**50,001**	**456,172**

Property, plant and equipment as at December 31, 2022

in € thousand	Land, equivalent titles and buildings	Production plant and machinery	Other plant, factory and office equipment	Leased equipment	Prepay-ments made and assets under con-struction	2022 Total
Costs						
January 1, 2022	506,821	157,722	541,050	63,475	80,751	1,349,819
Additions	8,910	4,160	24,324	977	39,393	77,765
Disposals	-7,572	-4,713	-30,229	-2,091	-682	-45,287
Reclassifications	11,612	15,366	21,475	374	-48,828	0
Reclassification of rental and demo equipment	-	-	2,219	8,643	-	10,862
Currency translation effects	592	-768	2,222	643	-719	1,969
December 31, 2022	**520,363**	**171,767**	**561,061**	**72,022**	**69,915**	**1,395,128**
Accumulated depreciation and impairment losses						
January 1, 2022	282,663	113,145	424,957	47,490	10	868,264
Additions	16,466	12,009	47,735	10,273	-	86,483
Impairments	-	-	2,713	-	-	2,713
Write-ups	-	-	-2,770	-	-	-2,770
Disposals	-7,487	-4,317	-28,718	-1,711	-11	-42,245
Reclassifications	358	-1,833	1,474	0	-	0
Reclassification of rental and demo equipment	-	-	1,641	533	-	2,174
Currency translation effects	855	-828	1,351	753	1	2,132
December 31, 2022	**292,855**	**118,177**	**448,383**	**57,337**	**0**	**916,752**
Net carrying value	**227,508**	**53,590**	**112,678**	**14,685**	**69,915**	**478,376**

As in the previous year, Dräger did not receive any public investment grants in fiscal year 2023 that led to a reduction in additions to property, plant and equipment.

Prepayments and assets under construction include prepayments of EUR 4,695 thousand (2022: EUR 19,132 thousand).

Rental and demo equipment is generally attributed to leased equipment under property, plant and equipment as its long-term purpose is to be made available for use by different customers. By contrast, rental and demo equipment intended for sale in the short term to a customer is reported as part of inventories under finished goods. As a result, finished goods that are added to leased equipment stocks are reclassified from inventories to property, plant and equipment. By the same token, leased equipment is reclassified from property, plant and equipment to inventories if it is available for sale.

The disposals due to the change in the scope of consolidation relate to the sold subsidiary AEC SAS, Antony, France.

Depreciation, amortization and impairment are included in the cost of sales and other functional costs (see also ↗ Note 19).

Right-of-use assets from leases are reported under the separate balance sheet item right-of-use assets (see also ↗ Note 38).

As in the previous year, no borrowing costs were capitalized in the fiscal year in connection with additions from new buildings.

23 Investments in associates and joint ventures

Dräger holds shares in four associated companies (2022: four associated companies). MAPRA Assekuranzkontor GmbH, Lübeck, is an insurance broker in which Dräger holds 49% of the shares and over which Dräger exercises significant influence. The fiscal year of this company ends on December 31. The Canadian software company Focus Field Solutions Inc., St. John's, in which Dräger holds 29.53% of the shares, is a leading provider of operational safety solutions for the digitalization of critical work process data from employees and plants. The fiscal year of this company ends on December 31. Dräger also holds 48.74% of the shares in MultiSensor Scientific Inc., Somerville, USA. The Company develops technical solutions to detect and quantify emissions from leaks along the oil and natural gas supply chain. The fiscal year of this company ends on December 31. Dräger also holds 24.01% of the shares in GWA Hygiene GmbH, Stralsund. The Company develops and produces devices and software for the automated recording and evaluation of data in industry and healthcare with the aim of improving hygiene and optimizing work processes. The fiscal year of this company ends on December 31.

All four companies are included in the Group financial statements according to the equity method. There are no quoted market prices for these companies.

As the associates in and of themselves and when taken as a whole are not material, Dräger exercises the option to use the simplified consolidated method.

The following disclosures are provided on the basis of information available at the time of writing. This is the most recently published annual financial statement at MAPRA Assekuranzkontor GmbH. For Focus Field Solutions Inc., MultiSensor Scientific Inc. and GWA Hygiene GmbH, this is the latest quarterly report as at September.

Financial information on associates

in € thousand	2023	2022
Carrying value of the Group shares in associates	11,552	16,036
Share in the results from continued operations / total results of the associates	-3,504	-2,983
Impairment of shares in associates	-987	-
Distributions received	273	374

The most recently published annual financial statements of MAPRA Assekuranzkontor GmbH show equity of EUR 999 thousand (previous year: EUR 1,204 thousand) and a result of EUR 559 thousand (previous year: EUR 765 thousand). The equity of GWA Hygiene GmbH as at December 31, 2022 stood at EUR 4,438 thousand (previous year: EUR 5,810 thousand) and includes a result of EUR -1,372 thousand (2021: EUR –465 thousand). Focus Field Solutions Inc. and MultiSensor Scientific Inc. are not subject to any disclosure requirements.

In its engineered solutions business, Dräger works together with partners in working groups to offer fire training facilities for firefighters. As at the balance sheet date, Dräger continues to be involved in three working groups, which are accounted for as joint ventures using the equity method. The participation rates remain unchanged at between 40 and 77%. The joint ventures do not generate their own results and their shares were not purchased. For this reason, they are not presented in the consolidated balance sheet or in the financial information.

There are no obligations to associated companies and joint ventures to provide funds or resources that are neither recognized in the balance sheet, nor are there any contingent liabilities.

24 Trade receivables and contract assets

Trade receivables

			2023			2022
in € thousand	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Trade receivables	774,265	2,658	776,922	721,830	2,214	724,043
less risk provisions	-46,770	-	-46,770	-43,221	-	-43,221
	727,494	**2,658**	**730,152**	**678,608**	**2,214**	**680,822**

Contract assets

			2023			2022
in € thousand	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Contract assets	55,221	-	55,221	56,450	-	56,450
less risk provisions	-110	-	-110	-122	-	-122
	55,111	**0**	**55,111**	**56,328**	**0**	**56,328**

The risks in trade receivables and contract assets are adequately taken into account by recognizing risk provisions. For details on the calculation of risk provisions, please refer to our comments in ↗ Note 37.

Contract assets include all claims for payment from project business, which are recognized over time, and from services rendered, provided the claims are not linked to the time period alone.

Dräger sold trade receivables of EUR 23,933 thousand to a buyer as at December 31, 2023. These receivables were transferred and settled in full before the balance sheet date. The continuing involvement from this transaction from the settled receivables results from the buyer's right to demand interest for the period between the actual due date of the receivables sold and their actual receipt of payment or the default of the receivable, but for no more than 90 days. The resulting risk amounts to EUR 287 thousand. Costs of EUR 44 thousand were recognized at the time of the transfer of the trade receivables.

25 Other financial assets

Other financial assets

in € thousand	Current	Non-current	2023 Total	Current	Non-current	2022 Total
Positive fair values of derivatives	7,401	105	7,506	7,942	93	8,035
Notes receivable	3,971	-	3,971	9,537	-	9,537
Security deposits paid	3,415	4,957	8,372	3,648	5,445	9,093
Other loans	-	129	129	-	125	125
Creditors with debit balances	3,149	-	3,149	8,709	-	8,709
Finance lease receivables (lessor)	667	952	1,619	780	1,344	2,124
Other investments	-	14,044	14,044	-	15,203	15,203
Receivables from employees	1,122	-	1,122	996	-	996
Receivables from associates	2	-	2	3	1,730	1,733
Receivables from commission agents	5,600	-	5,600	5,225	-	5,225
Sundry financial assets	1,715	156	1,871	4,205	284	4,489
	27,041	**20,343**	**47,384**	**41,045**	**24,224**	**65,269**

Other financial assets are impaired in the amount of EUR 10,321 thousand (2022: EUR 10,281 thousand) (please refer to our comments in ↗ Note 37).

Notes receivable continue to primarily come from the Chinese and Japanese subsidiaries where the bill of exchange is a common method of payment.

Other non-current financial assets include other non-current securities in the amount of EUR 156 thousand (2022: EUR 284 thousand).

For further information on the positive fair values of derivative financial instruments, please refer to the overview of derivative financial instruments in the Dräger Group presented in ↗ Note 37.

For further information on receivables from finance leases, please refer to our comments on finance leases with the lessor in ↗ Note 38.

26 Inventories

Inventories

in € thousand	2023	2022
Finished goods and merchandise	337,876	372,395
Work in progress	85,410	85,367
Raw materials, consumables and supplies	224,879	228,707
Prepayments made	6,575	10,513
	654,740	**696,983**

The carrying amount of inventories held at the current balance sheet date, which were written down to their net realizable value, is EUR 315,210 thousand (2022: EUR 351,475 thousand).

Impairments of EUR 46,521 thousand (2022: EUR 51,766 thousand) were recognized as expenses on inventories in the fiscal year, which are included in the cost of sales. By contrast, value adjustments made in previous years amounting to EUR 9,571 thousand (2022: EUR 17,573 thousand) were reversed through profit or loss, as the reasons for the value adjustments no longer applied.

Finished goods and merchandise include short-term rental and demonstration equipment made available to customers to the value of EUR 7,052 thousand (2022: EUR 9,468 thousand). The rental and demonstration equipment is generally acquired by customers within a short period of time and is therefore reported under inventories. Valuation discounts have been taken into account in accordance with the useful life.

Inventories with a carrying amount of EUR 1,263,028 thousand (2022: EUR 1,204,071 thousand) were recognized as cost of sales in the fiscal year.

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

27 Cash and cash equivalents

Cash and cash equivalents comprise cash assets and balances at various banks in different currencies. Cash and cash equivalents, the use of which was restricted as at the balance sheet date, amounted to EUR 11,953 thousand (2022: EUR 9,088 thousand). The restrictions mainly relate to foreign currency export restrictions and other contractual or legal restrictions.

28 Other assets

Other assets

			2023			2022
in € thousand	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Prepaid expenses	34,241	-	34,241	34,018	-	34,018
Other tax refund claims	26,603	-	26,603	41,000	-	41,000
Receivables from grants	847	-	847	-	-	0
Sundry	1,978	8,342	10,320	1,299	7,036	8,335
	63,669	**8,342**	**72,011**	**76,318**	**7,036**	**83,354**

There are individual value adjustments of EUR 10 thousand for other current assets (2022: EUR 10 thousand).

Other tax refund claims largely consist of VAT claims.

The receivables from allowances result from research projects for which Dräger fulfills the requirements for public research allowances and is therefore entitled to payment. The allowances were recognized in profit and loss under research and development costs. In addition, Dräger has received a commitment for an EU grant for research and development amounting to EUR 3,688 thousand, the payment of which is dependent on the achievement of defined milestones. Dräger has already received EUR 1,782 thousand, of which EUR 134 thousand has been recognized in profit and loss under research and development costs and the remainder as deferred income.

Other non-current assets include non-current tax receivables from five (2022: three) foreign subsidiaries in the amount of EUR 8,239 thousand (2022: EUR 6,912 thousand).

29 Non-current assets held for sale / liabilities from non-current assets held for sale

Over the next twelve months, Dräger plans to sell part of the Dutch gas detection business in the safety division. The assets and liabilities concerned are shown separately in the balance sheet. The assets relate to property, plant and equipment and capitalized rights of use in the amount of EUR 924 thousand and inventories in the amount of EUR 2,521 thousand. The liabilities mainly relate to contract liabilities of EUR 2,100 thousand and lease liabilities of EUR 870 thousand.

30 Equity

The breakdown and changes in equity for fiscal years 2023 and 2022 are presented in the ›Statement of changes in equity of the Dräger Group‹.

Capital stock

The subscribed capital of Drägerwerk AG & Co. KGaA amounts to EUR 48,026 thousand (2022: EUR 48,026 thousand).

The capital stock continues to consists of 10,160,000 limited no-par bearer common shares and 8,600,000 non-voting limited no-par preferred shares.

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

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

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

If sufficient remaining net earnings are available, a dividend of EUR 0.13 per common share is then paid. Any net earnings in excess of this amount, if distributed, are allocated so that holders of preferred shares receive a dividend that is EUR 0.06 higher than the dividend on common shares.

If profit is not sufficient for an advance dividend for preferred shares in one or more fiscal years, the amounts are paid from the profits of subsequent fiscal years before a dividend is paid on common shares.

If amounts in arrears are not paid in the next year, along with the full preferred dividend for the current year, the preferred shareholders have voting rights until the arrears have been paid.

In the event of liquidation, preference shareholders will receive a total of 25% of the total liquidation proceeds in advance. The remaining liquidation proceeds are distributed equally among all shares.

By resolution of the annual shareholders' meeting on May 7, 2021, the general partner is authorized, with the approval of the Supervisory Board, to increase the common shares and/or preferred shares (no-par value shares) by a total of up to EUR 12,006,400.00 by issuing new common bearer shares and/or preferred shares against cash and/or non-cash contributions on one or more occasions until May 6, 2026 (authorized capital). The authorization to issue non-voting preferred shares may only be exercised to the extent that the proportion of non-voting preferred shares does not exceed half of the share capital (Section 139 (2) AktG).

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

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

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

The proportion of the capital stock attributed in total to new shares for which the subscription right is excluded on the basis of this authorization may, together with the proportion of the capital stock that is attributed to treasury shares or to new shares from other approved capital or that relates to the option or conversion rights or obligations arising from options, warrant and/or convertible bonds, and/or participation rights that have been sold or issued during the term of this authorization subject to the exclusion of subscription rights, not exceed 10% of capital stock. Shares issued under a crossed exclusion of subscription rights are excluded from the limitation to 10% of capital stock. The key factor for calculating the 10% limit is the existing capital stock at the time that this authorization comes into effect or is exercised, on whichever of these dates the capital stock is at its lowest.

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

By resolution of the annual shareholders' meeting on May 7, 2021, the general partner is also authorized until May 6, 2026 to issue bonds with warrants and/or convertible bonds with a total nominal value of up to EUR 650,000,000.00 and to create associated conditional capital of up to EUR 12,006,400.00 by issuing up to 4,690,000 new no-par value bearer shares.

The option or conversion price for the shares to be subscribed upon exercise of option and/or conversion rights must, with the exception of cases in which an option exercise or conversion obligation, a right of substitution or a tender right of the issuer of the bonds to deliver shares is provided for, correspond to at least 80% of the stock exchange price of the bearer shares of the Company determined shortly before the issue of the bonds that are linked to option or conversion rights.

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

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

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

Reports regarding voting rights

Sec. 160 (1) No. 8 AktG requires disclosure of the existence of investments that have been notified to the Company in accordance with Sec. 33 (1) or (2) German Securities Trading Act (Wertpapierhandelsgesetz—WpHG).

Notifications of voting rights received 2023

Reporter	Date of notification of voting rights	Reporting threshold [1]	Investment	Investment in voting rights
Brandes Investment Partners, L.P., San Diego, U.S.	May 30, 2023	3% Exceeding	3.00%	305,054

[1] Disclosure as a result of changes to directly and/or indirectly held voting rights

Existing notifiable shareholdings according to the voting rights notification

Reporter	Date of notification of voting rights	Investment	Investment in voting rights
Dr. Heinrich Dräger GmbH, Lübeck	November 12, 2013	67.31%	6,838,408
State of Norway, Oslo, Norway	October 4, 2018	3.04%	308,663
Brandes Investment Partners, L.P., San Diego, U.S.	May 30, 2023	3.00%	305,054

It must be noted that the information on shareholdings may be outdated.

Capital reserves

The capital reserve was formed from premiums in connection with the 25 option rights exercised in the years 2013 to 2015, the formation (conversion) of Drägerwerk AG & Co. KGaA in 1970 and in connection with capital increases in 1979, 1981, 1991, 2010 and 2020.

Retained earnings

Retained earnings comprise the earnings generated by the companies included in the consolidated financial statements up to fiscal year 2023, unless they have been allocated to minority interests or distributed as dividends by Drägerwerk AG & Co. KGaA. Another component of retained earnings are the effects of revaluations of pension provisions, including the deferred taxes attributable to them.

The other effects that increased retained earnings in the 2023 fiscal year consist of EUR 6,049 thousand (2022: EUR 5,214 thousand) from the subsequent recognition of deferred tax assets that were not deemed recoverable in the 2020 fiscal year in connection with the termination of the profit participation certificates (see also ↗ note 17). This was offset by the distribution to shareholders and payments to holders of profit participation certificates in the amount of EUR 3,681 thousand (2022: EUR 3,681 thousand).

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

Retained earnings, including Group result

in € thousand	2023	2022
Reserves retained from earnings, including Group result as at January 1	969,303	924,970
Changes from remeasurements of pension plans (after taxes)	-10,782	107,363
Net result for the year (excluding non-controlling interests)	110,433	-64,562
Other effects	2,330	1,533
Reserves retained from earnings, including Group result as at December 31	**1,071,284**	**969,303**

Treasury shares within the scope of the employee share program
The Executive Board has once again decided to enable Dräger employees in Germany to hold shares in the Company in fiscal year 2023 as part of an employee share program. The aim is to increase identification with the Company and the attractiveness of Dräger as an employer.

As in the previous year, one bonus share was granted for every three investment shares acquired by the employee. The final purchase price per investment share for the employees was EUR 54.90 (2022: EUR 42.10) (daily low on the day the shares were transferred to the employees for tax purposes) and was therefore higher than the maximum purchase price of EUR 50.80 per preference share (2022: EUR 40.75) (closing price of the preferred shares in Xetra trading on the last trading day before the start of the respective purchase period), which was set before the start of the program. The shares are subject to a holding period of two years and may therefore not be sold or transferred in any other way during this period. It is not necessary for the employee to remain with the Company during this holding period.

The share purchase period, during which employees were able to acquire the share packages, began on November 6, 2023 and ended on November 15, 2023. The shares acquired by employees, including members of the Executive Board, during this commitment period resulted in a total of 20,115 bonus shares (2022: 27,224 bonus shares). A securities account was opened for the participating employees at Deutsche Bank AG, Frankfurt am Main, (paying agent) for the booking and safekeeping of the bonus shares.

The 20,115 bonus shares (2022: 27,224 bonus shares) were acquired in the period from November 6 to November 15, 2023 by the paying agent on behalf of Dräger at a total purchase price of EUR 990 thousand (2022: EUR 1,137 thousand) in the form of a share buyback on the stock exchange. The average market price was EUR 49.24 (2022: EUR 41.77). The total price of the investment and bonus shares acquired for and on behalf of Dräger amounted to EUR 3,962 thousand (2022: EUR 4,549 thousand). Of this amount, EUR 3,066 thousand (2022: EUR 3,328 thousand) were passed on to employees. The shares were transferred directly to the respective securities accounts of the participating employees. The contractually guaranteed benefit for employees from the program consists of the lower average price compared to the maximum purchase price plus the value of the bonus shares. This benefit was recognized in personnel expenses in the amount of EUR 896 thousand (2022: EUR 1,221 thousand). Beyond the stock market price paid, no further future dividend expectations or other features were included in the fair value of the bonus shares.

The acquisition of treasury shares to be passed on to participating employees as bonus shares is covered by the resolution of the annual shareholders' meeting on May 7, 2021, according to which the general partner was authorized until May 7, 2026 to acquire treasury shares of any class (common and/or preferred shares) up to a total of 10% of the Company's share capital existing at the time of the resolution or - if this value is lower - at the time the authorization is exercised. The exercise of the purchase authorization is subject to the approval of the Supervisory Board. The acquisition must be made via the stock exchange, on the basis of a public purchase offer or on the basis of a public invitation to submit offers to sell. The principle of equal treatment under stock corporation law must be observed in each case.

If the shares are acquired through a public purchase offer submitted to all shareholders of a class of share or through a public invitation to submit offers for sale, the volume of the offer or invitation to submit offers for sale can be limited. It may be the case that the volume of shares in the Company offered by shareholders exceeds the Company's demand for treasury shares. In this case, allocation must take place proportionately.

The offered price or the upper limit on the purchase price range determined by the Company for each class and type of share (excluding incidental acquisition costs) may not be more than 10% higher or lower than the volume-weighted average of the closing auction prices for the same class and type of share in Xetra trading (or on a functionally comparable successor system replacing the Xetra system) on the Frankfurt Stock Exchange during the last five stock exchange trading days before the date that the public offer or the public invitation to submit offers for sale is publicly announced.

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

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

Total other comprehensive income

Changes in other comprehensive income

in € thousand	Currency translation adjustment	Cash flow hedge reserve	Total
January 1, 2022	**-11,833**	**-8,287**	**-20,120**
Currency translation differences	5,883	-	5,883
Change from the remeasurement of cash flow hedge instruments	-	-5,309	-5,309
Reclassification to the income statement	-	16,871	16,871
Deferred taxes recognized directly in equity	-	-3,642	-3,642
December 31, 2022 / January 1, 2023	**-5,950**	**-367**	**-6,317**
Currency translation differences	-13,944	-	-13,944
Effect in profit or loss of the final consolidation of a subsidiary	-64	-	-64
Change from the remeasurement of cash flow hedge instruments	-	2,798	2,798
Reclassification to the income statement	-	-1,645	-1,645
Deferred taxes recognized directly in equity	-	-394	-394
December 31, 2023	**-19,958**	**392**	**-19,566**

With the exception of derivatives, Dräger does not hold any other financial instruments, the subsequent measurement of which is directly recognized in other comprehensive income.

The change in the adjustment item from the translation of financial statements in foreign currencies compared to the previous year is mainly due to the translation of the Consolidated Income Statement at average exchange rates and the historical exchange rates from capital consolidation.

Further information on the cash flow hedge reserve and the breakdown between currency and interest rate hedges is provided in ↗ Note 37.

Capital management
One of Dräger's most important goals is to increase the business's value. The key function of capital management in this respect is to minimize the cost of capital while ensuring solvency at all times by coordinating the due dates of financial liabilities with the expected free cash flow and creating sufficient liquidity reserves.

Capital is monitored regularly using various key metrics, which include gearing and the equity ratio.

The Dräger Group's equity and liabilities were as follows as at the balance sheet date:

Equity and liabilities

in € million	2023	2022
Equity interest held by shareholders of Drägerwerk AG & Co. KGaA	1,406.8	1,318.0
+ Non-controlling interests	2.5	1.4
Equity of the Dräger Group	**1,409.2**	**1,319.4**
Share of total equity and liabilities	45.5%	42.5%
Non-current liabilities	661.2	568.6
Current liabilities	1,020.5	1,218.5
Liabilities from non-current assets classified as held for sale	3.6	-
Total liabilities	**1,685.3**	**1,787.1**
Share of total equity and liabilities	54.5%	57.5%
Total equity and liabilities	**3,094.5**	**3,106.6**

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

Gearing

in € million	2023	2022
Non-current interest-bearing loans	257.7	162.2
+ Current interest-bearing loans and liabilities to banks	90.9	83.6
+ Non-current and current liabilities from finance lease	121.0	116.2
+ Liability from the termination of participation certificates	-	208.8
- Cash and cash equivalents	-272.0	-311.6
Net financial debt	**197.7**	**259.2**
Equity	1,409.2	1,319.4
Gearing (= net financial debt / equity)	**0.14**	**0.20**

To secure its liquidity, the Dräger Group has concluded a framework credit agreement with a term until November 30, 2026. Under this agreement, there are cash credit facilities in the amount of EUR 250.0 million with a term until September 30, 2024 and cash credit facilities in the amount of EUR 250.0 million with a term until November 30, 2026. In addition, there are currently guarantee credit lines of EUR 155 million under the framework credit agreement, which will increase to EUR 165 million from October 2024 (term period until November 30, 2026). As at December 31, 2023, credit lines of EUR 655.0 million were made available on this basis. The framework credit agreement and an additional amendment agreement on these bilateral credit lines stipulate a target value based on a specific financial covenant. If the Dräger Group fails to comply with this value, the banks may terminate the bilaterally agreed credit lines. The target value was set in such a way that the Dräger Group only runs the risk of not meeting it in the event of an extreme deterioration in the financial situation. In addition, the Dräger Group can obtain the banks' approval to exceed the value at an early stage. The financial covenant is monitored continuously. The target value was met in fiscal year 2023 and in the previous year. Outside the framework credit agreement, there is a further bilateral guarantee facility with DZ Bank for EUR 5.0 million.

In addition, there is a loan of EUR 50.0 million from the European Investment Bank with a fixed five-year interest rate and a term until 2025. Another loan from the European Investment Bank for EUR 100.0 million with a term of 5 years was paid out in full in January 2023.

In addition, there are promissory note loans for a total of EUR 100.0 million, half of which is due in fiscal year 2026 and half in fiscal year 2028, which serve the purpose of medium- and long-term financing.

31 Non-controlling interests

Non-controlling interests are as follows:

Non-controlling interests

	2023		2022	
in € thousand	Non-controlling interests	thereof net profit	Non-controlling interests	thereof net profit
Dräger-Simsa S.A., Santiago	1,796	658	1,245	272
Dräger South Africa (Pty) Ltd, Buccleuch	660	903	139	654
	2,457	**1,561**	**1,384**	**925**

Non-controlling interests are of minor importance for the Group.

In the statement of changes in equity, the other comprehensive income of non-controlling interests amounting to EUR -348 thousand (2022: EUR 54 thousand) only includes currency translation differences.

32 Provisions for pensions and similar obligations

In addition to predominantly defined performance-oriented pension plans and similar obligations, the Dräger Group also had defined contribution pension plans as at December 31, 2023.

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 this obligation is determined using the projected unit credit method. The obligations are partially covered by fund assets.

The defined performance-oriented pension plans of the German companies, for which the 2018G mortality tables by Dr. Klaus Heubeck continue to be applied, comprise 88.7% (2022: 89.3%) of the provisions for pensions and similar obligations reported as at the reporting date. As at January 1, 2005, the new Company pension plans "Rentenplan 2005" and "Führungskräfteversorgung 2005" came into effect for almost all employees of the Dräger Group's German companies, superseding the "Versorgungsordnung '90" and "Ruhegeldordnung '90" schemes.

Under the previous pension plans, employees received pensions based on their salaries and period of employment. As part of the transition to the new plan, employees were guaranteed a pension based on the old plan for their years of service prior to 2005.

The new pension plan is based on contributions that are split up into the following three components:

- employer-funded basic level
- employee-funded top-up level (deferred compensation)
- employer-funded supplementary level

The pension cost for the employer-funded basic level is based on the respective employee's income. In the employee-funded top-up level, employees can increase their pension entitlement through deferred compensation. The contribution made at the employer-funded supplementary level depends on the employee contribution through deferred compensation and on the Company's business performance (EBIT). When the pension is drawn, the pension benefit is calculated on the basis of the saved pension volume and an age-based annuitization factor.

This basic structure was continued with the amendments to the ›Pension Plan 2019‹ and the ›Executive Pension Plan 2019‹. In addition to structural adjustments to the calculation of contributions, only the minimum interest rate explained below and the derivation of the annuity factors were adjusted to the changed framework conditions.

Since December 2007, the financial resources from the pension scheme and the employee contributions for the respective fiscal year have been transferred to a newly established fund - securities identification number A0HG1B

- and secured by means of a contractual trust arrangement (CTA) in favor of the employees, so that they serve exclusively to cover and finance the Company's direct pension obligations. A minimum annual interest rate of 2.75% was guaranteed for the employees' pension accounts until December 31, 2018. The guaranteed minimum annual interest rate was reduced to 0.9% for the pension capital paid in from fiscal year 2019. As the assets of this fund meet the criteria of a plan asset in accordance with IAS 19, the assets secured by the CTA in the amount of EUR 215,688 thousand (2022: EUR 178,680 thousand) were netted against the corresponding pension obligations in the current fiscal year. For the current fiscal year, payments into the CTA are expected to amount to EUR 12,184 thousand (in fiscal year 2022 for fiscal year 2023: EUR 17,904 thousand).

As in the prior year, there was no available excess of plan assets over the relevant pension obligations to be reported.

The defined performance-oriented pension plans of Dräger Schweiz AG, for which the BVG 2020 generation tables continue to be applied, comprise 3.1% (2022: 1.2%) of the provisions for pensions and similar obligations recognized as at the balance sheet date. Occupational pension provision against the economic consequences of old age, disability and death is carried out by the Servisa Collective Foundation (previous name: Swisscanto Collective Foundation). Employees can determine the amount of their savings contributions themselves; three plan variants are available for this purpose. The employer's savings contributions are the same in each case and are independent of the employee's savings contributions. Employer and employee contributions are defined as a percentage of the insured salary. The retirement pension is calculated from the retirement assets available at the time of retirement multiplied by the conversion rates specified in the regulations. The employee has the option of receiving the retirement benefits as a lump sum. In addition, savings contributions are paid on the employer's bonus payments. The assets are invested by the Servisa Collective Foundation.

Under the Group's defined benefit pension plans, Dräger is exposed to the following risks:

- Due to the specific benefits, defined benefit pension plans are particularly long-term employee benefits, the measurement of which includes making long-term assumptions that are subject to an increased risk in view of actual realization.
- The discount rate used to calculate the pension obligation reflects the effective interest rate of high-quality corporate bonds on the market (determined on the basis of modified Bloomberg data) as at the reporting date, the term of which corresponds to that of the pension obligations. 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 the benefit obligations are not covered by fund assets, Dräger must generate the pension payments as part of its operating activities in the respective year.
- Due to the minimum guarantee return commitment of 2.75% on paid in pension capital by December 31, 2018 and 0.9% for paid in pension capital from fiscal year 2019, Dräger must compensate for the actual return on fund assets if it falls below this minimum guaranteed amount.
- According to Sec. 16 (1) of the German Act to Improve Occupational Pensions (BetrAVG), an employer that has guaranteed company pension plan obligations must consider adjusting these obligations in line with the rate of inflation every three years. The employer's decision regarding such adjustments must consider the needs of the pension recipient and, above all, the economic situation of the Company.

The net obligation from defined benefit pension plans is recognized in the balance sheet as follows:

Net obligation from defined benefit pension plans

in € thousand	2023	2022
Carrying amount of benefit obligations with plan assets	318,294	274,378
Present value of plan assets	-295,133	-250,604
Underfunded pension plans	**23,161**	**23,774**
Carrying amount of benefit obligations without plan assets	181,401	179,112
Net obligation as at December 31	**204,562**	**202,886**
Available excess of plan assets	-	-
Provisions for pensions and similar obligations	**204,562**	**202,886**

Changes in the net obligation are as follows:

Changes in the projected benefit obligations and plan assets

			2023			2022
in € thousand	Projected benefit obligation	Fair value of plan assets	Total	Projected benefit obligation	Fair value of plan assets	Total
January 1	**453,490**	**-250,604**	**202,886**	**639,832**	**-281,949**	**357,884**
Service costs	6,521	-	6,521	18,311	-	18,311
Interest income (-) / interest expense (+)	15,371	-8,630	6,741	6,942	-2,758	4,184
Past service costs	-	-	0	-1,116	-	-1,116
Other effect on profit or loss	38	-	38	44	-	44
Changes recognized in profit or loss	**21,930**	**-8,630**	**13,299**	**24,180**	**-2,758**	**21,422**
Return on plan assets excluding amounts included in interest	-	-14,776	-14,776	-	44,110	44,110
Revaluations from changes to demographic assumptions	-6	-	-6	-2,341	-	-2,341
Revaluations from changes to financial assumptions	30,808	-	30,808	-188,433	-	-188,433
Revaluations from adjustment to empirical values	5,415	-	5,415	-9,809	-	-9,809
Changes in other comprehensive income	**36,217**	**-14,776**	**21,441**	**-200,583**	**44,110**	**-156,473**
Benefits paid	-20,978	6,136	-14,842	-19,134	5,084	-14,050
Employee contributions	4,770	-4,664	107	5,170	-5,018	151
Employer contributions	-	-18,051	-18,051	-	-6,172	-6,172
Changes due to final consolidation	-334	-	-334	-	-	0
Transfer from obligations and other effects	73	0	73	-200	-	-200
Currency changes	4,527	-4,543	-17	4,226	-3,901	324
Other changes	**-11,942**	**-21,122**	**-33,064**	**-9,939**	**-10,008**	**-19,947**
December 31	**499,695**	**-295,133**	**204,562**	**453,490**	**-250,604**	**202,886**
Net obligation as at December 31			**204,562**			**202,886**

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

The disposals due to deconsolidation relate to the sold subsidiary AEC SAS, Antony, France.

Plan assets are composed as follows:

Composition of plan assets

			2023			2022
in € thousand	active market	no active market	Total	active market	no active market	Total
Cash and cash equivalents	1,761	-	1,761	3,112	-	3,112
Equity instruments	24,526	-	24,526	20,567	-	20,567
Securities	82,502	1,563	84,064	58,165	1,442	59,607
Debt instruments	154,234	-	154,234	138,458	-	138,458
Real estate	17,802	-	17,802	11,608	-	11,608
Other	12,747	-	12,747	17,252	-	17,252
			295,133			**250,604**

For the presentation of the plan assets' composition, the German CTA fund was split up into individual investment types. Plan assets do not contain Dräger shares or properties used by Dräger itself.

The investment strategy for the plan assets in the German pension plan is defined by an investment committee on the basis of reports prepared by external fund managers. The investment strategy takes into account anticipated pension payment structures as well as risk assessments (asset-liability matching).

The expected payments into the fund assets for the next fiscal year amount to EUR 14,584 thousand (2022: EUR 19,965 thousand).

The following actuarial assumptions were made in measuring the projected benefit obligation (weighted averages):

Actuarial assumptions

		2023		2022
in %	Germany	Abroad	Germany	Abroad
Discount rate	3.20	2.05	3.70	2.54
Future wage and salary increases	3.00	1.74	3.00	1.83
Future pension increases[1]	2.00	0.25	2.00	0.28

[1] The pension plans ›Rentenplan 2005‹ / ›Führungskräfteversorgung 2005‹ and ›Rentenplan 2019‹ / ›Führungskräfteversorgung 2019‹ provide for fixed pension adjustment guarantees of 1.0 % per year.

In deviation from the long-term assumed inflation, an extraordinary inflation rate of 7.29% was assumed for the domestic pension trend in 2024 (previous year: 7.50% for 2022 and 2023). The resulting effects were recognized in other comprehensive income as a revaluation due to changes in financial assumptions.

The weighted average term of the defined benefit obligation amounted to 16 years in the fiscal year (2022: 15 years).

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

Effect of fundamental assumptions on the projected benefit obligation

			2023			2022
	Discount rate	Future pension increases	Life expectancy	Discount rate	Future pension increases	Life expectancy
Change in assumption	1,00%	0,25%	1 year	1,00%	0,25%	1 year
Effect on the projected benefit obligation if the assumption increases	13.1% decrease	0.6% increase	4.2% increase	12.7% decrease	0.7% increase	4.0% increase
Effect on the projected benefit obligation if the assumption decreases	16.9% increase	0.5% decrease	4.3% decrease	16.2% increase	0.4% decrease	4.2% decrease

The sensitivity analyses were performed using the same calculation method used for the determination of defined benefit obligations; one assumption was changed in each analysis while all other assumptions remained constant (ceteris paribus); this means that possible correlation effects between the individual assumptions are not taken into account. The assumed sensitivities correspond to the long-term trends of recent years with regard to pension increases and to a real expectation based on past interest rate trends with regard to interest rate differences (excluding 2022 as a non-representative year).

The following pension payments are expected to be due:

Expected pension payments 2023

in € thousand	2024	2025	2026 - 2028	> 2028	Total
Expected pension payments	20,307	20,360	65,729	951,568	1,057,964

Expected pension payments 2022

in € thousand	2023	2024	2025 - 2027	> 2027	Total
Expected pension payments	19,517	19,776	63,366	924,762	1,027,421

In the current fiscal year, expenses for additional benefits to retirees amounting to EUR 2,682 thousand (2022: EUR 2,604 thousand) were recognized.

Defined contribution plans

In addition to the defined benefit plans and similar obligations described above, Dräger pays voluntary or statutory contributions to government and private pension insurers (defined contribution plans).

In the current fiscal year, Dräger paid contributions in the amount of EUR 52,429 thousand (2022: EUR 45,681 thousand) to the legal pension insurance scheme in Germany. In addition, expenses for other defined contribution plans amounted to EUR 14,981 thousand. (2022: EUR 14,599 thousand).

33 Non-current and current provisions for personnel and other provisions

Other non-current and current provisions

in € thousand	Provisions for personnel and welfare obligations	Warranty provisions	Provisions for potential losses	Provisions from sales	Provisions for other obligations in the normal course of business	2023 Total
January 1	**139,797**	**49,275**	**1,111**	**24,026**	**92,081**	**306,290**
Allocation	121,056	38,907	1,272	17,672	54,648	233,555
Accumulation of interest	1,288	1,223	-	-	60	2,571
Utilization	-90,725	-22,431	-992	-12,496	-52,141	-178,786
Reversal	-6,309	-5,666	-	-3,184	-16,767	-31,925
Reclassifications	0	489	-	73	-563	0
Change in the scope of consolidation	-241	0	-	-	-766	-1,007
Currency translation effects	-2,263	-427	4	-297	-907	-3,890
December 31	**162,603**	**61,370**	**1,395**	**25,795**	**75,645**	**326,808**

The disposals due to the change in the scope of consolidation primarily relate to the sold subsidiary AEC SAS, Antony, France.

Provisions for personnel and welfare obligations were largely recognized for bonuses and sales compensation; the basis on which these are calculated had not been finalized as at the balance sheet date, meaning that the obligations are not yet reported as a liability. This item also includes provisions for phased retirement and long-service awards.

The warranty provisions were determined by reference to the warranty claims made in the past and specific known risks. The amounts and due dates of these provisions are subject to a degree of uncertainty regarding the probability of possible warranties and the amount of these warranties.

Provisions for potential losses largely concerned evaluated risks in project business.

Provisions for distribution primarily include provisions for expected credit notes and provisions for customer bonuses and commission. Commission relates to the contractual commission entitlements where the underlying intermediary transaction had not been finalized as at the balance sheet date, meaning that the obligations are not yet reported as liabilities. We consider the uncertainties regarding the amount or maturity of possible obligations to be insignificant.

Provisions for other obligations from current business operations include provisions for outstanding invoices for services received in the amount of EUR 47,812 thousand (2022: EUR 62,769 thousand), the amount of which is not sufficiently certain. These mainly relate to provisions for services that Dräger has already received, but whose scope and thus also their value have not yet been clearly determined until receipt of a notice of performance or an invoice. In addition, provisions of EUR 2,583 thousand (2022: EUR 2,333 thousand) were set aside for audits of the annual financial statements. Obligations from ongoing business operations also include obligations for litigation costs and risks, purchase guarantees and other taxes. We do not consider the uncertainties regarding the amount or due dates of potential obligations to be significant.

The utilization of other provisions is expected as follows:

Other provisions - maturities

in € thousand	up to 1 year	1 year to 5 years	more than 5 years	Total
Provisions for personnel and welfare obligations	127,191	24,750	10,662	162,603
Warranty provisions	52,419	8,951	-	61,370
Provisions for potential losses	1,125	270	-	1,395
Provisions from sales	25,574	221	-	25,795
Provisions for other obligations in the normal course of business	69,752	5,893	-	75,645
	276,061	**40,085**	**10,662**	**326,808**

34 Interest-bearing loans and liabilities to banks

Interest-bearing loans and liabilities to banks 2023

	Current			Non-current	Total
in € thousand		1 year to 5 years	more than 5 years	Total	
Liabilities to banks	92,630	155,807	1,905	157,711	250,341
Note loans (issued 2021)	-	100,000	-	100,000	100,000
	92,630	**255,807**	**1,905**	**257,711**	**350,341**

Interest-bearing loans and liabilities to banks 2022

	Current			Non-current	Total
in € thousand		1 year to 5 years	more than 5 years	Total	
Liabilities to banks	83,575	9,803	52,409	62,212	145,787
Note loans (issued 2021)	-	100,000	-	100,000	100,000
	83,575	**109,803**	**52,409**	**162,212**	**245,787**

The promissory note loans existing on the balance sheet date are not subject to any contractually regulated ordinary termination option.

The terms and conditions and the interest on interest-bearing loans and liabilities to banks are as follows:

Terms and conditions and interest rates for interest-bearing loans and liabilites to banks

			2023			2022
	Interest conditions	Interest rate in %	Total in € thousand	Interest conditions	Interest rate in %	Total in € thousand
Non-current liabilities to banks						
EUR	fixed	0.75 - 3.77	155,965	fixed	0.75 - 1.85	61,746
CZK	fixed	4.73	1,582	fixed	-	-
MYR	fixed	-	-	fixed	4.69	256
Others	fixed	6.58 - 17.00	165	fixed	4.88 - 17.00	211
			157,711			**62,212**
Non-current note loans						
EUR	fixed	0.85 - 1.00	100,000	fixed	0.85 - 1.00	100,000
			100,000			**100,000**
			257,711			**162,212**
Current liabilities to banks						
EUR	variable	4.79 - 7.25	69,382	variable	2.20 - 7.00	23,842
EUR	fixed	0.75 - 1.65	7,481	fixed	0.75 - 1.85	7,609
JPY	fixed	0.83	6,076	fixed	0.84	6,749
ZAR	fixed	11.30	2,380	fixed	8.50	5,526
SAR	fixed	3.30 - 3.40	2,201	fixed	3.30 - 3.40	2,243
TRY	variable	50.00	1,653	variable	-	-
TWD	fixed	5.60	1,181	fixed	-	-
IDR	fixed	7.80 - 9.10	1,059	fixed	-	-
IDR	variable	7.17 - 9.10	530	variable	5.92 - 7.85	436
MYR	fixed	4.69	236	fixed	4.69	384
BRL	fixed	14.00 - 17.00	50	fixed	14.00 - 17.00	957
USD	fixed	-	-	fixed	6.20	17,799
CNY	fixed	-	-	fixed	3.25 - 3.80	8,157
INR	variable	-	-	variable	8.20 - 9.05	6,215
VND	variable	-	-	variable	0.04 - 0.10	2,949
Others	fixed	4.73 - 6.58	399	fixed	4.80 - 46.80	109
Others	variable	10.00 - 15.00	1	variable	5.00 - 20.00	600
			92,630			**83,575**

Variable interest rates are partially hedged through interest rate hedges. Please refer to our comments on derivative financial instruments and interest rate risk (↗ Note 37).

Liabilities to banks for the medical technology office and laboratory building completed in fiscal year 2008 are secured by a land charge in the amount of EUR 55 million. The residual carrying amount of the asset as at the current reporting date is EUR 19.0 million (December 31, 2022: EUR 22.1 million). The financing of the production and logistics building for the infrastructure projects division in Lübeck, which was completed in fiscal year 2011, is secured by a land charge in the amount of EUR 10.8 million. The residual carrying amount of the asset as at the current reporting date is EUR 7.0 million (December 31, 2022: EUR 7.3 million). There are no other significant mortgages or assignments as security for the liabilities reported here.

As in the previous year, there were no delays or defaults in payment or other breaches of loan agreements in the current fiscal year.

35 Other financial liabilities

Other financial liabilities 2023

	Current			Non-current	Total
in € thousand		1 year to 5 years	more than 5 years	Total	
Trade payables to third parties	**215,864**	**-**	**-**	**0**	**215,864**
Other financial liabilities					
Lease liabilities	39,171	60,095	21,776	81,871	121,043
Negative fair values of derivative financial instruments	9,928	278	-	278	10,206
Repayment obligation Draeger Arabia LLC	24,503	-	-	0	24,503
Liabilities to employees	12,877	-	-	0	12,877
Debtors with credit balances	8,107	-	-	0	8,107
Liabilities to Drägerwerk Verwaltungs AG	12,511	-	-	0	12,511
Liabilities to associates	1	-	-	0	1
Other financial liabilities	8,488	10,801	-	10,801	19,290
	115,587	**71,174**	**21,776**	**92,950**	**208,537**
	331,450			**92,950**	**424,400**

Other financial liabilities 2022

	Current			Non-current	Total
in € thousand		1 year to 5 years	more than 5 years	Total	
Trade payables to third parties	**285,608**	**-**	**-**	**0**	**285,608**
Other financial liabilities					
Liability from termination of participation certificates	208,806	-	-	0	208,806
Lease liabilities	36,005	53,792	26,367	80,160	116,164
Negative fair values of derivative financial instruments	14,435	1,268	-	1,268	15,704
Repayment obligation Draeger Arabia LLC	24,503	-	-	0	24,503
Liabilities to employees	14,819	-	-	0	14,819
Debtors with credit balances	8,737	-	-	0	8,737
Liabilities to Drägerwerk Verwaltungs AG	8,046	-	-	0	8,046
Liabilities from accrued loan interest	1,046	-	-	0	1,046
Liabilities to associates	1	-	-	0	1
Other financial liabilities	8,066	12,275	-	12,275	20,341
	324,466	**67,335**	**26,367**	**93,702**	**418,168**
	610,074			**93,702**	**703,776**

After 184,530 Series D profit participation certificates were repurchased early for EUR 100,015 thousand in March 2021, the payment obligation for the profit participation certificates in the previous year includes the outstanding payment amount for the remaining 382,289 Series D profit participation certificates, which was paid out in January 2023.

The repayment obligation to the minority shareholder of Draeger Arabia LLC, Riyadh, Saudi Arabia, results from amended agreements that came into force in February 2014 and give the shareholders the option to offer their shares to the respective other shareholder within a period of six months starting on January 1, 2024 or to bring about the liquidation of the company if the other shareholder does not agree to the purchase of the shares. The payment obligation to the minority shareholder represents a financial liability that is not recognized in equity but in liabilities. The puttable shares of the minority shareholder were initially recognized as a liability at the fair value of the expected payment obligation for Dräger at the time of termination. Subsequent recognition is at amortized cost.

Other financial liabilities include EUR 10,656 thousand (2022: EUR 12,045 thousand) in payment obligations to the minority shareholders of STIMIT AG, Biel/Bienne, Switzerland, and AB Ulax, Motala, Sweden, which result both from the shareholders' contractual option to offer their shares to the other shareholder and from possible purchase price payments under a debtor warrant agreement. These payment obligations to minority shareholders constitute a financial liability that is recognized as debt, rather than recognized in equity.

For an explanation of lease liabilities, please refer to our comments on finance leases with the lessee (↗ Note 38).

For information on the derivative financial instruments recognized under other financial liabilities, please refer to the overview of derivatives in the Dräger Group presented in ↗ Note 37.

36 Other liabilities

Other liabilities

in € thousand	Current	Non-current	2023 Total	Current	Non-current	2022 Total
Contract liabilities	145,822	43,681	189,502	139,262	38,388	177,650
Deferred other income	1,044	6,604	7,648	151	5,979	6,130
Other tax liabilities	53,814	-	53,814	45,828	-	45,828
Other liabilities to employees and for social security	39,456	3	39,459	42,239	3	42,242
Remaining other liabilities	169	501	670	162	393	554
	240,304	**50,788**	**291,093**	**227,641**	**44,763**	**272,404**

Contract liabilities are composed of EUR 107,802 thousand from accrued net sales (2022: EUR 106,774 thousand) and EUR 81,700 thousand from prepayments received (2022: EUR 70,876 thousand).

Other prepaid expenses include EUR 1,648 thousand in deferred performance obligations from a grant received for research and development as well as deferrals of other income.

37 Financial instruments

A) Structure of financial instruments and their measurement

The structure of the financial instruments of the Group, their classification, and the resulting measurement are shown below:

Classification and measurement of financial assets and liabilities

in € thousand	Category	2023	2022
Financial assets			
Equity and debt instruments	Fair value through profit or loss	14,570	15,735
Derivatives (without hedging relation)	Fair value through profit or loss	908	3,630
Derivatives (with hedging relation)	Not to be allocated to any category under IFRS 9	6,598	4,405
Trade receivables	Amortized cost	730,152	680,822
Other financial assets	Amortized cost	25,308	41,499
Cash and cash equivalents	Amortized cost	271,956	311,554
		1,049,492	**1,057,646**
Financial liabilities			
Trade payables	Amortized cost	215,864	285,608
Loans and liabilities to banks	Amortized cost	350,341	245,787
Other financial liabilities [1]	Amortized cost	183,712	400,951
	Fair value through profit or loss	1,742	1,513
Derivatives (with hedging relation)	Not to be allocated to any category under IFRS 9	6,652	8,420
Derivatives (without hedging relation)	Fair value through profit or loss	3,554	7,284
		761,864	**949,563**

[1] The earn out liability, included in the repayment obligation to the non-controlling shareholders, is measured at fair value through profit or loss. In addition, the repayment obligation Draeger Arabia LLC, Riyadh, is measured at amortized cost. The prior-year figures have been adjusted accordingly.

For an explanation of the measurement categories, please refer to our comments on the measurement of financial assets and liabilities in ↗ note 8.

The following tables show the allocation of financial instruments recognized at fair value to the three levels of the fair value hierarchy.

No financial assets were reclassified in the Dräger Group in the past two fiscal years.

In the following table, the carrying amounts of financial assets and liabilities regularly recognized at fair value are compared with their fair values.

Financial instruments - assets 2023

					December 31, 2023
	Carrying amount				Fair value
in € thousand		Level 1	Level 2	Level 3	Total
Financial assets – at amortized cost					
Trade receivables [1]	730,152	-	-	-	730,152
Other financial assets	25,308	-	25,275	-	25,275
Cash and cash equivalents [1]	271,956	-	-	-	271,956
	1,027,416	**0**	**25,275**	**0**	**1,027,383**
Financial assets – not to be allocated to any category under IFRS 9					
Derivatives (with hedging relation)	6,598	-	6,598	-	6,598
	6,598	**0**	**6,598**	**0**	**6,598**
Financial assets – at fair value through profit and loss					
Derivatives (without hedging relation)	908	-	908	-	908
Equity instruments	14,044	-	-	14,044	14,044
Debt instruments	526	526	-	-	526
	15,478	**526**	**908**	**14,044**	**15,478**
	1,049,492	**526**	**32,781**	**14,044**	**1,049,459**

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

Financial instruments - assets 2022

					December 31, 2022
	Carrying amount				Fair value
in € thousand		Level 1	Level 2	Level 3	Total
Financial assets – at amortized cost					
Trade receivables [1]	680,822	-	-	-	680,822
Other financial assets	41,499	-	41,598	-	41,598
Cash and cash equivalents [1]	311,554	-	-	-	311,554
	1,033,876	**0**	**41,598**	**0**	**1,033,975**
Financial assets – not to be allocated to any category under IFRS 9					
Derivatives (with hedging relation)	4,405	-	4,405	-	4,405
	4,405	**0**	**4,405**	**0**	**4,405**
Financial assets – at fair value through profit and loss					
Derivatives (without hedging relation)	3,630	-	3,630	-	3,630
Equity instruments	15,203	-	-	15,203	15,203
Debt instruments	533	533	-	-	533
	19,366	**533**	**3,630**	**15,203**	**19,366**
	1,057,646	**533**	**49,633**	**15,203**	**1,057,745**

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

Financial instruments - equity and liabilities 2023

					December 31, 2023
	Carrying amount				Fair value
in € thousand		Level 1	Level 2	Level 3	Total
Financial liabilities – at amortized cost					
Trade payables [1]	215,864	-	-	-	215,864
Loans and liabilities to banks	350,341	-	330,441	-	330,441
Other financial liabilities	183,712	-	146,927	33,417	180,344
	749,917	**0**	**477,368**	**33,417**	**726,648**
Financial liabilities – not to be allocated to any category under IFRS 9					
Derivatives (with hedging relation)	6,652	-	6,652	-	6,652
	6,652	**0**	**6,652**	**0**	**6,652**
Financial liabilities – at fair value through profit and loss					
Derivatives (without hedging relation)	3,554	-	3,554	-	3,554
Other financial liabilities	1,742	-	-	1,742	1,742
	5,295	**0**	**3,554**	**1,742**	**5,295**
	761,864	**0**	**487,574**	**35,159**	**738,596**

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

Financial instruments - equity and liabilities 2022

					December 31, 2022
	Carrying amount				Fair value
in € thousand		Level 1	Level 2	Level 3	Total
Financial liabilities – at amortized cost					
Trade payables [1]	285,608	-	-	-	285,608
Loans and liabilities to banks	245,787	-	222,481	-	222,481
Other financial liabilities [2]	400,951	-	360,043	35,035	395,078
	932,346	**0**	**582,524**	**35,035**	**903,167**
Financial liabilities – not to be allocated to any category under IFRS 9					
Derivatives (with hedging relation)	8,420	-	8,420	-	8,420
	8,420	**0**	**8,420**	**0**	**8,420**
Financial liabilities – at fair value through profit and loss					
Derivatives (without hedging relation)	7,284	-	7,284	-	7,284
Other financial liabilities [2]	1,513	-	-	1,513	1,513
	8,797	**0**	**7,284**	**1,513**	**8,797**
	949,563	**0**	**598,228**	**36,548**	**920,384**

[1] The valuation of these financial instruments is not assigned to any fair value level.
[2] The repayment obligation to non-controlling shareholders are to be allocated to level 3. The earn-out liability contained therein is measured at fair value. The prior-year figure has been adjusted accordingly.

Level 1:
Fair value is measured using prices in active markets for identical financial assets or financial liabilities. The fair values of non-current securities are based on current stock market prices.

Level 2:
Measurement uses largely observable input factors that can be directly (i.e., price) or indirectly (i.e., derived from prices) observed for financial assets or financial liabilities; these do not include any listed prices taken into consideration in level 1.

Dräger applies the discounted cash flow method when measuring derivatives. Expected cash flows are determined on the basis of secured prices and/or interest rates and the observable closing rates and/or interest rates, which are then discounted using an interest rate that takes into account Dräger's Company-specific risks.

The fair values of level 2 financial assets and liabilities measured at amortized cost were determined using the discounted cash flow method by replacing the interest rates used in the initial calculation of non-current financial assets and liabilities with interest rates derived from current company-related interest rate curves on the balance sheet date. These interest rates range between 5.98% for cash flows in the fiscal year 2024 and 4.98% for cash flows in the fiscal year 2027 for loans and liabilities to banks and between 2.37% and 33.02% for cash flows in the period from 2024 to 2047 for other financial liabilities. An increase in the interest rates taken into account would lead to a reduction in the fair values. No adjustment was made to the interest rates of 8.28% and 6.19% for the two leasehold contracts recognized in fiscal years 2013 and 2016 (terms up to fiscal year 2103).

Level 3:
Fair value is measured using factors not based on observable market data for the measurement of financial assets and financial liabilities (unobservable input factors). These are classified as level 3 when there is an unobservable input factor present that significantly influences the measurement. In the Dräger Group, equity instruments are classified as assets and payment obligations to shareholders of non-controlling interests as liabilities in valuation level 3.

The fair value of two high-tech start-up funds is determined using the ›price of recent investment‹ method, for which the value of the last financing round is used. Dräger uses the ›discounted cash flow‹ method to measure the remaining equity instruments, taking into account all significant parameters. The risk-adjusted discount rate applied is 6.75% (2022: 6.10%).

The equity instruments in valuation level 3 developed as follows:

Development of equity instruments (level 3)

in € thousand	2023	2022
January 1	**15,203**	**7,170**
Currency translation effects	-8	13
Additions	-	11,441
Disposals	-923	-4,000
Measurement through profit and loss	-228	579
December 31	**14,044**	**15,203**

Risk-adjusted discount rates of between 2.40% and 15.11% were applied to the measurement of payment obligations to minority shareholders, resulting in interest compounding recognized in profit or loss. The earn out liabilities included in the payment obligations amounting to EUR 1,742 thousand (2022: EUR 1,513 thousand) are recognized in the balance sheet at fair value. The payment obligations in other financial obligations in valuation level 3 developed as follows:

Development of other financial liabilities (level 3)

in € thousand	2023	2022
January 1	**36,548**	**35,130**
Disposals	-2,659	-
Measurement through profit and loss	1,270	1,418
December 31	**35,159**	**36,548**

There were no changes between the valuation levels as defined by IFRS 7.12 in the past two fiscal years.

Net profit or loss from financial instruments (without interest result)

Net profit or loss from financial instruments (without interest result) recorded in fiscal year is composed as follows:

Net result from financial instruments (without interest result)

in € thousand	2023	2022
Financial assets measured at amortized cost	-10,118	-3,240
Assets measured at fair value through profit or loss	-2,396	-73
Equity instruments measured at fair value through profit or loss	0	-574
Derivatives measured at fair value through profit or loss	-2,860	-18,703
Financial liabilities measured at amortized cost	-2,210	-525
	-17,583	**-23,116**

Net profit or loss from financial instruments (without interest result) in the reporting year mostly comprised changes in value from impairments, reversals of impairments, and profit or loss from currency futures, as in the prior year.

Interest result from financial instruments

Interest result from financial instruments recorded in the fiscal year is composed as follows:

Interest result from financial instruments

in € thousand	2023	2022
Financial assets measured at amortized cost	5,918	8,777
Debt instruments measured at fair value through profit or loss	132	676
Financial liabilities measured at amortized cost	-15,421	-12,229
	-9,371	**-2,776**

For the composition of interest expense on financial liabilities measured at amortized cost, please refer to our comments in ↗ Note 16.

B) Financial risk management

As a company operating on an international scale, the Dräger Group is exposed to liquidity risk and default risk as well as risks from changes in exchange rates and interest rates.

The aim of financial risk management is to shed light on financial risks posed to the Dräger Group and mitigate them through suitable measures. A systematic recognition, control, and monitoring of market risks is designed to counter developments that could jeopardize the existence of Dräger early on and ensure Dräger's continued existence in the long term.

Derivative financial instruments are used to hedge the currency and interest exposure of current and forecast transactions. These derivatives are used exclusively as hedging instruments and are generally not concluded for speculative purposes.

The following derivative financial instruments were held as at the balance sheet date:

Derivative financial instruments

	Nominal value						Fair value
in € thousand		**Non-current**	**Current**	**Assets total**	**Non-current**	**Current**	**Equity and liabilities total**
2023							
Currency futures							
Without a hedging relationship recognized in the balance sheet	277,739	40	868	908	97	3,457	3,554
In conjunction with cash flow hedges	356,042	65	6,533	6,598	181	6,471	6,652
	633,780	**105**	**7,401**	**7,506**	**278**	**9,928**	**10,206**
2022							
Currency futures							
Without a hedging relationship recognized in the balance sheet	311,514	66	3,565	3,630	1,079	6,205	7,284
In conjunction with cash flow hedges	361,258	27	4,377	4,405	189	8,119	8,308
	672,772	**93**	**7,942**	**8,035**	**1,268**	**14,324**	**15,592**
Interest rate swap							
In conjunction with cash flow hedges	10,916	-	-	0	-	111	111
	683,688	**93**	**7,942**	**8,035**	**1,268**	**14,435**	**15,704**

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

The basic principles of the Dräger Group's financial policy are defined and monitored by a committee consisting of the Chief Financial Officer and participants from the Treasury, Tax, Accounting and Controlling departments. The financial policies as well as financial risk management for liquidity, currency, and interest rate risks are implemented centrally by the Treasury department. Please see our comments in the management report for more general information on risk management.

Liquidity risk

Drägerwerk AG & Co. KGaA mitigates its liquidity risk by diversifying the maturity structure of its financing instruments so as to ensure the Dräger Group's solvency and financial flexibility at all times. Drägerwerk AG & Co. KGaA also has various non-current and current liabilities to banks as well as a liquidity reserve comprising freely available credit facilities with numerous banks with which it has concluded bilateral agreements. Due to the maturity structure of these financing instruments, Drägerwerk AG & Co. KGaA has only a limited prolongation risk.

The following analysis of the maturities of financial liabilities (contractually agreed, non-discounted payments) shows the influence on the Group's liquidity situation:

Maturities of financial liabilities 2023

in € thousand	2024	2025	2026 to 2028	From 2029	Total
Derivative financial liabilities					
Foreign currency derivatives – cash outflow	365,143	13,913	1,294	-	380,350
Foreign currency derivatives – cash inflow	-353,073	-13,788	-1,179	-	-368,040
	12,070	**125**	**115**	**0**	**12,310**
Non-derivative financial liabilities					
Interest-bearing loans and liabilities to banks	92,948	7,993	263,710	1,948	366,599
Trade payables	215,864	-	-	-	215,864
Lease liabilities	39,171	31,343	36,984	41,937	149,436
Other financial liabilities	68,217	146	-	-	68,362
	416,200	**39,482**	**300,694**	**43,885**	**800,260**
	428,270	**39,607**	**300,808**	**43,885**	**812,570**

Maturities of financial liabilities 2022

in € thousand	2023	2024	2025 to 2027	From 2028	Total
Derivative financial liabilities					
Foreign currency derivatives – cash outflow	357,337	31,698	2,335	-	391,369
Foreign currency derivatives – cash inflow	-340,575	-30,146	-2,114	-	-372,835
Interest rate swap – cash outflow	112	-	-	-	112
	16,874	**1,551**	**222**	**0**	**18,647**
Non-derivative financial liabilities					
Interest-bearing loans and liabilities to banks	86,981	7,274	106,884	52,975	254,114
Trade payables	285,608	-	-	-	285,608
Lease liabilities	36,005	26,748	34,871	47,563	145,187
Other financial liabilities	65,219	230	-	-	65,449
	473,813	**34,252**	**141,756**	**100,538**	**750,359**
	490,687	**35,803**	**141,977**	**100,538**	**769,006**

Currency risk

The Group's currency risks relate to the financial instruments denominated in foreign currencies and arising from operating activities or investing and financing activities.

The aim of our currency risk management is the reduction of the impact of exchange rate fluctuations on Group EBIT, taking into account the cost-effectiveness of the hedging methods used. Non-cash currency risks resulting from the consolidation of the balance sheet and consolidated income statement of foreign subsidiaries (translation risk) are generally not hedged. Currency risks are netted by offsetting income and costs or assets and liabilities for each currency.

The currency risk from operating activities is determined on the basis of planned cash flows in foreign currencies. A ›cash flow at risk‹ optimization calculation is used to determine a currency portfolio that minimizes the hedging costs and the diversified currency risk in combination. The aim of portfolio optimization is the reduction of currency risk at EBIT level to a maximum of 1% of planned annual sales with a statistical probability of occurrence of 95%.

The planned risk positions are hedged at a ratio of 75% of the planned transactions in the currencies concerned. The recognition of the hedged item in profit or loss results in the hedging ratio being adjusted to 100%. Risk positions from investing and financing activities are generally hedged at a ratio of 100% when the assets or liabilities are recognized. Currency futures are used to hedge currency risks.

Dräger applies IFRS 9 for the recognition and measurement of hedging transactions, whereby the currency futures are designated spot-to-spot. The accrued changes in value of the derivative are recognized with the spot component in the cash flow hedge reserve and with the forward component in the cost of hedging reserve.

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

Furthermore, the hypothetical derivative method is used within the scope of a retrospective effectiveness test to determine whether the hedge was effective in the prior period and to determine any potential inefficiencies. As past ineffectiveness arose merely from taking counterparty risk into consideration, counterparty risk must not be included in the calculation of the hypothetical derivative. Dräger does not typically renew its hedges by changing the hedging instruments and the hedged items.

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

In hedging foreign currency risks posed by recognized assets or recognized liabilities, hedge accounting is not used to recognize hedges. The concluded currency futures are categorized as trading derivatives and measured at fair value through profit or loss.

The nominal volumes of foreign currency hedging instruments are distributed as follows:

Nominal volumes of foreign currency hedging instruments

in € million	up to 1 year	1 to 5 years	Residual terms over 5 years	Total nominal volume December 31	Average hedging rate/price December 31
2023					
Currency futures CNY	88.0	7.7	-	95.7	7.6
Currency futures AUD	39.9	4.1	-	43.9	1.6
Currency futures JPY	40.4	3.4	-	43.9	144.7
Currency futures MXN	32.4	0	-	32.4	20.8
Currency futures PLN	23.1	2.4	-	25.5	4.7
Currency futures BRL	21.6	0	-	21.6	5.7
Currency futures CHF	17.3	1.4	-	18.7	0.9
Currency futures THB	16.1	1.7	-	17.9	37.3
Currency futures CAD	9.8	1.0	-	10.9	1.5
Currency futures ZAR	10.2	0	-	10.2	20.8
Total other currency areas	34.3	1.1	0	35.4	n/a
2022					
Currency futures CNY	95.6	8.3	-	103.8	7.4
Currency futures AUD	36.4	3.1	-	39.4	1.6
Currency futures JPY	30.6	3.6	-	34.2	136.1
Currency futures MXN	28.6	0	-	28.6	23.1
Currency futures SAR	26.7	0	-	26.7	4.2
Currency futures PLN	19.8	2.0	-	21.8	5.0
Currency futures BRL	17.8	0	-	17.8	6.0
Currency futures CHF	15.6	1.4	-	17.0	1.0
Currency futures THB	16.2	0.8	-	17.0	37.4
Total other currency areas	53.2	1.6	0	54.8	n/a

In the current fiscal year, the sum of other currency areas includes the currency futures in five (2022: eight) currencies, whose combined nominal volumes represent only 9% (2022: 15%) of the total volume.

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

Disclosures on hedging instruments as part of foreign currency cash flow hedges

in € million	Carrying amount	Balance sheet items	Change in fair value to determine ineffectiveness	Nominal volume
2023				
Currency futures				
Derivative assets	6.6	other financial assets	5.3	178.3
Derivative liabilities	6.7	other financial liabilities	4.3	177.8
2022				
Currency futures				
Derivative assets	4.4	other financial assets	6.5	165.9
Derivative liabilities	8.3	other financial liabilities	2.1	195.4

Changes in fair value to determine ineffectiveness only include changes to spot components.

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

Disclosures on underlying transactions as part of foreign currency cash flow hedges

in € million	2023	2022
Value change to the hedged item period to determine ineffectiveness	1.0	4.4
Status of hedging reserve and currency reserve of active cash flow hedges	1.4	3.9

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

Disclosures on gains and losses from foreign currency cash flow hedges

in € million	2023	2022
Gain or loss from cash flow hedges recognized in equity	2.7	-5.3
Ineffectiveness recognized in the income statement	-0.0	0.1
Items in the statement of comprehensive income containing the recognized ineffectiveness	Cost of sales	Cost of sales
Reclassifications from the cash flow hedge reserve to the income statement		
due to early termination of the cash flow hedge	-0.3	2.1
due to the recognition of the hedged item in the income statement	-8.2	14.2
Items in the statement of comprehensive income containing the reclassification	Net sales / cost of sales	Net sales / cost of sales

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

Development of foreign currency cash flow hedge reserves

		2023		2022
in € million	Hedge reserves	Costs of hedging	Hedge reserves	Costs of hedging
January 1	**3.9**	**-4.3**	**-9.9**	**-1.6**
Gain or loss from effective hedge accounting	6.0	-3.3	-2.5	-2.8
Reclassifications due to amended expectations regarding the occurence of the hedged item	-0.3	0.7	2.1	1.4
Reclassifications due to recognition of the hedged item	-8.2	6.2	14.2	-1.3
December 31	**1.4**	**-0.8**	**3.9**	**-4.3**

In order to better illustrate existing currency risks, the effects of hypothetical changes in relevant currencies on net profit and equity are discussed below on the basis of a currency sensitivity analysis. For this purpose, it was assumed that most monetary financial instruments are already denominated in the functional currency or have been converted into the functional currency using derivative financial instruments. Currency risks therefore lie in the remaining unhedged financial instruments in foreign currencies in respect of which currency fluctuations affect profit or loss. If the euro was up/down 10% against the main foreign currencies in the Dräger Group, the U.S. dollar and the Chinese yuan, as at the balance sheet date, with all other variables remaining the same, earnings after taxes (pursuant to IFRS 7) and other comprehensive income in equity would be impacted as follows:

Exchange rate sensitivity

in € million	2023 Earnings after taxes	2023 Influence to other comprehensive income in equity	2022 Earnings after taxes	2022 Influence to other comprehensive income in equity
US dollar				
Euro up 10 %	-1.8	-	2.0	-
Euro down 10 %	2.2	-	-2.5	-
Chinese yuan				
Euro up 10 %	0.4	4.9	0.1	5.0
Euro down 10 %	-0.5	-6.0	-0.1	-6.1

Interest rate risk

An interest rate risk due to changes in the market interest rate results not only from the variable-interest, longer-term receivables and liabilities of the operating business but also from variable-interest, long-term loan liabilities. Drägerwerk AG & Co. KGaA counters interest rate risk with a mix of fixed and variable interest-bearing financial liabilities and, if necessary, by using customary hedging instruments. Changes in the market interest rate of primary financial instruments with fixed interest rates only affect the result if they are recognized at fair value. As a result, none of the fixed-interest financial instruments recognized at amortized cost poses an interest rate risk that would affect cash flows.

For the purpose of fully hedging the cash flows from a long-term, variable-interest loan, Dräger had concluded an interest rate swap contract (100% hedge ratio), which expired on schedule in fiscal year 2023 and was closed. Under the swap contract, which was designated as a cash flow hedge, the Group received variable interest and paid a fixed interest rate in return. This served to hedge variable interest from a real estate leasing contract. The interest rate swap was recognized at fair value.

The nominal volume of the interest rate hedging instrument is:

Nominal volumes of interest hedging instrument

in € million	up to 1 year	1 to 5 years	Residual terms over 5 years	Total nominal volume December 31	Average hedging interest rate December 31
2023					
Interest rate swap	-	-	-	0	
2022					
Interest rate swap	10.9	-	-	10.9	4.12%

The effectiveness of this interest rate hedge was determined at the beginning of the hedging relationship and through periodic prospective valuations to ensure that there is an economic relationship between the underlying hedged transaction and the hedging instrument. In the Dräger Group, prospective measurement is based on a review of the contractual terms of the underlying and hedging transactions. The interest rate swap was concluded with identical conditions as the underlying hedged transaction, so that it could be assumed that the hedging relationship is prospectively effective. In addition, a retrospective test was carried out to determine the effectiveness of the interest rate swap. In the past, ineffectiveness only resulted from the consideration of counterparty risk and was included in the market value. There was no impact from the IBOR reform, as the reference interest rate for the interest rate swap was EURIBOR.

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

Disclosures on hedging instruments as part of interest cash flow hedges

in € million	Carrying amount	Balance sheet items	Change in fair value to determine ineffectiveness	Nominal volume
2023				
Interest rate swap				
Derivative liabilities	-	other financial liabilities	-	-
2022				
Interest rate swap				
Derivative liabilities	0.1	other financial liabilities	0.1	10.9

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

Disclosures on underlying transactions as part of interest cash flow hedges

in € million	2023	2022
Value change to the hedged item period to determine ineffectiveness	-	0.1
Status of hedging reserve and interest reserve of active cash flow hedges	-	-0.1

The effects of interest rate cash flow hedges on the income statement and other comprehensive income are as follows:

Disclosures on gains and losses from interest cash flow hedges

in € million	2023	2022
Gain or loss from cash flow hedges recognized in equity	-	0.0
Reclassifications from the cash flow hedge reserve to the income statement		
due to the recognition of the hedged item in the income statement	0.1	0.5
Items in the statement of comprehensive income containing the reclassification	Financial result	Financial result

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

Development of interest cash flow hedge reserves

in € million	2023	2022
January 1	**-0.1**	**-0.6**
Gain or loss from effective hedge accounting	-	0.0
Reclassifications due to recognition of the hedged item	0.1	0.5
December 31	**0**	**-0.1**

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 in the market interest rate level as at the balance sheet date by 100 basis points (2022: 50 basis points) with all other variables remaining constant would increase earnings after taxes by EUR 1,373 thousand (2022: EUR 947 thousand) and equity by EUR 0 thousand (2022: EUR 0 thousand). A hypothetical reduction in the market interest rate level by 100 basis points as at the balance sheet date (2022: 25 basis points) with all other variables remaining constant would decrease earnings after taxes by EUR 1,373 thousand (2022: EUR 473 thousand) and equity by EUR 0 thousand (2022: EUR 0 thousand).

Credit risk

The maximum default risk is shown by the carrying amount of each financial asset recognized in the balance sheet. In terms of derivatives, the Dräger Group does not expect any counterparties to fail to meet their obligations as they consist exclusively of financial institutions with investment grade ratings. In terms of trade receivables, Dräger's customer structure in the medical division mainly involves public or private hospitals, while customers in the safety division are public organizations (fire service, police, etc.) as well as companies from the chemical, oil, and gas industries and other industries. Consequently, the Group considers that its maximum exposure is reflected by the amount of trade receivables and other current assets, less impairments on these assets and received collateral recognized as at the balance sheet. Trade receivables amounting to EUR 287 thousand (2022: EUR 2,709 thousand) are mainly secured by letters of credit or bank guarantees. There are no other financial assets or liabilities that are covered by financial collateral (including cash collateral). Dräger does not hold collateral in the form of financial or non-financial assets.

Dräger bases its calculation of impairment losses on the fundamental assumptions and requirements of IFRS 9. Impairment losses on receivables are already made at the time the receivable arises. Trade and other receivables without material financing components are based on expected payment defaults throughout the whole contractual term. For receivables with material financing components, impairments are generally based on the expected payment defaults in the following twelve months. Expected payment defaults over the whole contractual term are only calculated for these receivables if the credit risks of the receivables increase significantly over time. The expected defaults are generally estimated individually for each receivable, taking into account different factors, in particular the credit rating of the debtor, partly using empirical values of homogeneous groups of receivables.

There are no significant risk concentrations relating to credit risks in connection with trade receivables. Trade receivables are mainly attributable to a very large number of customers.

Trade receivables and contract assets continue to represent more than 90% of Dräger's financial assets measured at amortized cost (excluding cash and cash equivalents). Dräger applies the simplified approach for these financial assets, whereby risk provisions are measured in the amount of the expected losses from default for the entire term, both at initial recognition and on all subsequent reporting dates. Expected payment defaults in the future are recognized and these risk provisions are adjusted at each reporting date so as to recognize possible credit risks on the balance sheet of trade receivables without material financing components and contract assets.

As contract assets have the same risk profile as trade receivables, the calculated default rate for trade receivables was also applied to the portfolio of contract assets. Accordingly, for the portfolio of contract assets amounting to EUR 55,221 thousand (2022: EUR 56,450 thousand), a risk provision of EUR 110 thousand (2022: EUR 122 thousand) was recognized.

In accordance with the simplified approach, for gross carrying amounts totaling EUR 832,143 thousand. (2022: EUR 780,493 thousand) a risk provision of EUR 46,880 thousand (2022: EUR 43,343 thousand) was recognized. Individual value adjustments are made where there is objective evidence of impairment of receivables and are shown in the table.

Risk provisions for trade receivables and contract assets were calculated as follows:

Calculating risk provisions for trade receivables and contract assets

in € thousand	not due	due in < 30 days	due in 30 to 59 days	due in 60 to 89 days	due in 90 to 119 days	due in >= 120 days	Risk provisions in total	Bad debt allowances	Total
December 31, 2023									
Gross carrying amounts of trade receivables and contract assets	566,919	93,842	34,929	14,650	11,457	55,839		54,506	832,143
Risk provisions	963	169	101	37	42	250	1,563	45,317	46,880
Loss rate	0.2%	0.2%	0.3%	0.3%	0.4%	0.4%			
December 31, 2022									
Gross carrying amounts of trade receivables and contract assets	556,149	77,342	29,079	12,976	8,556	41,434		54,957	780,493
Risk provisions	891	121	60	28	30	625	1,753	41,590	43,343
Loss rate	0.2%	0.2%	0.2%	0.2%	0.3%	1.5%			

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

Reconciliation of risk provisions for trade receivables and contract assets

in € thousand	Specific bad debt allowances	Risk provisions	Total
January 1, 2022	**40,225**	**1,112**	**41,337**
Allocation	7,406	753	8,159
Utilization	-3,946	-	-3,946
Reversal	-2,876	-110	-2,986
Currency translation effects	781	-2	779
December 31, 2022 / January 1, 2023	**41,590**	**1,753**	**43,343**
Allocation	10,184	387	10,572
Utilization	-2,747	-	-2,747
Reversal	-2,896	-544	-3,440
Change in the scope of consolidation	-11	-	-11
Currency translation effects	-802	-33	-836
December 31, 2023	**45,317**	**1,563**	**46,880**

The risk provision includes EUR 110 thousand (2022: EUR 122 thousand) for contract assets. EUR 7 thousand (2022: EUR 75 thousand) were allocated and EUR 16 thousand (2022: EUR 9 thousand) were used. As before, no individual value adjustments were made to contract assets.

During the reporting period, Dräger wrote off trade receivables in the amount of EUR 0 thousand (2022: EUR 0 thousand) for which enforcement measures have not yet been completed.

All other debt instruments at Dräger that are classified at amortized cost were measured at the 12-month expected default losses. On this basis, for gross carrying amounts totaling EUR 25,342 thousand (2022: EUR 41,544 thousand), a risk provision of EUR 34 thousand (2022: EUR 45 thousand) was recognized.

No reclassifications were made at higher levels of credit due to the unchanged low credit risk, which is why levels 2 and 3 have not been reported as separate items. The assets in question mainly involve notes receivables, receivables from commissioning agents, and security deposits, for which no defaults were to be recognized in the past.

The development of the risk provisions in level 1 according to IFRS 9 is as follows:

Reconciliation of level 1 risk provisions (expected losses over 12 months)

in € thousand	Specific bad debt allowances	Risk provisions	Total
January 1, 2022	**9,871**	**28**	**9,899**
Allocation	98	17	115
Utilization	-10	-	-10
Currency translation effects	276	-	276
December 31, 2022 / January 1, 2023	**10,236**	**45**	**10,281**
Allocation	248	-	248
Utilization	-4	-	-4
Reversal	-	-11	-11
Currency translation effects	-192	-	-192
December 31, 2023	**10,287**	**34**	**10,321**

During the reporting period, no material changes were made to estimation procedures or significant assumptions.

Dräger does not hold any financial assets that were already impaired in their credit rating at the point at which they were acquired or extended.

Netting of financial assets and liabilities

The following financial assets and liabilities are subject to netting due to contractually agreed offsetting procedures:

Netting of financial assets 2023

in € thousand	Gross amounts of financial assets	Amount of netted financial liabilities	Recognized net amout 2023	Unnetted amount of a netting agreement	Net amount 2023
Positive derivative financial instruments	7,506	-	7,506	-2,690	4,816
Cash and cash equivalents	271,956	-	271,956	-7,727	264,229
	279,462	**0**	**279,462**	**-10,417**	**269,045**

Netting of financial assets 2022

in € thousand	Gross amounts of financial assets	Amount of netted financial liabilities	Recognized net amount 2022	Unnetted amount of a netting agreement	Net amount 2022
Positive derivative financial instruments	8,035	-	8,035	-1	8,033
Cash and cash equivalents	311,554	-	311,554	-12,634	298,920
	319,589	**0**	**319,589**	**-12,636**	**306,954**

Netting of financial liabilities 2023

in € thousand	Gross amounts of financial liabilities	Amount of netted financial assets	Recognized net amout 2023	Unnetted amount of a netting agreement	Net amount 2023
Negative derivative financial instruments	10,206	-	10,206	-2,610	7,596
Liabilities to banks	250,341	-	250,341	-22,189	228,152
	260,547	**0**	**260,547**	**-24,799**	**235,748**

Netting of financial liabilities 2022

in € thousand	Gross amounts of financial liabilities	Amount of netted financial assets	Recognized net amount 2022	Unnetted amount of a netting agreement	Net amount 2022
Negative derivative financial instruments	15,704	-	15,704	-6,085	9,619
Liabilities to banks	145,787	-	145,787	-1,590	144,197
	161,490	**0**	**161,490**	**-7,675**	**153,816**

The offsetting potential shown results on the one hand from the respective banks' basic offsetting claims in the event of liquidity problems. On the other hand, there are offsetting claims for groups of banks within the framework of agreements on credit lines concluded with these banks. No balancing has been carried out to date due to non-fulfillment of the requirements.

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

38 Leasing

Contracts recognized under IFRS 16 as leases are explained below.

A) Dräger Group as lessee

Property leased by the Dräger Group primarily includes real estate as well as office equipment and machinery (particularly the vehicle fleet). The most significant obligations assumed under the lease terms comprise rental payments, the upkeep of the facilities and equipment, insurance, and taxes on capital. Only lease payments are included in the calculation of the right-of-use assets. The terms of the leases are generally between one and nine years and include renewal options under various conditions.

Lessee accounting

The carrying amounts and depreciation and amortization of right-of-use assets capitalized within the scope of lessee accounting are split across the following asset classes:

Right-of-use assets 2023

in € thousand	Land, equivalent titles and buildings	Other plant, factory and office equipment	Leased equipment	Total
Carrying value as at January 1	81,059	28,459	-	109,517
Carrying value as at December 31	78,093	37,011	-	115,104
Additions in fiscal year	22,315	32,870	-	55,185
Amortization in fiscal year	-23,431	-22,532	-	-45,963

Right-of-use assets 2022

in € thousand	Land, equivalent titles and buildings	Other plant, factory and office equipment	Leased equipment	Total
Carrying value as at January 1	84,964	30,440	31	115,435
Carrying value as at December 31	81,059	28,459	-	109,517
Additions in fiscal year	18,246	19,077	-	37,323
Amortization in fiscal year	-22,814	-20,953	-13	-43,780

Lease liabilities and their maturities are presented in ↗ Note 35 of the Notes. Possible additional payments from options amounting to EUR 25,920 thousand (2022: EUR 25,760 thousand) for which there was no reasonable certainty of exercise at the measurement date were not included in the measurement of lease liabilities.

These leases had the following effects on the income statement:

Expenses from lease contracts (lessee)

in € thousand	2023	2022
Amortization of right-of-use assets	45,963	43,780
Interest expenses for lease obligations	5,568	4,883
Expenses for short-term leases	3,929	3,844
Expenses for low-value leases	1,929	1,711
	57,389	**54,218**

Lease payments, consisting of fixed lease payments, interest payments and payments for low-value and short-term leases, amounted to EUR 57,834 thousand (2022: EUR 54,379 thousand).

Income of EUR 215 thousand (2022: EUR 215 thousand) was generated from subleases in the fiscal year.

B) Dräger Group as lessor

Lessor – finance leases

The Dräger Group’s main finance leases relate to medical equipment, as well as solutions products and personal protection products. A receivable was recognized equal to the present value of the minimum lease payments.

Receivables from future lease payments outstanding are shown below:

Receivables from future lease payments outstanding

in € thousand	2023	2022
Due in less than 1 year	722	817
Due in 1 to 2 years	462	739
Due in 2 to 3 years	316	375
Due in 3 to 4 years	148	214
Due in 4 to 5 years	64	94
Due in more than 5 years	2	1
Undiscounted lease payments	**1,715**	**2,241**
Unearned finance income	96	85
Net investments in leases	**1,619**	**2,156**

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

Amounts from finance leases recognized in the income statement

in € thousand	2023	2022
Selling profit for finance leases	-	-
Finance income on the net investment in finance leases	53	94
	53	**94**

No impairments on receivables from irrecoverable minimum lease payments were required.

Lessor – operating leases

The Dräger Group’s main operating leases relate to medical equipment, solutions, and gas detection products, as well as building space.

The leased building space is included in the Group's property, plant and equipment at a historical cost of EUR 24,123 thousand (2022: EUR 23,428 thousand) and accumulated depreciation of EUR 20,517 thousand (2022: EUR 19,493 thousand). Depreciation and amortization for the fiscal year amounted to EUR 1,024 thousand (2022: EUR 577 thousand).

Dräger reports leased assets (products) separately under property, plant and equipment (see ↗ Note 22).

The future outstanding minimum lease payments under non-cancelable operating leases are distributed as follows:

Minimum lease payments

in € thousand	2023	2022
Payments in the first year	35,333	30,317
Payments from the first to second year	7,790	7,048
Payments from the second to third year	4,568	5,276
Payments from the third to fourth year	2,230	3,296
Payments from the fourth to fifth year	685	2,126
Payments after five years	871	1,257
	51,478	**49,320**

As in the prior year, no contingent rents were agreed in fiscal year 2023.

39 Contingent liabilities and other financial obligations

As in the prior year, the Dräger Group did not have any contingent liabilities.

Other financial obligations

Other financial obligations amounted to a total of EUR 11,505 thousand (2022: EUR 24,928 thousand) as at December 31, 2023 and break down as follows:

a) Rental and lease agreements

Other financial obligations from rental and lease contracts amount to EUR 533 thousand (2022: EUR 797 thousand).

b) Purchase obligations

In line with the usual requirements, the Dräger Group has also entered into purchase obligations with other service providers in order to guarantee the availability of IT services. Due to the centralization of IT activities at Drägerwerk AG & Co. KGaA, the Company assumed all existing long-term obligations to IT service providers of the medical and safety divisions. As at December 31, 2023, there were obligations to purchase intangible assets of EUR 233 thousand (2022: EUR 618 thousand) and property, plant and equipment of EUR 10,739 thousand (2022: EUR 23,513 thousand) as a result of outstanding orders.

c) Litigation

Dräger Group companies were involved in legal disputes and claims for damages as part of their business activities as at December 31, 2023. The Executive Board of the general partner believes that the outcome of such litigation and claims will not have any further material adverse effect on the Company’s net assets, financial position, or results of operations over and above the provisions which have already been recognized.

It is not to be expected that these contingent liabilities will become actual liabilities for which no provisions have been recognized yet.

40 Segment report

Business performance of the segments

		Medical division		Safety division		Twelve months Dräger Group	
		2023	2022	2023	2022	2023	2022
Order intake	**€ million**	**1,916.2**	**1,979.3**	**1,373.8**	**1,305.4**	**3,290.0**	**3,284.7**
Europe	€ million	979.4	950.7	850.9	787.2	1,830.3	1,737.9
thereof Germany	€ million	415.2	395.3	330.3	323.1	745.5	718.4
Americas	€ million	446.2	435.3	242.6	231.1	688.9	666.4
Africa, Asia, and Australia	€ million	490.6	593.3	280.3	287.1	770.9	880.4
Net sales	**€ million**	**1,966.2**	**1,821.5**	**1,407.3**	**1,223.7**	**3,373.5**	**3,045.2**
Europe	€ million	981.8	894.3	876.0	757.3	1,857.9	1,651.6
thereof Germany	€ million	402.6	369.5	346.0	299.9	748.6	669.5
Americas	€ million	454.2	412.3	246.6	207.4	700.7	619.7
Africa, Asia, and Australia	€ million	530.2	514.9	284.7	259.1	814.9	774.0
EBITDA [1]	**€ million**	**102.7**	**-17.6**	**212.3**	**73.4**	**315.0**	**55.8**
Depreciation/Amortization	€ million	-65.6	-72.8	-83.0	-71.7	-148.6	-144.5
EBIT [2]	**€ million**	**37.1**	**-90.4**	**129.4**	**1.8**	**166.4**	**-88.6**
Capital employed [3, 4]	€ million	867.2	903.1	656.0	634.1	1,523.2	1,537.2
EBIT [2]/ net sales	%	1.9	-5.0	9.2	0.1	4.9	-2.9
EBIT [2, 5] / capital employed [3, 4] (ROCE)	%	4.3	-10.0	19.7	0.3	10.9	-5.8
DVA [5, 6]	€ million	-27.2	-153.3	83.0	-43.0	55.8	-196.2

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

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

Dräger develops, produces, and markets system solutions, equipment, and services for the optimization of processes at the acute point of care. These include emergency medicine, the perioperative area (in connection with surgery), intensive care, and perinatal medicine (obstetrics).

Dräger also develops, produces, and markets products, system solutions, and services for personal protection, gas detection technology, and integrated hazard management. Its customers come from industry, mining, and public sectors such as fire departments, police, and disaster protection.

The segment reports were prepared in accordance with IFRS as applied in the Group financial statements.

At Group level, the key figures from the segment report are as follows:

EBIT

in € million	2023	2022
Net profit / net loss	112.0	-63.6
+ Interest result	25.1	13.8
+ Income taxes	29.3	-38.8
EBIT	**166.4**	**-88.6**

Capital employed

in € million	December 31, 2023	December 31, 2022
Total assets	3,094.5	3,106.6
- Deferred tax assets	-263.0	-215.9
- Cash and cash equivalents	-272.0	-311.6
- Non-interest bearing liabilites	-1,032.9	-1,041.9
Capital employed	**1,523.2**	**1,537.2**

DVA

in € million	December 31, 2023	December 31, 2022
EBIT (of the last 12 months)	166.4	-88.6
- Cost of capital (basis: average of capital employed in the past 12 months)	-110.7	-107.6
DVA	**55.8**	**-196.2**

The breakdown of non-current assets by segments is as follows:

Non-current assets by segments [1]

in € million	2023	2022
Medical division	526.7	537.2
Safety division	398.6	408.3
	925.3	**945.6**

[1] Non-current assets = intangible assets; property, plant and equipment, right-of-use asset and other non-current assets (excluding the plan assets relating to pension plans reported under this balance sheet item)

Non-current assets are also broken down by regions as follows:

Non-current assets by regions [1]

in € million	2023	2022
Europe	652.3	673.9
thereof Germany	412.0	417.0
Americas	126.8	124.8
Africa, Asia, and Australia	146.2	146.8
	925.3	**945.6**

[1] Non-current assets = intangible assets; property, plant and equipment, right-of-use asset and other non-current assets (excluding the plan assets relating to pension plans reported under this balance sheet item)

The business performance of the individual segments is detailed in the management report. Services rendered between the divisions follow the arm's length principle.

41 Notes to the cash flow statement

Due to the adjustment of effects from changes in foreign currency exchange rates and transactions that have not or not yet resulted in a change in cash and cash equivalents, the changes used as a basis in the cash flow statement cannot be directly reconciled with the balance sheet items in the published balance sheet.

In fiscal year 2023, the Dräger Group's cash inflow from operating activities amounted to EUR 189.7 million (2022: cash outflow of EUR 144.2 million). The main reasons for this were the year-on-year improvement in profitability[1] and the EUR 13.0 million decrease in inventories (2022: increase of EUR 81.8 million). In addition, provisions decreased by a total of EUR 52.8 million less than in the same period of the previous year. Trade payables, on the other hand, decreased by EUR 67.2 million, after increasing by EUR 66.3 million in the same period of the previous year.

In the reporting year, there was a cash outflow from investing activities of EUR 67.3 million, following a cash inflow of EUR 36.8 million in the same period of the previous year. The cash inflow in the previous year was mainly attributable to the money market funds (net cash inflow from sales and purchases of money market funds totaling EUR 129.8 million), in which Dräger had invested available cash with a short-term investment horizon. In fiscal year 2023, cash outflows totaling EUR 65.1 million (2022: EUR 79.7 million) were recorded for investments in property, plant and equipment; of this amount, a total of EUR 40.6 million (2022: EUR 57.1 million) was attributable to the German subsidiaries. No payments were made to associates (2022: EUR 6.6 million).

The increased cash outflow from financing activities of EUR 154.6 million (2022: cash outflow of EUR 29.4 million) was primarily due to the repayment of terminated participation certificates in the amount of EUR 208.8 million in January 2023. On the other hand, bank loans and current account liabilities were also raised in the net amount of EUR 105.4 million (2022: EUR 19.6 million).

The financial statements and comparative figures of economically independent foreign entities operating in a hyperinflationary environment and reporting in a currency of a hyperinflationary economy are continuously revalued. The result from net exposure from monetary items in the earnings after income taxes is adjusted in the operating cash flows from assets. ↗ Please refer to note 7

The Dräger Group reports its interest payments in the cash flow from operating activities. Interest payments from leases amounted to EUR 5,568 thousand (2022: EUR 4,883 thousand) with corresponding interest expenses of EUR 5,568 thousand (2022: EUR 4,883 thousand). In addition, interest payments of EUR 14,594 thousand (2022: EUR 7,724 thousand) were made on bank loans and promissory note loans with corresponding interest expenses of EUR 15,278 thousand (2022: EUR 7,893 thousand). The changes in liabilities from financing activities excluding these interest effects are broken down into cash and non-cash items as follows:

[1] Earnings before interest result, income taxes, depreciation and amortization (EBITDA) adjusted for non-cash changes in provisions and other non-cash income and expenses

Reconciliation of liabilities from financing activities 2023

in € thousand	January 1	Affecting payments	Addition	De-recognition	Reclassi-fication	Not affecting payments Exchange rate change	December 31
Non-current note loans	100,000	-	-	-	-	-	100,000
Non-current liabilities to banks	62,212	101,273	-44	-	-5,669	-60	157,711
Current liabilities to banks	83,575	4,098	731	-	5,669	-1,442	92,630
Lease liabilities	116,164	-46,407	55,185	-2,508	-	-1,391	121,043
Total liabilities from financing activities	**361,951**	**58,963**	**55,871**	**-2,508**	**0**	**-2,893**	**471,384**

Reconciliation of liabilities from financing activities 2022

in € thousand	January 1	Affecting payments	Addition	De-recognition	Reclassi-fication	Not affecting payments Exchange rate change	December 31
Non-current note loans	100,000	-	-	-	-	-	100,000
Non-current liabilities to banks	84,841	-524	-18	-	-21,112	-974	62,212
Current liabilities to banks	41,058	20,166	39	-	21,112	1,198	83,575
Lease liabilities	122,107	-43,941	37,323	-964	-	1,640	116,164
Total liabilities from financing activities	**348,006**	**-24,299**	**37,344**	**-964**	**0**	**1,864**	**361,951**

Cash and cash equivalents decreased by EUR 32.2 million (2022: EUR -136.8 million) to EUR 272.0 million (December 31, 2022: EUR 311.6 million) and exclusively comprised liquid assets; these were subject to restrictions on their use amounting to EUR 12.0 million (December 31, 2022: EUR 9.1 million).

Unused credit lines amounted to EUR 655.9 million as at the reporting date (December 31, 2022: EUR 694.4 million). The credit lines are subject to standard market restrictions.

42 Executive and supervisory board remuneration

Remuneration of the Executive Board

The remuneration of the Dräger Executive Board consists of fixed and variable components. In total, they make up the total remuneration of an Executive Board member. In addition to the fixed basic annual salary, fixed components also include fringe benefits and the Company pension scheme. In particular, the structure of the Company pension scheme was reorganized under the remuneration system applied since January 1, 2021. The defined performance-oriented company pension scheme has been replaced by an externally funded, insurance-linked pension system with a guaranteed minimum interest rate.

The variable components comprise an annual bonus, which is made up of two sub-targets. Sub-targets are defined before the start of the fiscal year as individual targets on the one hand and joint targets on the other. The achievement of each sub-target can be between 0% and 200%.

The remuneration system for Executive Board members was revised by resolution of the annual shareholders' meeting on May 5, 2023. Accordingly, from fiscal year 2023 onwards, compared to the previous remuneration system, part of the annual bonus payment will be invested in virtual shares. Accordingly, 40% of the amount resulting from the target achievement of each Executive Board member's annual bonus is initially retained by the Company and converted into virtual shares, the value of which is only granted in cash after a holding period of five years. To calculate the number of virtual shares, the partial amount of the annual bonus to be invested is divided by the average closing price of the preferred shares of Drägerwerk AG & Co. KGaA in XETRA trading over the last 30 trading days of the past fiscal year for which the remuneration is determined. At the end of the holding period, the number of virtual shares is multiplied by the average closing price of the preferred shares of Drägerwerk AG & Co. KGaA in XETRA trading over the last 30 trading days of the last year of the holding period. The payout amount is also limited to 500 % of the amount originally converted into virtual shares. During the holding period, the virtual shares represent an appreciation right that is calculated at fair value using an option valuation model. As at December 31, 2023, a total of 23,083.65 virtual shares were calculated on the basis of the average closing price of the preference share of Drägerwerk AG & Co. KGaA in XETRA trading over the last 30 trading days of EUR 51.52 and recognized as a provision at a value of EUR 1,163 thousand (approximately equal to the intrinsic value). In the 2023 fiscal year, expenses of EUR 1,163 thousand were incurred for the virtual shares.

Furthermore, the variable components include a multi-year bonus, which is divided into two components: a mid-term bonus (MTB) with a performance period of three years and a long-term bonus (LTB) with a performance period of five years. Both components are based on the Group DVA target. In addition to the aforementioned variable remuneration components, the Supervisory Board has set up a specific long-term variable remuneration component with a performance period of four or six years ("Performance Bonus Monitoring 2023 - 2028") for the Executive Board of the medical division.

In addition, a special payment with an incentive effect for the future may be granted in the event of exceptional, above-mandatory performance by the Management Board member, limited to the maximum payment of the basic annual salary and the variable remuneration.

In fiscal year 2023, the total remuneration of the active Executive Board within the meaning of Section 314 para. 1 no. 6 HGB amounted to EUR 19,025 thousand (2022: EUR 5,531 thousand). This is made up of non-performance-related benefits amounting to EUR 2,471 thousand (2022: EUR 2,391 thousand) and performance-related benefits in the amount of EUR 16,554 thousand (2022: EUR 3,140 thousand) of which EUR 1,784 thousand (2022: EUR 820 thousand) is short-term and EUR 14,770 thousand (2022: EUR 2,071 thousand) long-term, as well as share-based remuneration with a long-term incentive effect of EUR 1,151 thousand (2022: EUR 249 thousand).

Due to the partial payment of the annual bonus in virtual shares introduced in 2023, in the 2023 fiscal year, the members of the Executive Board will have the opportunity for the last time to receive a payment in the form of shares in accordance with the provisions of the employee share program instead of receiving part of their variable remuneration for the 2022 fiscal year in cash. In this reporting year, the members of the Executive Board converted a total amount of EUR 444 thousand (2022: EUR 660 thousand) of the variable remuneration resulting from fiscal year 2022 into shares at a purchase price of EUR 50.80 per share. In accordance with the provisions of the employee share program, the members of the Executive Board received 2,911 free preferred shares from Dräger at a market value of EUR 54.90, resulting in total share-based remuneration of EUR 196 thousand (2022: EUR 249 thousand). The holding period for these preferred shares - including those acquired by the Company itself - runs until December 31, 2025.

If Executive Board remuneration is paid by Drägerwerk Verwaltungs AG, it is entitled to claim reimbursement from Drägerwerk AG & Co. KGaA monthly pursuant to Sec. 11 (1) and (3) of the articles of association of Drägerwerk AG & Co. KGaA. Pursuant to Sec. 11 (4) of the Company's articles of incorporation, the general partner receives a fee, independent of profit and loss, of 6% of the equity disclosed in its financial statements, payable one week after the general partner prepares its financial statements, for the management of the Company and the assumption of personal liability. For fiscal year 2023, this remuneration amounts to EUR 137 thousand (2022: EUR 114 thousand) plus any applicable VAT.

The pension obligations for active members of the Executive Board are recognized in the 2023 annual financial statements at EUR 7,693 thousand (2022: EUR 6.802 thousand). Since January 1, 2021, the pension commitments have been transferred to an externally pre-financed insurance-linked pension plan with a guaranteed minimum interest rate, which is serviced directly by Drägerwerk Verwaltungs AG. Drägerwerk AG & Co. KGaA will continue to maintain the pension commitments made to Executive Board members up to December 31, 2020. Due to the new pension commitments, there will be no additions to pension obligations for active Executive Board members at Drägerwerk AG & Co. KGaA in the fiscal year 2023. In the fiscal year, the obligation increased by EUR 891 thousand (2022: EUR 3,954 thousand reduction) due to the interest rate development.

The present value of the new pension commitments, serviced by Drägerwerk Verwaltungs AG, is calculated in accordance with HGB and amounted to EUR 1,105 thousand in the reporting year, after payment of pension contributions of EUR 1,105 thousand (2022: EUR 1,050 thousand) EUR 5,144 thousand (2022: EUR 3,898 thousand). No obligation is recognized as this is offset by a reinsurance policy in the same amount at Drägerwerk Verwaltungs AG.

The remuneration of former Executive Board members and their surviving dependents amounted to EUR 3,702 thousand (2022: EUR 3,398 thousand) at the end of the reporting year. Pension obligations to former Executive Board members and their surviving dependents amounted to EUR 35,590 thousand (2022: EUR 35,060 thousand).

If an Executive Board member dies during his or her active service on the Board, the surviving spouse is entitled to Dräger widow's and widower's pension, and any remaining children have claim to Dräger orphan's pension. The annual Dräger widow's and widower's pension amounts to 55% of the Dräger pension received by, or which would have been received by, the deceased executive if said executive would have been unable to work when they died (notional invalidity pension). The amount of Dräger orphan's pension is 10% of the notional reduction in earning capacity pension or the current Dräger pension of the deceased Executive Board member.

Supervisory Board remuneration
The annual shareholders' meeting of Drägerwerk AG & Co. KGaA has defined the remuneration of the Supervisory Board members in the articles of association since fiscal year 2011. The total remuneration of the Supervisory Board for the 2023 fiscal year amounted to EUR 569 thousand (2022: EUR 429 thousand).

In fiscal year 2023, the six Supervisory Board members of the general partner, Drägerwerk Verwaltungs AG, received total remuneration of EUR 240 thousand (2022: EUR 240 thousand). This includes additional lump-sum expenses in the amount of EUR 60 thousand (2022: 60 thousand) in total. No remuneration was paid to Supervisory Board members of Group companies.

43 Shares owned by the Executive and Supervisory Boards

As of December 31, 2023, the Executive Board members of Drägerwerk Verwaltungs AG, including their related parties, directly held 49,478 preferred shares in Drägerwerk AG & Co. KGaA (corresponding to 0.575% of the Company's shares) and 157,281 common shares (corresponding to 1.548% of the Company's shares).

As at December 31, 2023, the Supervisory Board members and persons related to them directly or indirectly held a total of 477 preferred shares (corresponding to 0.006% of the Company's shares) and 3 common shares (corresponding to 0.00% of the Company's shares).

44 Transactions with related persons and companies

Services amounting to EUR 36 thousand (2022: EUR 35 thousand) were provided for Stefan Dräger and companies and persons related to Stefan Dräger, the Dräger Foundation and the Dräger Family Foundation in the fiscal year 2023. As at December 31, 2023, there were receivables from this in the amount of EUR 1 thousand (2022: EUR 1 thousand).

Due to the relationship with a Supervisory Board member of Drägerwerk AG & Co. KGaA, the companies GFT Technologies SE, Stuttgart, Germany, and SW34 Gastro GmbH, Stuttgart, Germany, are classified as related parties. No expenses were incurred for services provided by GFT Technologies SE, Stuttgart, Germany, in the 2023 fiscal year (2022: EUR 54 thousand). There were no liabilities at either reporting date. The expenses for services rendered by SW34 Gastro GmbH, Stuttgart, Germany, amounted to EUR 20 thousand (2022: EUR 19 thousand) in fiscal year 2023. Liabilities from this amounted to EUR 7 thousand (2022: EUR 1 thousand) as at the balance sheet date.

Rental and other services amounting to EUR 123 thousand (2022: EUR 122 thousand) were provided by Group companies for the associated company MAPRA Assekuranzkontor GmbH in fiscal year 2023. As at December 31, 2023, there were receivables from this in the amount of EUR 2 thousand (2022: EUR 2 thousand). There were no liabilities as at either reporting date.

A convertible loan of CAD 1,500 thousand was granted by Dräger Safety AG & Co. KGaA to associate Focus Field Solutions Inc., St. Johns, Canada, in fiscal year 2020. This was disbursed in three tranches totaling CAD 1,500 thousand (EUR 1,041 thousand in total) in the fiscal years 2020 to 2021. The interest rate is 5.5%. In the fiscal year 2023, the term of this loan was extended by four years. No conversion was carried out. In fiscal year 2022, a further loan of CAD 2,600 thousand was granted by Dräger Safety AG & Co. KGaA. The first two tranches totaling CAD 1,000 thousand (EUR 694 thousand in total) were disbursed in the 2022 fiscal year. The next tranches of CAD 1,000 thousand (EUR 683 thousand) were disbursed in fiscal year 2023. The interest rate is 8.55%. The interest is due at the point at which the loan is fully repaid on December 31, 2027. Expenses for services rendered by Focus Field Solutions Inc., St. Johns, Canada, amounted to EUR 579 thousand (2022: EUR 610 thousand) in fiscal year 2023. There were no liabilities from this as at December 31, 2023 and the previous year.

Services totaling EUR 0.3 thousand (2022: EUR 9 thousand) were purchased from associate GWA Hygiene GmbH, Stralsund, Germany, in fiscal year 2023. There are no liabilities from this as at December 31, 2023 (2022: EUR 0 thousand).

Impairment losses of EUR 3,376 thousand (2022: EUR 0 thousand) were recognized on the carrying amount of associates and loans to associates.

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

Dräger Verwaltungs AG is the general partner of Drägerwerk AG & Co. KGaA (ultimate parent company of the Dräger Group) and holds 0% of the capital. Only a few transactions are conducted with the general partner, as it only exercises administrative functions. The general partner is entitled to compensation for all expenses incurred in association with the management of Drägerwerk AG & Co. KGaA, including the contractually agreed remuneration for its executive bodies. These expenses comprise the remuneration of the Executive Board, the remuneration of its Supervisory Board, liability remuneration, and other expenses.

As at December 31, 2023, there were liabilities to Drägerwerk Verwaltungs AG in the amount of EUR 18,646 thousand (2022: EUR 16,711 thousand), mainly resulting from cash management and management remuneration. The expenses for services rendered by Drägerwerk Verwaltungs AG amounted to EUR 9,148 thousand (2022: EUR 10,556 thousand) in fiscal year 2023. These consisted mainly of management remuneration payments of EUR 6,991 thousand (2022: EUR 8,964 thousand) and pension expenses of EUR 1,105 (2022: EUR 1,050 thousand) thousand. Services amounting to EUR 150 thousand (2022: EUR 259 thousand) were provided for Drägerwerk Verwaltungs AG in fiscal year 2023. There were no liabilities as at either reporting date.

In the 2018 fiscal year, Drägerwerk Verwaltungs AG granted an Executive Board member a fixed-interest loan of EUR 600 thousand with a term until May 2, 2023 and an interest rate of two percent. The remaining repayment of EUR 200 thousand was made in the 2023 fiscal year.

In 2023, Executive Board members also had the opportunity to acquire shares as part of the employee share program and also convert part of their bonus into shares in accordance with the conditions of the employee share program. All Executive Board members participated in the program in the reporting year and acquired at least 20 share packages consisting of three investment shares at EUR 50.80 each. For each share package, Dräger credited one preferred share with a value of EUR 54.90 free of charge to their respective securities accounts. The holding period for these preferred shares - including those acquired by the Company itself - runs until December 31, 2025.

The Executive Board members were not granted a non-interest bearing advance on the long-term variable remuneration in fiscal year 2023 (2022: EUR 542 thousand).

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

Key management positions are held by members of the Executive Board of Drägerwerk Verwaltungs AG, the Supervisory Board of Drägerwerk AG & Co. KGaA, and the Supervisory Board of Verwaltungs AG. Executive Board remuneration as defined by IAS 24 is as follows:

Executive Board remuneration [1]

in €	2023	2022
Payments due in the short term	4,179,589	3,168,766
Post-employment benefits	1,104,625	1,050,000
Other payments due in the long term	1,505,004	5,549,706
Share-based payment	1,320,774	242,008
Total remuneration	**8,109,993**	**10,010,480**

[1] The disclosures include remuneration components that were partially included in the notes on related parties in the previous year. The previous year's figures have been adjusted accordingly.

The Supervisory Board members of Drägerwerk AG & Co. KGaA received short-term benefits of EUR 569 thousand (2022: EUR 429 thousand). The Supervisory Board members of Drägerwerk Verwaltungs AG received short-term benefits of EUR 240 thousand (2022: EUR 240 thousand).

45 Further information

Auditor’s fee

The total fee paid or payable in the fiscal year to the auditor of the 2023 consolidated financial statements – PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and other companies in the PwC network whose fees for the 2023 fiscal year are reported for the first time in accordance with the International Ethics Standards Board for Accountants Code of Ethics – by Drägerwerk AG & Co. KGaA and the affiliated companies over which the Company exercises control and which are consolidated in the consolidated financial statements, amounted to EUR 3,245 thousand for audit services, EUR 82 thousand for other certification services, EUR 12 thousand for other services, and EUR 213 thousand for tax advisory services.

The total fee paid or payable to the auditor of the 2023 consolidated financial statements – PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft – in the fiscal year amounted to EUR 1,371 thousand (2022: EUR 1,218 thousand) for audit services, EUR 42 thousand (2022: EUR 40 thousand) for other certification services, EUR 6 thousand (2022: EUR 34 thousand) for other services and EUR 0 thousand (2022: EUR 0 thousand) for tax advisory services.

The audit services primarily include the fees for the audit of the Consolidated Financial Statements and the legally required audits of Drägerwerk AG & Co. KGaA and the subsidiaries included in the Consolidated Financial Statements as well as the project-related audit of an IT migration. The fees for other certification services primarily consist of legally mandated certification services, including EMIR, audits under the German Packaging Ordinance (Verpackungsverordnung – VerpackV), and voluntary certification services relating to covenants. Fees for other services mainly included transfer price services.

The signing auditors of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft are Dr. Andreas Focke and Christoph Fehling. Dr. Andreas Focke signs the auditor’s report for the fifth time in fiscal year 2023. Mr. Christoph Fehling signs the auditor’s report of the Dräger Group for the second time.

Corporate governance declaration

The declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) of Drägerwerk AG & Co. KGaA has been submitted and made permanently available to shareholders on the Internet at www.draeger.com in December 2023.

46 Consolidated companies

Consolidated companies

	Name and registered office	Capital stock in thousand		Shareholding in %
Germany				
	Dräger Safety AG & Co. KGaA, Lübeck	25,739	EUR	100 [1]
	Dräger Medical Deutschland GmbH, Lübeck	2,000	EUR	100 [1]
	Dräger Electronics GmbH, Lübeck	2,000	EUR	100
	Dräger Digital GmbH, Lübeck	1,023	EUR	100
	Dräger Safety Verwaltungs AG, Lübeck	1,000	EUR	100 [1]
	Dräger TGM GmbH, Lübeck	767	EUR	100 [1]
	Dräger MSI GmbH, Hagen	1,000	EUR	100 [1]
	Dräger Medical ANSY GmbH, Lübeck	500	EUR	100 [1]
	Dräger Interservices GmbH, Lübeck	256	EUR	100 [1]
	Dräger Gebäude und Service GmbH, Lübeck	250	EUR	100 [1]
	Dräger Medical International GmbH, Lübeck	112	EUR	100 [1]
	MAPRA Assekuranzkontor GmbH, Lübeck	55	EUR	49 [2]
	Fachklinik für Anästhesie und Intensivmedizin Vahrenwald GmbH, Lübeck	26	EUR	100 [1]
	Dräger Energie GmbH, Lübeck	25	EUR	100
	FIMMUS Grundstücks-Vermietungsgesellschaft mbH, Lübeck	25	EUR	100 [1,3]
	FIMMUS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Lübeck KG, Lübeck	10	EUR	100 [3,4]
	DRENITA Grundstücks- und Vermietungsgesellschaft mbH & Co. Objekt Fertigung Dräger Medizintechnik KG, Düsseldorf	10	EUR	100 [3]
	Dräger Holding International GmbH, Lübeck	25	EUR	100 [1]
	bentekk GmbH, Lübeck	29	EUR	100
	GWA Hygiene GmbH, Stralsund	101	EUR	24.01 [2]
Europe				
Belgium	Dräger Medical Belgium NV, Wemmel	1,503	EUR	100
	Dräger Safety Belgium NV, Wemmel	789	EUR	100
Bulgaria	Draeger Bulgaria EOOD, Sofia	705	BGN	100
Denmark	Dräger Danmark A/S, Herlev	5,100	DKK	100
Finland	Dräger Suomi Oy, Vantaa	803	EUR	100
France	Dräger France SAS, Antony	8,000	EUR	100
	Dräger Production France SAS, Obernai	4,000	EUR	100
Greece	Draeger Hellas Single Member A.E. for Products of Medical and Safety Technology, Athens	1,500	EUR	100
United Kingdom	Draeger Safety UK Ltd., Blyth	7,589	GBP	100
	Draeger Medical UK Ltd., Hemel Hempstead	4,296	GBP	100
Ireland	Dräger Ireland Ltd., Dublin	25	EUR	100
Italy	Draeger Italia S.p.A., Corsico	7,400	EUR	100
Croatia	Dräger Medical Croatia d.o.o., Zagreb	555	EUR	100
	Dräger Safety d.o.o., Zagreb	305	EUR	100
Lithuania	QuaDigi UAB, Vilnius	10	EUR	100
Netherlands	Dräger Nederland B.V., Zoetermeer	10,819	EUR	100
Norway	Dräger Norge AS, Oslo	1,129	NOK	100
	GasSecure AS, Oslo	139	NOK	100
Austria	Dräger Austria GmbH, Vienna	2,000	EUR	100
Poland	Dräger Polska Sp. z o.o., Warsaw	4,655	PLN	100
Portugal	Dräger Portugal, Lda, Carnaxide	1,000	EUR	100
Romania	Draeger Romania srl, District 1, Bucharest	205	RON	100
Russia	Dräger OOO, Moscow	3,600	RUB	100
Sweden	Dräger Sverige AB, Kista	2,000	SEK	100
	ACE Protection AB, Svenljunga	100	SEK	100
	AB Ulax, Motala	500	SEK	62.5

[1] Exemption pursuant to Sec. 264 (3) HGB
[2] This company is treated as an associated company as per IAS 28.
[3] Special purpose entities as per IFRS 10
[4] Exemption pursuant to Sec. 264b HGB

Consolidated companies

	Name and registered office	Capital stock in thousand		Shareholding in %
Europe (continued)				
Switzerland	Dräger Schweiz AG, Liebefeld-Bern	3,000	CHF	100
	STIMIT AG, Biel/Bienne	292	CHF	67.32
Serbia	Dräger Tehnika d.o.o., Vozdovac Belgrade	21,385	RSD	100
Slovakia	Dräger Slovensko s.r.o., Piestany	597	EUR	100
Slovenia	Dräger Slovenija d.o.o., Ljubljana-Crnuce	344	EUR	100
Spain	Dräger Hispania S.A.U., Madrid	3,606	EUR	100
Czech Republic	Dräger Medical s.r.o., Čestlice	18,314	CZK	100
	Dräger Safety s.r.o., Čestlice	29,186	CZK	100
	Dräger Manufacturing Czech s.r.o., Klášterec nad Ohří	65,435	CZK	100
Türkiye	Draeger Medikal Ticaret ve Servis A.S., Istanbul	25,040	TRY	100
	Draeger Safety Korunma Teknolojileri A.S., Istanbul	70	TRY	100
Hungary	Dräger Safety Hungaria Kereskedelmi és Szolgáltató Kft., Budapest	66,300	HUF	100
	Dräger Medical Hungary Sales and Service Kft., Budapest	94,800	HUF	100
Africa				
Ghana	Draeger Ghana Ltd, Accra-North	1,000	USD	100
Kenya	Dräger Kenya Ltd, Nairobi	62,500	KES	100
Morocco	Draeger Maroc SARL AU, Casablanca	8,720	MAD	100
South Africa	Dräger South Africa (Pty) Ltd, Buccleuch	0	ZAR	69
	Dräger Safety Zenith (Pty) Ltd, East London	5,000	ZAR	100
Americas				
Argentina	Drager Argentina S.A., Buenos Aires	176,621	ARS	100
Brazil	Dräger do Brasil Ltda., São Paulo	62,421	BRL	100
	Dräger Indústria e Comércio Ltda., São Paulo	106,243	BRL	100
	Dräger Safety do Brasil Equipamentos de Seguranca Ltda., São Paulo	46,160	BRL	100
Chile	Dräger Chile Ltda., Santiago	1,284,165	CLP	100
	Dräger-Simsa S.A., Santiago	499,000	CLP	51
Canada	Draeger Safety Canada Ltd., Mississauga	2,280	CAD	100
	Draeger Medical Canada Inc., Mississauga	2,000	CAD	100
	Focus Field Solutions Inc., St. John's	2,930	CAD	29.53 [2]
Colombia	Draeger Colombia S.A., Bogotá D.C.	10,215,233	COP	100
Mexico	Draeger Safety, S.A. de C.V., Col. Lomas de Santa Fe	39,532	MXN	100
	Dräger Medical Mexico, S.A. de C.V., Col. Lomas de Santa Fe	32,238	MXN	100
Panama	Draeger Panama Comercial, S. de R.L., Ciudad de Panamá	700	USD	100
Peru	Draeger Peru S.A.C., Lima	9,809	PEN	100
United States	Draeger, Inc., Harrisburg	356	USD	100
	Draeger Medical Systems, Inc., Wilmington, New Castle County	0	USD	100
	MultiSensor Scientific Inc., Somerville	1	USD	48.74 [2]
Asia/Australia				
P.R. China	Shanghai Dräger Medical Instrument Co., Ltd., Shanghai	2,600	USD	100
	Draeger Safety Equipment (China) Co., Ltd., Beijing	50,000	CNY	100
	Dräger Medical Equipment (Shanghai) Co., Ltd., Shanghai	1,200	USD	100
	Dräger Medical Systems (Shanghai) Co., Ltd., Shanghai	70,000	CNY	100
Hong Kong	Draeger Hong Kong Limited, Kwun Tong, Kowloon	500	HKD	100
India	Draeger India Pvt. Ltd., Mumbai	260,438	INR	100
	Draeger Safety India Pvt. Ltd., Mumbai	60,000	INR	100
Indonesia	PT Draegerindo Jaya, Jakarta	10,000,100	IDR	100
	PT Draeger Medical Indonesia, Jakarta	18,321,000	IDR	100
Japan	Draeger Japan Ltd., Tokyo	499,500	JPY	100
Malaysia	Draeger Malaysia Sdn. Bhd., Kuala Lumpur	15,000	MYR	100
Myanmar	Draeger Myanmar Ltd., Yangon	50	USD	100
Philippines	Draeger Philippines Corporation, Pasig City	40,965	PHP	100

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

Consolidated companies

	Name and registered office	Capital stock in thousand		Shareholding in %
Asia/Australia (continued)				
Saudi Arabia	Draeger Arabia LLC, Riyadh	40,000	SAR	51
Singapore	Draeger Singapore Pte Ltd., Singapore	8,360	SGD	100
South Korea	Draeger Korea Co., Ltd., Hanam	2,100,020	KRW	100
Taiwan	Draeger Safety Taiwan Co., Ltd., Hsinchu City	50,000	TWD	100
	Draeger Medical Taiwan Ltd., Taipei City	10,000	TWD	100
Thailand	Draeger Medical (Thailand) Ltd., Bangkok	203,000	THB	100
	Draeger Safety (Thailand) Ltd., Bangkok	15,796	THB	100
Vietnam	Draeger Vietnam Co., Ltd., Ho Chi Minh City	22,884,372	VND	100
Australia	Draeger Safety Pacific Pty Ltd, Notting Hill	0	AUD	100
	Draeger Australia Pty Ltd, Notting Hill	3,800	AUD	100
New Zealand	Draeger New Zealand Ltd, Auckland	722	NZD	100

47 Events after the balance sheet date

Distributable earnings
The general partner intends, together with the Supervisory Board of Drägerwerk AG & Co KGaA, Lübeck, to propose a dividend of EUR 1.74 per common share and EUR 1.80 per preferred share, totaling EUR 33,158 thousand, from the net retained profits of Drägerwerk AG & Co KGaA of EUR 405,562 thousand for fiscal year 2023. The remaining amount of EUR 372,404 thousand is to be carried forward to new account.

In January 2024, Dräger signed an agreement on the sale of the Dutch Fire & Gas division (part of the gas detection devices division) to an external company. The aim of this measure is to increase the focus on the core business. The decision to sell this division was already made in fiscal year 2023, so that the assets and liabilities affected by this are already reported separately as held for sale in the Dräger Group's balance sheet as at December 31, 2023. We do not expect any material effects on the net assets, financial position and results of operations of the Dräger Group.

Dräger MSI GmbH develops and sells equipment for the analysis of process and exhaust gas, as well as pressure and leakage measurement. In addition to its own product portfolio, the company also develops and produces classic products in the field of security technology. In February 2024, Dräger's Executive Board decided to discontinue the development, production and sale of measurement technology for exhaust gas, pressure and leak measurement, as this is not a strategic business area for Dräger. There are also plans to transfer the production of OEM products to Dräger Safety and continue production there. The possibility of a management buy-out is being examined. Otherwise, the plan is to wind up Dräger MSI GmbH by the end of the 2024 fiscal year and sell the real estate. At this stage, it is not yet possible to conclusively determine the precise and reliable financial impact of the planned closure of the Hagen site and the associated business changes. We do not expect any material effects on the net assets, financial position and results of operations of the Dräger Group.

Lübeck, February 20, 2024

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

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

Management compliance statement

We confirm to the best of our knowledge that, in accordance with the applicable financial reporting framework, the Group financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, that the Group management report presents business performance including business results and the situation of the Group so as to give a true and fair view, and that the material opportunities and risks relating to the Group's development have been described.

Lübeck, February 20, 2024

The general partner

Drägerwerk Verwaltungs AG
represented by its Executive Board

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

Independent Auditor's Report

To Drägerwerk AG & Co. KGaA, Lübeck

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions
We have audited the consolidated financial statements of Drägerwerk AG & Co. KGaA, Lübeck, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of Drägerwerk AG & Co. KGaA, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions
We conducted our audit of the consolidated financial statements and of the group management re-port in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Recoverability of goodwill
❷ Pension provisions

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue
② Audit approach and findings
③ Reference to further information

Hereinafter we present the key audit matters

❶ **Recoverability of goodwill**

① Goodwill amounting in total to EUR 311.2 million (representing 10.1 % of total assets) is reported under the "Intangible assets" balance sheet item in the Company's consolidated financial statements. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. Impairment testing is carried out at the level of the groups of cash-generating units to which the relevant goodwill has been allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally calculated on the basis of value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. The present values are calculated using discounted cash flow models. For this purpose, the medium-term business plan adopted by the Group forms the starting point for future projections based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the relevant group of cash-generating units. The impairment test determined that no write-downs were necessary. The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

② As part of our audit, we reviewed the methodology employed for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the medium-term business plan adopted by the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. We also assessed whether the basis for including the costs of Group functions was accurate. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied, and verified the calculation procedure. We reproduced the sensitivity analyses performed by the Company, in order to reflect the uncertainty inherent in the projections. Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the respective allocated goodwill, were adequately covered by the discounted future net cash inflows. Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and are within the ranges considered by us to be reasonable.

③ The Company's disclosures regarding impairment testing are contained in note 21 of the notes to the consolidated financial statements.

❷ Pension provisions

① Pension provisions totaling EUR 204.6 million (6.6 % of total assets) are reported under the "Pension provisions" balance sheet item in the Company's consolidated financial statements. The pension provisions comprise obligations from defined benefit pension plans amounting to EUR 499.7 million and plan assets of EUR 295.1 million. The obligations from defined benefit pension plans were measured using the projected unit credit method. This requires assumptions to be made in particular about long-term rates of growth in salaries and pensions, average life expectancy, and staff turnover. The discount rate must be determined by reference to market yields on high-quality corporate bonds with matching currencies and consistent maturities. This usually requires the data to be extrapolated, since there is an insufficient number of long-term corporate bonds. The plan assets are measured at fair value, which in turn involves making estimates that are subject to uncertainty. In our view, these matters were of particular significance in the context of our audit because the recognition and measurement of this item – which is significant in terms of its amount – are based to a large extent on estimates and assumptions made by the Company's executive directors.

② Our audit included evaluating the actuarial expert reports obtained and the professional qualifications of the external experts with respect to the material portion of the pension provisions. We also examined the specific features of the actuarial calculations and reviewed the numerical data, the actuarial parameters and the valuation methods on which the valuations were based for compliance with standards and appropriateness, in addition to other procedures. In addition, we analyzed the changes in the obligation and the cost components in accordance with actuarial expert reports in the light of changes occurring in the valuation parameters and the numerical data, and verified their plausibility. For the purposes of our audit of the fair value of the plan assets, we obtained bank and fund confirmations. Based on our audit procedures, we satisfied ourselves that the estimates and assumptions made by the executive directors were justified and adequately documented.

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

Other Information

The executive directors are responsible for the other information. The other information comprises the following unaudited components of the management report.

- the corporate governance statement pursuant to section § 289f and section § 315d contained in the section "Declaration / Group Declaration on Corporate Governance (Sections 289f and 315d HGB)" of the management report
- the section "Definition and components of the internal control system" of the management report.

The other information comprises further

- the separate non-financial report to comply with §§ 289b to 289e HGB and with §§ 315b to 315c HGB
- all remaining parts of the annual report, which we obtained prior to the date of our auditor's report – excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor's report.

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

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

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Assurance Opinion
We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file Draeger_KA+KLB_ESEF-2023-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion
We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents
The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

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

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

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on 5 May 2023. We were engaged by the supervisory board on 5 July 2023. We have been the group auditor of the Drägerwerk AG & Co. KGaA, Lübeck, without interruption since the financial year 2009.

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

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT
Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT
The German Public Auditor responsible for the engagement is Christoph Fehling.

Hamburg, 21 February, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Andreas Focke	Christoph Fehling
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

The Company's Boards

Supervisory Board of Drägerwerk AG & Co. KGaA

Stefan Lauer
Chairman of the Supervisory Board

Former Executive Board member of Deutsche Lufthansa AG[1], Frankfurt

Supervisory Board memberships:
- Dräger Safety AG & Co. KGaA[2], Lübeck, Chairman
- Dräger Safety Verwaltungs AG[2], Lübeck, Chairman
- Drägerwerk Verwaltungs AG, Lübeck, Chairman
- People at Work Systems AG, Munich

Memberships on comparable boards of German or foreign companies:
- Valeta GmbH, Bad Säckingen, Chairman of the Advisory Board

Christian Fischer
Vice Chairman of the Supervisory Board (since May 5, 2023)

Member of Dräger European Forum / European Works Council, Lübeck
Chairman of the Dräger Lübeck Works Council, Lübeck
Chairman of the Group Works Council of Dräger, Lübeck

Daniel Friedrich (until May 5, 2023)
Vice Chairman of the Supervisory Board (until May 5, 2023)

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

Supervisory Board memberships:
- Airbus Operations GmbH, Hamburg
- Mercedes-Benz AG, Stuttgart

Sandra Albert (May 5 to November 30, 2023)
Secretary for the metalworkers' union, coastal region, Hamburg

Supervisory Board memberships:
- Dräger Safety AG & Co. KGaA[2], Lübeck

Bettina van Almsick
Chairwoman of the Works Council Dräger Sales and Service Germany, Essen
Member of the Works Council Dräger Sales and Service Germany, Lübeck
Member of the Group Works Council of Dräger, Lübeck

Supervisory Board memberships:
- Dräger Medical Deutschland GmbH[2], Lübeck, Vice Chairwoman

[1] Listed company
[2] Group mandate within the meaning of Sec. 18 AktG

Nike Benten (until May 5, 2023)
Member of the Dräger Lübeck Works Council, Lübeck
Member of the Group Works Council of Dräger, Lübeck

Supervisory Board memberships:
- Dräger Safety AG & Co. KGaA[2], Lübeck, Vice Chairwoman

Maria Dietz
Member of the Administrative Board and shareholder of GFT Technologies SE[1], Stuttgart

Supervisory Board memberships:
- Dräger Safety AG & Co. KGaA[2], Lübeck
- Drägerwerk Verwaltungs AG, Lübeck
- Ernst Klett Aktiengesellschaft, Stuttgart
- GFT Technologies SE[1], Stuttgart, Member of the Administrative Board
- LBBW Asset Management Investmentgesellschaft mbH, Stuttgart

Andrea Görndt (since May 5, 2023)
Chairwoman of Dräger European Forum / European Works Council, Lübeck
Member of the Dräger Works Council, Lübeck
Member of the Group Works Council of Dräger, Lübeck

Prof. Dr. Thorsten Grenz
Managing Partner of KIMBRIA Gesellschaft für Beteiligung und Beratung mbH, Berlin
Honorary Professor of Economics and Social Sciences at Christian-Albrechts University, Kiel
Managing Director (CFO) of SNP Schneider-Neureither & Partner SE[1], Heidelberg (until May 31, 2023)

Supervisory Board memberships:
- Credion AG, Hamburg (until May 23, 2023)
- Dräger Safety AG & Co. KGaA[2], Lübeck
- Dräger Safety Verwaltungs AG[2], Lübeck
- Drägerwerk Verwaltungs AG, Lübeck
- SNP Schneider-Neureither & Partner SE[1], Heidelberg (since October 27, 2023)

Memberships on comparable boards of German or foreign companies:
- SNP Schneider-Neureither & Partner SE[1], Heidelberg, Member of the Administrative Board (August 1 to September 27, 2023)
- Gerlin Participaties Coöperatief U.A., Maarsbergen (since January 24, 2024)

Henning Groskreutz (since May 5, 2023)
1. Authorized Representative / Managing Director metalworkers' union IG Metall Lübeck-Wismar

Supervisory Board memberships:
- Dräger Safety AG & Co. KGaA[2], Lübeck
- L. Possehl & Co. mbH, Lübeck

Astrid Hamker
Advisory Board member and partner of Piepenbrock Unternehmensgruppe GmbH & Co. KG, Berlin
KOMPASS-Beratung, freelance consultant for family-run businesses, Georgsmarienhütte

[1] Listed company
[2] Group mandate within the meaning of Sec. 18 AktG

Supervisory Board memberships:
- Dräger Safety AG & Co. KGaA[2], Lübeck
- Drägerwerk Verwaltungs AG, Lübeck
- L. Possehl & Co. mbH, Lübeck
- Schmitz Cargobull AG, Horstmar

Memberships on comparable boards of German or foreign companies:
- Felix Schoeller Gruppe GmbH & Co. KG, Osnabrück
- Piepenbrock Unternehmensgruppe GmbH & Co. KG, Berlin, Advisory Board member
- Tengelmann Verwaltungs- und Beteiligungs GmbH, Munich

Stefanie Hirsch (since May 5, 2023)
Senior employee, Drägerwerk AG & Co. KGaA[1], Lübeck

Uwe Lüders (until May 5, 2023)
Former Chairman of the Executive Board of L. Possehl & Co. mbH, Lübeck

Supervisory Board memberships:
- Dräger Safety AG & Co. KGaA[2], Lübeck
- Dräger Safety Verwaltungs AG[2], Lübeck
- Drägerwerk Verwaltungs AG, Lübeck
- L. Possehl & Co. mbH, Lübeck, Chairman

Steffen Michalzik (January 1 to May 5, 2023)
Senior employee, Drägerwerk AG & Co. KGaA[1], Lübeck

Laura Pooth (since December 1, 2023)
Chairwoman of DGB District North – German Trade Union Confederation, Hamburg

Supervisory Board memberships:
- Bürgschaftsbank Schleswig-Holstein GmbH, Kiel
- Dräger Safety AG & Co. KGaA[2], Lübeck (since December 1, 2023)

Memberships on comparable boards of German or foreign companies:
- Federal Employment Agency, Nuremberg, Deputy Member of the Administrative Board

Thomas Rickers (until May 5, 2023)
Secretary for the metalworkers' union, coastal region, Hamburg

Frank Riemensperger (since May 5, 2023)
Managing Director 440.digital GmbH
Member of the Senate, German Academy of Science and Engineering

Supervisory Board memberships:
- Dräger Safety AG & Co. KGaA[2], Lübeck (since May 5, 2023)
- Dräger Safety Verwaltungs AG[2], Lübeck (since May 5, 2023)
- Drägerwerk Verwaltungs AG, Lübeck (since May 5, 2023)
- Sartorius AG[1], Göttingen

Memberships on comparable boards of German or foreign companies:
- Datenraum Mobilität GmbH, Munich

[1] Listed company
[2] Group mandate within the meaning of Sec. 18 AktG

Dr. Reinhard Zinkann
Managing Partner of Miele & Cie. KG, Gütersloh

Supervisory Board memberships:
- Dräger Safety AG & Co. KGaA[2], Lübeck
- Drägerwerk Verwaltungs AG, Lübeck
- Falke KGaA, Schmallenberg (Chairman)

Memberships on comparable boards of German or foreign companies:
- Hipp & Co., Pfaffenhofen, Chairman of the Administrative Board
- Nobilia-Werke J. Stickling GmbH & Co. KG, Verl, Chairman of the Advisory Board

Members of the Audit Committee
Prof. Dr. Thorsten Grenz (Chairman)
Christian Fischer
Daniel Friedrich (until May 5, 2023)
Henning Groskreutz (since May 5, 2023)
Stefan Lauer
Uwe Lüders (until May 5, 2023)
Frank Riemensperger (since July 5, 2023)

Members of the Nomination Committee
Stefan Lauer (Chairman)
Maria Dietz (since May 5, 2023)
Uwe Lüders (until May 5, 2023)
Dr. Reinhard Zinkann

Members of the Joint Committee
Representatives of Drägerwerk Verwaltungs AG:
Maria Dietz
Astrid Hamker
Uwe Lüders (until May 5, 2023)
Frank Riemensperger (since May 5, 2023)
Dr. Reinhard Zinkann

Representatives of Drägerwerk AG & Co. KGaA[1]:
Stefan Lauer (Chairman)
Christian Fischer
Prof. Dr. Thorsten Grenz
Henning Groskreutz (since May 5, 2023)
Thomas Rickers (until May 5, 2023)

[1] Listed company
[2] Group mandate within the meaning of Sec. 18 AktG

Members of the Executive Board of Drägerwerk Verwaltungs AG, acting on behalf of Drägerwerk AG & Co. KGaA

Stefan Dräger
Chairman of the Executive Board

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

Supervisory Board memberships:
- L. Possehl & Co. mbH, Lübeck (since February 1, 2023)
- Sparkasse zu Lübeck AG, Lübeck

Gert-Hartwig Lescow
CFO and Executive Board member for IT, Vice-Chairman of the Executive Board

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

Supervisory Board memberships:
- Carl Zeiss AG, Oberkochen, Chairman of the Audit Committee

Rainer Klug
Executive Board member for Safety Division

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

Memberships on comparable boards of German or foreign companies:
- Arin Business Developments S.à r.l., Luxembourg (since February 28, 2023)

Dr. Reiner Piske
Executive Board member for Sales and Human Resources

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

Anton Schrofner
Executive Board member for Medical Division

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

Memberships on comparable boards of German or foreign companies:

- Draeger Medical Systems, Inc.[2], Telford, Member of the Board of Directors
- Sibel Health, Inc., Chicago, Member of the Board of Directors (since August 23, 2023)
- STIMIT AG[2], Biel, Member of the Administrative Board (since January 1, 2023)

[2] Group mandate within the meaning of Sec. 18 AktG

The segments over the past five years

						Twelve months
		2023	2022	2021	2020	2019
Medical division						
Order intake	**€ million**	**1,916.2**	**1,979.3**	**1,916.9**	**2,498.7**	**1,728.6**
Net sales	**€ million**	**1,966.2**	**1,821.5**	**2,064.2**	**2,302.2**	**1,741.8**
EBIT [1, 2]	**€ million**	**37.1**	**-90.4**	**191.6**	**329.4**	**13.1**
EBIT [1, 2] / net sales	%	1.9	-5.0	9.3	14.3	0.8
Safety division						
Order intake	**€ million**	**1,373.8**	**1,305.4**	**1,170.9**	**1,287.5**	**1,067.6**
Net sales	**€ million**	**1,407.3**	**1,223.7**	**1,264.2**	**1,104.1**	**1,039.1**
EBIT [1, 2]	**€ million**	**129.4**	**1.8**	**80.0**	**67.2**	**53.5**
EBIT [1, 2] / net sales	%	9.2	0.1	6.3	6.1	5.1

[1] EBIT = Earnings before net interest result and income taxes
[2] For effects of the first-time application of IFRS 16 on the figures as at December 31, 2019, see table on page 37 in our annual report 2019.

The Dräger Group over the past five years

						Twelve months
		2023	2022	2021	2020	2019
Order intake	**€ million**	**3,290.0**	**3,284.7**	**3,087.8**	**3,786.2**	**2,796.1**
Net sales	**€ million**	**3,373.5**	**3,045.2**	**3,328.4**	**3,406.3**	**2,780.8**
Gross profit	**€ million**	**1,459.7**	**1,238.4**	**1,540.9**	**1,608.9**	**1,188.4**
Gross profit / net sales	%	43.3	40.7	46.3	47.2	42.7
EBITDA [1, 2]	**€ million**	**315.0**	**55.8**	**421.0**	**521.0**	**193.8**
EBIT [2, 3]	**€ million**	**166.4**	**-88.6**	**271.7**	**396.6**	**66.6**
EBIT [2, 3]/ net sales	%	4.9	-2.9	8.2	11.6	2.4
Interest result	€ million	-25.1	-13.8	-35.0	-36.4	-17.0
Income taxes	€ million	-29.3	38.8	-82.4	-110.3	-15.7
Net profit / net loss	**€ million**	**112.0**	**-63.6**	**154.3**	**249.9**	**33.8**
Earnings per share on full distribution [4]						
per preferred share	€	5.92	-3.41	7.19	10.25	1.44
per common share	€	5.86	-3.47	7.13	10.19	1.38
DVA [5, 6]	**€ million**	**55.8**	**-196.2**	**171.8**	**296.9**	**-32.7**
Equity [7]	€ million	1,409.2	1,319.4	1,260.5	1,033.8	1,076.4
Equity ratio [7]	%	45.5	42.5	39.7	31.3	41.9
Capital employed [2, 7, 8]	€ million	1,523.2	1,537.2	1,381.1	1,410.6	1,401.3
EBIT [3, 5] / capital employed [2, 7, 8] (ROCE)	%	10.9	-5.8	19.7	28.1	4.8
Net financial debt [2, 7, 9, 10]	€ million	197.7	259.2	-24.0	187.1	88.7
Headcount as at December 31		16,329	16,219	15,900	15,657	14,845

[1] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[2] For effects of the first-time application of IFRS 16 on the figures as at December 31, 2019, see table on page 37 of our annual financial report 2019.
[3] EBIT = Earnings before net interest result and income taxes
[4] Based on an imputed actual full distribution of earnings attributable to shareholders
[5] Value of the last twelve months
[6] Dräger Value Added = EBIT less cost of capital of average invested capital
[7] Value as at reporting date
[8] Capital employed = Total assets less deferred tax assets, securities, cash and cash equivalents, non-interest bearing liabilities and other non-operating items
[9] The prior-year figure includes the remaining payment obligation from the termination of the series D profit participation certificates in the amount of EUR 208.8 million. The payment was made on January 2, 2023.
[10] Including the payment obligation of EUR 453.0 million from the termination of the participation certificates as at December 31, 2020

Financial calendar 2024

Publication of 2023 fiscal year figures, Analysts´ conference	March 7, 2024
Report as at March 31, 2024, Conference call	April 25, 2024
Annual shareholders´meeting, Lübeck, Germany	May 8, 2024
Report as at June 30, 2024, Conference call	July 25, 2024
Report as at September 30, 2024, Conference call	October 29, 2024

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Drägerwerk AG & Co. KGaA
Moislinger Allee 53 – 55
23558 Lübeck, Germany
www.draeger.com

www.facebook.com/DraegerGlobal
www.linkedin.com/company/draeger
www.youtube.com/Draeger
www.instagram.com/draeger.global

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

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

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

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