Dräger

Half-yearly financial report
January 1 to June 30, 2020
Dräger Group

Dräger. Technology for Life®

THE DRÄGER GROUP OVER THE PAST FIVE YEARS

		Six months 2020	Six months 2019	Six months 2018	Six months 2017	Six months 2016
Order intake	€ million	2,291.4	1,320.4	1,273.8	1,302.0	1,221.1
Net sales	€ million	1,428.4	1,235.9	1,115.8	1,116.0	1,111.4
Gross profit	€ million	671.1	524.3	473.7	498.2	486.6
Gross profit/Net sales	%	47.0	42.4	42.5	44.6	43.8
EBITDA [1, 2]	€ million	162.3	47.7	5.9	60.1	46.5
EBIT [2, 3]	€ million	101.6	–12.2	–36.6	19.1	5.5
EBIT [2, 3]/Net sales	%	7.1	–1.0	–3.3	1.7	0.5
Interest result	€ million	–20.4	–8.9	–6.2	–6.8	–8.4
Income taxes	€ million	–27.5	6.5	13.4	–4.0	1.8
Net profit	€ million	53.7	–14.6	–29.3	8.2	–1.1
Earnings per share on full distribution [4]						
per preferred share	€	2.24	–0.82	–1.59	0.36	–0.05
per common share	€	2.21	–0.85	–1.62	0.33	–0.08
DVA [5, 6, 7]	€ million	81.4	–8.1	13.8	64.5	–39.4
Equity [5, 8]	€ million	870.2	1,034.8	1,023.0	1,000.2	895.0
Equity ratio [5, 8]	%	30.0	41.9	44.6	45.6	39.5
Capital employed [2, 8, 9, 10]	€ million	1,466.0	1,448.5	1,299.0	1,229.9	1,259.2
EBIT [3,6]/Capital employed [2, 8, 9, 10] (ROCE) [5]	%	12.3	6.0	7.7	12.2	3.9
Net financial debt [2, 8, 11]	€ million	494.1	171.2	78.8	41.8	150.6
Headcount as of June 30		15,177	14,671	14,042	13,484	13,412

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 of June 30, 2019, see table on page 13 of the Half-yearly financial report 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 The first-time application of IFRS 16 in fiscal year 2019 impacts this key figure. Therefore, comparability is limited.
6 Value of the last twelve months
7 Dräger Value Added = EBIT less cost of capital of average invested capital
8 Value as of reporting date
9 Capital employed = total assets less deferred tax assets, securities, cash and cash equivalents, non-interest-bearing liabilities and other non-operating items
10 Due to the redefinition of capital employed in December 2019, the figures for 2019 have been adjusted.
11 Including the payment obligation of EUR 449.5 million from the termination of the participation certificates as of June 30, 2020

SHAREHOLDER INFORMATION

MANAGEMENT REPORT

INTERIM FINANCIAL STATEMENTS OF THE DRÄGER GROUP AS OF JUNE 30, 2020

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

This half-yearly financial report has been set up in German and English language. In case of any discrepancy between the German and English version, the German version shall prevail.

Dear Shareholders, dear Employees, dear Readers,

The outbreak and rapid spread of the coronavirus has had a tremendous impact on people, the economy, and society. The pandemic has made us more aware than ever that we all live on one and the same planet. We are connected to each other, not only by our global travels, but also by global supply chains. We are dependent on each other.

To contain infection rates, entire industries and regions have been shut down, placed under lockdown, or are subject to significant restrictions. As a result, global economic output is set to decline sharply this year, even though governments are taking measures to counteract the effects through stimulus programs. In some countries, healthcare systems have reached their limits. In others, they have reached a point of near or collapse. All told, we are seeing that the preparations and stockpiles for a crisis—especially with regard to protective equipment—were largely inadequate.

Like any company, Dräger is also affected by the risks associated with the coronavirus pandemic. We have taken preventive measures to minimize the risk of infection for employees while also safeguarding production. Unlike many companies that have been forced to bear a slump in demand due to the effects of the pandemic, we have seen a sometimes dramatic rise in demand for our Technology for Life. While others have been stuck at home, it has been all hands on deck at Dräger. We are doing everything we can to fulfill our social supply obligation to provide for society.

In recent years, we have made extensive investments in securing the future potential of Dräger. As a result, we have forgone short-term profit in order to position ourselves better in the long term. A few years ago, we modernized our production facilities from the ground up, especially in the medical division. We have spent over EUR 70 million to build a new, state-of-the-art manufacturing facility at our production site in Lübeck. In addition, we have partnered with works council members and unions to agree on flexible working hours and innovative labor organization models. All of that puts us in a position to respond quickly to the change in demand and produce far more ventilators at short notice.

Demand for our FFP respiratory protection masks is also very high—much higher than we can currently meet. We have therefore decided to increase our production capacities for light respiratory protection. To this end, we are expanding existing locations and building entirely new factories in the U.S., France, and the U.K. against the backdrop of major orders. This international production network will allow us to respond quickly to national or local needs in a targeted manner while also meeting global needs flexibly and in close cooperation.

I would like to take this opportunity to expressly thank all our employees for the tremendous dedication with which they are rising to the current challenges. They are demonstrating the value we chose as our motto back when we celebrated our anniversary in 2014: They are working “with heartfelt dedication”! Internally, we have received many offers from employees volunteering to help with the expansion of production—one of the main points in the current situation. After all, our aim is to produce as much as possible in order to fulfill our social supply obligation to provide for society as best we can. I would also like to mention our colleagues in Service who are active at hospitals to make sure that the ventilators and anesthesia devices so desperately needed in many countries receive maintenance and remain functional. All of our employees are going the extra mile and are working for life every day!

Dräger got off to an exceptional start in fiscal year 2020. In the first quarter, we received more inquiries than ever before. Order intake rose by more than 100 percent, with an increase of over 170 percent in the medical division. Net sales did not rise by nearly the same extent. Order intake growth slowed in the second quarter, in part because we are unable to guarantee delivery of new orders for some of the most in-demand products this year despite expanding our production capacities. Our net sales rose substantially in the second quarter. Essentially, we nearly generated net sales on a level usually seen in the fourth quarter, our seasonally strongest one. That too demonstrates how unusual 2020 is. In the first half of the year, our net sales rose by more than 17 percent (net of currency effects), with both medical and safety division products, as well as all regions, making a contribution. Thanks to the very positive net sales performance, our earnings before interest and taxes (EBIT) improved significantly year-on-year in the first six months of 2020.

So what is next for us? The unusual demand situation has enabled us to adjust our forecasts, as announced. For fiscal year 2020, we now expect to see an increase in net sales of between 14 and 22 percent (net of currency effects). The EBIT margin is expected to lie between 7.0 and 11.0 percent.

We are also seizing the opportunities presented to us by the unusual business situation in other respects and are simplifying our capital structure. By terminating the participation certificates, we are replacing a financing instrument that was not well known among international investors in particular and that had largely lost its importance as an equity instrument for Dräger. In doing so, we are simplifying our equity structure, consisting of common and preferred shares. Following redemption of the participation certificates, the dividend will completely go to the shareholders. Earnings per share will increase as a result of all these measures, making the Dräger share more attractive.

The developments triggered by the coronavirus pandemic will require our attention for some time to come. We are running a marathon that is far from over. What is more, the world will not be the same once the coronavirus has passed. Things that appeared important before will no longer be as relevant. Meanwhile, other things will be more important—values such as stability, reliability, and humanity. I personally believe that the purpose of our company and the meaning of our work will be met with greater appreciation from our customers, employees, and investors. Technology for Life will be valued more highly. That is something our shareholders and employees will benefit from. After all, they play an important role in our success and in our mission to provide customers with Technology for Life.

Best regards,

Stefan Dräger

The Dräger shares

The value of Dräger shares increased significantly in the first half of the year, driven by the high demand for Dräger products as a result of the COVID-19 pandemic. As of June 30, 2020, Dräger common shares closed at EUR 59.20, up 49.5 % on the beginning of the year. Dräger preferred shares closed the half-year at EUR 72.50, representing a 30.2 % rise since the beginning of the year. While the Dräger shares began exhibited minimal price changes in the first few weeks of 2020, prices started to rise significantly in March with the announcement of a major order for 10,000 ventilators. At its peak, the Dräger preferred share briefly rose to EUR 98.50.

Dräger shares therefore outperformed the stock market. In the first half of the year, the SDAX index fell by 8.1 % to approximately 11,536 points. The TecDAX index also declined, falling by 2.3 % to around 2,954 points.

In April, Dräger placed 1,000,000 new bearer preferred shares with institutional investors within the scope of a capital increase. The new preferred shares were issued through the utilization of parts of the authorized capital under exclusion of subscription rights. The price of placement for the new preferred shares stood at EUR 76.50, resulting in gross proceeds of EUR 76,500,000 for the company. Following completion of the capital increase, the company's share capital now amounts to EUR 48,025,600.

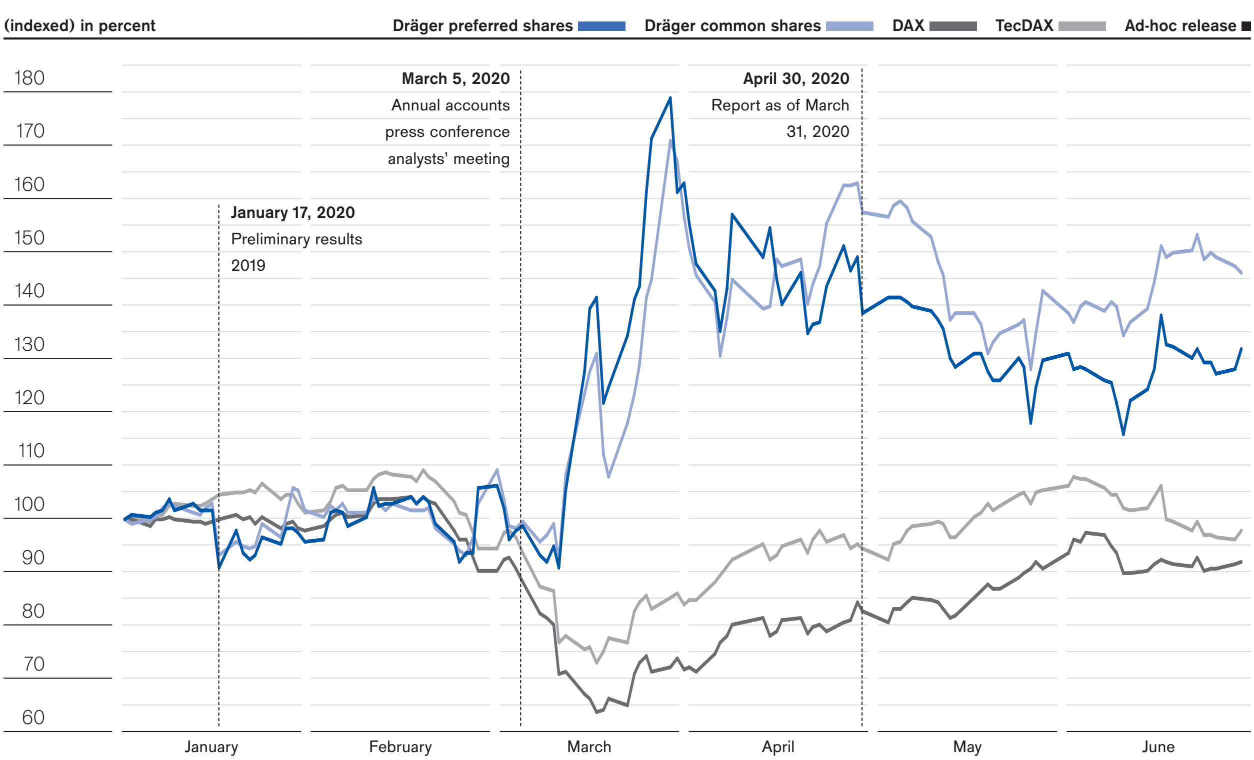
Prior to this, Dräger canceled all 566,819 series D participation certificates in March with 24 months' notice to the end of the 2022 calendar year. After the successful placement of the capital increase, Dräger also terminated all 195,245 series A participation certificates and all 69,887 series K participation certificates in April by giving six months' notice to the end of the 2020 calendar year.

The buyback value is determined in accordance with the respective terms and conditions underlying the participation certificates and corresponds to ten times the average market price of the preferred share in the last three calendar months before the announcement of the termination. The buyback value per series A and K participation certificate of therefore amounts to EUR 596.00. The buyback value of the series D participation certificates already terminated in March amounts to EUR 546.20 per participation certificate.

Payment of the buyback value to the holders of the participation certificates will be made in the amount of approximately EUR 116.4 million for series A and approximately EUR 41.6 million for series K in accordance with the respective terms and conditions underlying the participation certificates on January 4, 2021. Payment of the buyback value to the holders of the participation certificates for series D in the amount of approximately EUR 309.6 million will be made on January 2, 2023.

The buyback will enable Dräger to optimize its capital structure. The division of Drägerwerk AG & Co. KGaA's market capitalization into several types of participation certificates in addition to existing shares is inefficient and stands in the way of optimized capital financing through shares. The termination thereby reduces the future capital costs for the company. In addition, the reduction in the number of profit participation certificates will increase the future share of the distribution to shareholders. As a result, the buyback increases the attractiveness of the share.

PERFORMANCE OF THE DRÄGER SHARES



DRÄGER SHARES – BASIC FIGURES

	Common shares	Preferred shares
Securities identification number (WKN)/ISIN[1]	555060/DE0005550602	555063/DE0005550636
Ticker symbol/Reuters symbol/Bloomberg symbol	DRW/DRWG.DE/DRW8	DRW3/DRWG_p.DE/DRW3
Main stock exchange	Frankfurt/Xetra	Frankfurt/Xetra
Market segment	Prime Standard	Prime Standard
Index	–	TecDAX, SDAX
Initial listing	2010	1979

1 International Securities Identification Number

DRÄGER SHARES KEY FIGURES

	Six months 2020	Six months 2019
Common shares		
No. of shares as of the reporting date	10,160,000	10,160,000
High (in €)	69.10	46.80
Low (in €)	37.25	38.20
Share price on the reporting date (in €)	59.20	42.15
Average daily trading volume [1]	16,267	2,527
Earnings per common share on full distribution (in €) [2]		
Undiluted/diluted (in €)	2.21	–0.85
Preferred shares		
No. of shares as of the reporting date	8,600,000	7,600,000
High (in €)	98.50	56.60
Low (in €)	50.00	42.26
Share price on the reporting date (in €)	72.50	55.40
Average daily trading volume [1]	80,897	20,285
Earnings per preferred share on full distribution (in €) [2]		
Undiluted/diluted (in €)	2.24	–0.82
Market capitalization (in €)	1,224,972,000	849,284,000

1 All German stock exchanges (source: designated sponsor).
2 Based on an imputed actual full distribution of earnings attributable to shareholders.

Management Report of the Dräger Group for the First Half of 2020

General economic conditions

GLOBAL ECONOMY SEES HISTORIC SLUMP

The coronavirus pandemic is causing the global economy to experience a historic slump in growth. Economic activity in many countries has at times been severely affected by the measures taken to stop the spread of the coronavirus. As a result, the International Monetary Fund (IMF) expects global economic output to decline by almost 5 % in 2020, with the decline affecting industrialized economies stronger than the emerging markets. A decline of some 10 % is expected for the eurozone, while the decline in Germany will be less pronounced, standing at slightly under 8 %. These numbers illustrate that the current impact is much more pronounced than the effects of the financial crisis in 2008/09.

FISCAL AND MONETARY POLICIES REACT TO ECONOMIC DOWNTURN

Governments and central banks around the world are taking action to counter the massive impact of the pandemic on the economy. On the fiscal side, the measures range from sending checks to citizens, as has been done in the U.S. for example, to providing loans and temporary tax cuts to stabilize companies and stimulate consumer demand. Monetary policy is also using any remaining leeway to support the economies. The U.S. Federal Reserve, for instance, has cut its interest rates significantly and also resumed bond buying. With interest rates already negative before the crisis, the European Central Bank has now greatly expanded its bond-buying activities.

INFLATION FALLS AGAIN, EURO INCONSISTENT

The inflation rate in the eurozone has decreased in 2020. In June, prices increased by a mere 0.3 % in the eurozone compared to the same month in the prior year, in particular due to the decline in energy prices. In Germany, prices rose by 0.9 % year-on-year in the same period.

The euro has remained largely unchanged against the U.S. dollar throughout the first six months of 2020, although the turbulence on the financial markets resulting from the coronavirus pandemic has led to greater fluctuations. Many emerging market currencies have lost value against the euro in 2020.

MARKET AND INDUSTRY PERFORMANCE

The global coronavirus pandemic was the defining topic in the first half of 2020. The effects naturally also affect industries relevant to Dräger, with varying results.

Medical division

Demand for medical products rose, with the demand for ventilation technology in particular exceeding supply as an effect of the coronavirus pandemic. In Central Europe, for example, the strategy of the government in France was basically the same as in Germany:

In addition to containing the number of infections, expanding intensive care capacities, and mobilizing personnel, the focus was primarily on the procurement of consumables and ventilators. Northern Europe saw similar developments, with sales opportunities opening up in Sweden, for instance, when the number of intensive care units had to be increased. In Southern Europe, Italy and Spain were hit particularly hard by the pandemic. As a result, ventilators stood front and center, experiencing an increase in demand. At the same time, other segments saw a backlog in demand. The countermeasures taken by governments in Eastern Europe have proved effective. The region saw an increased awareness for the need to renew medical technology in the wake of the coronavirus crisis.

The American market for medical technology also saw a strong increase in demand. The number of both infections and deaths in the United States is the highest in the world, with ventilators and protective masks for medical personnel in short supply. Companies from outside the industry have also discovered the healthcare market for themselves. The automotive industry, for example, now produces medical technology: GM is expected to produce 30,000 ventilators in cooperation with the health technology company Ventec Life Systems by the end of August. Central and South America have also been heavily affected by the pandemic. In Mexico, the crisis exposed the healthcare system as underfinanced. The government has now ordered 5,500 ventilators, among other things. Brazil's healthcare facilities also proved to be increasingly overloaded. The Ministry of Health purchased an additional 14,100 domestically manufactured ventilators to be able to handle the pandemic. Digital healthcare also took on special importance in the first half of 2020.

The Africa, Asia, and Australia region also saw an increase in demand for ventilators and medical protective equipment. In China, the country where the pandemic started, exports of medical technology were some 28.5 % higher in the first five months of 2020 than in the same period of the prior year. New sales channels and opportunities were opened up abroad due to increased demand, particularly for protective equipment and other medical products. In the chinese domestic market, e-health platforms and telemedicine providers also benefited enormously. In India—another hotspot of the pandemic, and one of the many countries without a sufficient number of ventilators—the deficits in medical care remain enormous, especially in rural areas. Australia also saw increased demand for medical equipment. The Arabian Peninsula has handled the pandemic reasonably well. Saudi Arabia, for example, has avoided overburdening its healthcare system by imposing massive restrictions on activities outside the home and contact.

Safety division

We consider the markets for safety technology to have developed negatively, also due to the negative global economic development caused by the coronavirus pandemic. However, this development varied depending on the area. This being the case, an individual analysis is needed:

The European chemical sector suffered from weak demand in important customer sectors, and the low oil price further stifled demand. However, coronavirus triggered an increase in demand in some sectors, such as personal protective equipment and the production of pharmaceuticals and medical gases. In Spain, for example, manufacturers responded flexibly to demand. In the United Kingdom, many chemical companies are weathering the coronavirus pandemic with confidence, but the outlook concerning trade relations after the end of the Brexit transition phase remain the biggest uncertainty factor. The British oil industry suffered both from the collapse in demand and from the global drop in prices. In Northern Europe, the chemical industry’s export business suffered and liquidity concerns increased. Despite these developments, some sectors also provided positive results, for example manufacturers of plastic packaging with customers in the pharmaceutical sector. Russia experienced a double shock in the form of the pandemic and a drop in oil prices, plunging the country into recession.

The North American chemical industry offers a mixed bag. On the one hand, important customer industries for chemical products have been completely dormant since March or have reduced production to a minimum. On the other hand, there are signs of increased demand for plastics, especially for use in the containment of infectious diseases. The oil and gas industry is suffering from the drop in prices. Production has been cut back and wells are closed. Takeovers and bankruptcies are a daily occurrence. In our opinion, the South American chemical industry saw mixed development. In Brazil, for example, some manufacturers of disinfectants and cleaning agents, as well as pharmaceutical companies, are benefiting from the coronavirus pandemic. However, most manufacturers were operating at less than 60 % capacity utilization in April. The oil and gas industry in Brazil was also impacted by the fall in oil prices, with Petrobras posting record losses in the first quarter. In addition to this, the development of the gas market also faltered. Further negative effects of the pandemic were seen in the mining industry, where production capacity was reduced by at least 10 %.

Developments in Africa, Asia, and Australia were also very heterogeneous. The chemical industry in China reflected the overall state of the economy. It supplies almost all sectors and offered a mixed picture. While some segments of the pharmaceutical industry are benefiting from the coronavirus pandemic, the collapse of oil prices has reduced profits for Chinese petrochemical giants. The chemical industry in Japan also felt the effects of decreased demand. However, the Japanese chemical industry also developed at two speeds in the first half of the year. In Australia, many chemical companies felt the strain of a difficult business environment. To combat the coronavirus crisis, the government developed plans for a “gas-fired recovery” that involves massive investment in local gas infrastructure. In the oil and gas industry, companies have put major projects worth billions of dollars on hold due to the coronavirus pandemic. The situation for the mining industry was more positive. The operators of iron ore and gold mines benefited from solid global market prices and are investing in expansion. In the Middle East, the coronavirus crisis, in combination with the cutback in oil production as agreed by the OPEC Plus group, had a negative impact on the industry. Investments in Saudi Arabia are being cut back sharply. The Saudi Arabian chemical industry has been affected by weak demand on international markets and lower product prices, with the coronavirus pandemic further worsening the situation, as it has done elsewhere. The industries in Africa, that are relevant to Dräger, are suffering from the effects of the coronavirus pandemic. Nigeria, for example, as an oil-dependent economy, is particularly susceptible to the effects of the coronavirus pandemic and the oil price crash. Important foreign exchange and, above all, government revenues have collapsed.

According to our information, the fire service markets saw demand fall globally. Public-sector investment was halted. However, demand for hygiene products and personal protective equipment increased.

OVERALL ASSESSMENT OF THE UNDERLYING CONDITIONS

The coronavirus pandemic and the measures taken to contain it are leading to significant restrictions on economic activity in the short term. Governments and central banks are attempting to minimize the impact and stimulate the economy through national and international support measures.

The medical and safety technology markets as a whole remain robust in this environment. However, there are differences in the economic effects. Medical technology, in particular, has seen an extraordinary surge in demand in certain product areas on account of the pandemic.

CHANGES IN SEGMENT REPORTING

Segment reporting pursuant to IFRS 8 in the quarterly and annual reports is geared towards the organizational and management system.

Until the end of fiscal year 2019, the company was managed via the Europe, Americas, and Africa, Asia, and Australia regions. In the course of the reorientation towards the medical and safety divisions, which began at the end of 2018, we have revised and adjusted our Group management. The changes became effective at the beginning of 2020 and are aimed at better reflecting and supporting collaboration between Sales & Service and the product-side responsibilities of the two segments. This will enable us to increase customer intimacy at headquarters and implement solutions for our customers more rapidly.

Since January 2020, we have no longer managed our business by region, but instead primarily via the medical and safety divisions. Moreover, we have adjusted our segment reporting accordingly. Further details on these changes can be found starting on page 21 of the Annual Report 2019.

This division-based management approach results in the following changes to our segment reporting:

- Reporting is divided into the medical division and the safety division.
- Net sales and all directly attributable costs are directly attributed to the segments.
- Cross-segment costs are allocated to the two segments using a plan-based formula.
- Due to the organizational restructuring of the segments, comparability with the prior year's figures is limited.
- Apart from the key influencing factors of net working capital (trade receivables, trade payables, inventories including prepayments received), reported capital employed also

includes long-term capital, such as property, plant and equipment. This is assigned to the segments using a net sales formula.
- Dräger value added (DVA) is the central key management figure at Dräger. In the future, it will be disclosed for both the medical and safety divisions in accordance with the adjusted segment reporting.
- Key figures that cannot be reasonably allocated to the divisions, such as net financial debt, are only reported at Group level.

The change in segment reporting results in slight variations of the order intake and net sales per division, compared to the figures reported in the prior year.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Second quarter			Six months		
		2020	2019	Change in %	2020	2019	Change in %
Order intake	**€ million**	**898.7**	**672.8**	**+33.6**	**2,291.4**	**1,320.4**	**+73.5**
Net sales	**€ million**	**788.4**	**634.3**	**+24.3**	**1,428.4**	**1,235.9**	**+15.6**
Gross profit	**€ million**	**388.0**	**270.0**	**+43.7**	**671.1**	**524.3**	**+28.0**
Gross profit/Net sales	%	49.2	42.6		47.0	42.4	
EBITDA [1, 2]	**€ million**	**132.5**	**28.8**	**> +100.0**	**162.3**	**47.7**	**> +100.0**
EBIT [2, 3]	**€ million**	**102.2**	**–1.5**	**> +100.0**	**101.6**	**–12.2**	**> +100.0**
EBIT[2, 3]/Net sales	%	13.0	–0.2		7.1	–1.0	
Net profit	**€ million**	**60.4**	**–4.5**	**> +100.0**	**53.7**	**–14.6**	**> +100.0**
Earnings per share on full distribution [4]							
per preferred share	€	2.60	–0.25	> +100.0	2.24	–0.82	> +100.0
per common share	€	2.59	–0.26	> +100.0	2.21	–0.85	> +100.0
DVA [5, 6, 7]	€ million	81.4	–8.1	> +100.0	81.4	–8.1	> +100.0
Research and development costs	€ million	72.8	65.8	+10.6	140.5	129.0	+8.9
Equity ratio [5, 8]	%	30.0	41.9		30.0	41.9	
Cash flow from operating activities	€ million	–15.5	8.0	> –100.0	33.9	31.3	+8.2
Net financial debt [2, 8, 9]	€ million	494.1	171.2	> +100.0	494.1	171.2	> +100.0
Investments [10]	€ million	33.9	41.3	–18.1	60.9	60.6	+0.5
Capital employed [2, 8, 11, 12]	€ million	1,466.0	1,448.5	+1.2	1,466.0	1,448.5	+1.2
Net working capital [8, 12, 13]	€ million	695.0	648.6	+7.2	695.0	648.6	+7.2
EBIT [2, 3, 6]/Capital employed [2, 8, 11, 12] (ROCE) [5]	%	12.3	6.0		12.3	6.0	
Net financial debt [2, 8, 9]/EBITDA [1, 2]	Factor	1.60	0.90		1.60	0.90	
Gearing [9, 14]	Factor	0.57	0.17		0.57	0.17	
Headcount as of June 30		15,177	14,671	+3.4	15,177	14,671	+3.4

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 of June 30, 2019, see table on page 11 of the Half-yearly 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 The first-time application of IFRS 16 in fiscal year 2019 impacts this key figure. Therefore, comparability is limited.
6 Value of the last twelve months
7 Dräger Value Added = EBIT less cost of capital of average invested capital
8 Value as of reporting date
9 Including the payment obligation of EUR 449.5 million from the termination of the participation certificates as of June 30, 2020
10 Including investments in right-of-use assets according to IFRS 16
11 Capital employed = total assets less deferred tax assets, securities, cash and cash equivalents, non-interest-bearing liabilities and other non-operating items
12 Due to the redefinition of capital employed in December 2019, the figures for 2019 have been adjusted.
13 Net working capital = Trade receivables and inventories less trade payables, customer prepayments, short-term operating provisions and other short-term operating items
14 Gearing = Net financial debt/equity

Business performance of the Dräger Group

ORDER INTAKE

	Second quarter				Six months			
in € million	2020	2019	Change in %	Net of currency effects in %	2020	2019	Change in %	Net of currency effects in %
Medical division	590.8	425.9	+38.7	+42.0	1,633.9	804.4	+103.1	+105.6
Safety division	307.9	246.9	+24.7	+26.4	657.5	515.9	+27.4	+29.1
Total	**898.7**	**672.8**	**+33.6**	**+36.3**	**2,291.4**	**1,320.4**	**+73.5**	**+75.7**
thereof Europe	495.4	362.4	+36.7	+37.6	1,410.9	711.3	+98.4	+99.2
thereof Germany	201.5	146.0	+38.1	+38.1	712.8	293.2	+143.1	+143.1
thereof Americas	187.9	140.4	+33.8	+40.2	377.6	262.2	+44.0	+48.6
thereof Africa, Asia, and Australia	215.5	169.9	+26.8	+30.1	502.9	346.8	+45.0	+48.0

ORDER INTAKE

Order intake (net of currency effects) rose by 75.7 % in the first half of the year. In Europe, the increase was strongest at Group level. Dräger also recorded strong growth in the Americas region as well as in the Africa, Asia, and Australia region. In the second quarter, we achieved a strong increase in demand with an order growth of 36.3 % (net of currency effects), to which all regions contributed.

At 105.6 %, the greatest increase in orders (net of currency effects) was in the medical division. Europe saw the strongest growth by far. A major order from the German Federal Ministry of Health for 10,000 ventilators had a particularly positive effect in Germany. Demand also increased very strongly in the Africa, Asia, and Australia region, as well as in the Americas region. Order intake again rose sharply in all regions in the second quarter; all told, an increase of 42.0 % was recorded in the medical division.

In the safety division, order intake increased by 29.1 % (net of currency effects) in the first half of the year. The Europe region again accounted for the largest rise, followed by the Americas region, while growth in the Africa, Asia, and Australia region was lower. In the second quarter, orders increased by 26.4 % (net of currency effects), driven by strong demand in the Americas and Europe regions in particular, while growth was lower in Africa, Asia, and Australia.

NET SALES

in € million	Second quarter 2020	2019	Change in %	Net of currency effects in %	Six months 2020	2019	Change in %	Net of currency effects in %
Medical division	533.3	393.5	+35.5	+38.1	928.9	762.0	+21.9	+23.5
Safety division	255.1	240.8	+6.0	+7.6	499.5	474.0	+5.4	+6.6
Total	**788.4**	**634.3**	**+24.3**	**+26.5**	**1,428.4**	**1,235.9**	**+15.6**	**+17.1**
thereof Europe	470.6	341.5	+37.8	+38.6	833.3	668.2	+24.7	+25.3
thereof Germany	195.8	140.9	+39.0	+39.0	336.6	263.3	+27.8	+27.8
thereof Americas	137.9	129.4	+6.6	+12.4	258.0	251.6	+2.5	+6.2
thereof Africa, Asia, and Australia	179.9	163.5	+10.1	+12.4	337.1	316.2	+6.6	+8.3

NET SALES

Net sales increased by 17.1 % (net of currency effects) in the first half of the year. While deliveries saw strong growth in Europe, the increase was lower in the regions of Africa, Asia, and Australia, as well as in the Americas. In the second quarter, net sales increased by 26.5 % (net of currency effects), with all regions contributing to this growth. The medical division specifically saw a significant increase in net sales, but healthy growth was also recorded in the safety division.

EARNINGS

Gross profit increased by EUR 146.8 million to EUR 671.1 million in the first half of 2020 (6 months 2019: EUR 524.3 million). The significant growth in net sales in the reporting period, a positive country and product mix, and other margin effects in combination with less margin-reducing tenders, are responsible for this development. All told, the gross margin of 47.0 % was significantly higher year-on-year, despite slightly negative currency effects (6 months 2019: 42.4 %).

Both segments recorded an increase in gross profit and gross margin. The medical division in particular made a disproportionately high contribution to growth, but we also recorded significant a increase in the safety division.

Gross profit improved by EUR 118.0 million in the second quarter. The gross margin increased by 6.6 percentage points year-on-year to 49.2 %. Both segments also contributed to the increase in the second quarter, with a significantly stronger contribution coming from the medical division.

Functional costs rose by 6.5 % in the first half of the year (net of currency effects). In nominal terms, this increase amounted to 5.9 % on account of slightly positive currency effects. Among other things, wage and salary raises and higher logistics costs led to this increase.

Adjusted for somewhat more favorable currency effects, sales and marketing costs were up 4.9 % year-on-year in the first half of 2020. This increase affected both segments. In addition to investment in sales, logistics costs rose due to the higher net sales volume and increased freight rates.

Adjusted for the change in exchange rates, research and development (R&D) costs increased by 8.4 % (+8.9 % in nominal terms). Due to the strong volume growth, the ratio of R&D costs to net sales decreased to 9.8 % (6 months 2019: 10.4 %). Net of currency effects, our administrative costs were 9.3 % higher year-on-year in the first six months.

The other financial result changed by EUR –0.5 million to EUR –2.5 million (6 months 2019: EUR –2.0 million), primarily due to higher currency-related valuation losses.

At EUR 101.6 million, Group earnings before net interest result and income taxes (EBIT) in the first half of the year were significantly higher than in the prior year (6 months 2019: EUR –12.2 million). As a result, the EBIT margin improved to 7.1 % (6 months 2019: –1.0 %). In the second quarter, EBIT increased by EUR 103.7 million to EUR 102.2 million. Both the first half of the year and the second quarter saw the net sales and margin-related increase in gross profit accompanied by a disproportionately low increase in functional costs.

Interest expenses increased by EUR 11.5 million to EUR –20.4 million (6 months 2019: EUR –8.9 million). The change in interest result was due to the interest effect of the termination of the participation certificates. The tax rate came to 33.9 % in the first six months of 2020 (6 months 2019: 30.8 %). Earnings after income taxes amounted to EUR 53.7 million, up EUR 68.3 million year-on-year (6 months 2019: EUR –14.6 million).

INVESTMENTS

Investments totaled EUR 60.9 million in the first half of 2020 (6 months 2019: EUR 60.6 million). Of this amount, intangible assets accounted for EUR 2.7 million (6 months 2019: EUR 2.2 million), property, plant and equipment for EUR 43.3 million (6 months 2019: EUR 32.1 million), and right-of-use assets for EUR 14.8 million (6 months 2019: EUR 26.3 million). These primarily relate to replacement investments. Thus far, we have invested EUR 4.9 million in the new production of respiratory protection masks in the United States. The project is expected to be completed in the third quarter of 2020.

In addition to the new production facility in the U.S. and the capacity expansions in Sweden and South Africa, we will also invest in new production facilities for respiratory protection masks in France and the United Kingdom in the second half of the year. The investments in the expansion of production capacities at all five sites will require an amount in the mid-eight-figure range (in euros) in fiscal year 2020.

Depreciation and amortization came to EUR 60.7 million in the same period (6 months 2019: EUR 59.9 million).

Investments covered 100.3 % of depreciation and amortization, meaning that non-current assets remained virtually unchanged at EUR 0.2 million.

CASH FLOW STATEMENT[1]

In the first six months of fiscal 2020 Dräger Group generated cash inflow from operating activities of EUR 33.9 million compared to cash inflow of EUR 31.3 million in the prior year period. Key factors in this development were improved profitability, an increase in trade payables of EUR 69.7 million, and an increase in other liabilities of EUR 45.7 million. By contrast, inventories increased by EUR 175.1 million, marking a more significant rise as compared to the prior year (EUR 61.5 million). In addition, trade receivables decreased by only EUR 10.5 million instead of the EUR 116.1 million seen in the same period of the prior year.

Cash outflow from investing activities rose by EUR 19.2 million to EUR 48.5 million. At EUR 33.5 million, the significant investments were made at the subsidiaries in Germany, particularly in property, plant and equipment (EUR 21.4 million). The additions of right-of-use assets included in investments in the amount of EUR 14.8 million do not represent a cash outflow from investment activities pursuant to IFRS 16. Additionally, cash outflow was EUR 12.4 million less than investments due to currency effects (see footnote 1) and the exclusive consideration of paid investments.

The cash inflow from financing activities in the amount of EUR 33.0 million primarily resulted from payments received as part of the capital increase (EUR 75.2 million), which are offset by net repayments of bank loans and current account liabilities of EUR 22.9 million and repayments of lease liabilities of EUR 19.2 million.

Cash and cash equivalents as of June 30, 2020, exclusively comprised cash, of which EUR 5.5 million (December 31, 2019: EUR 7.9 million) are subject to restrictions.

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

Financial management

BORROWING

A master loan agreement with bilateral credit lines of EUR 377.0 million with a term until June 2022 exists in order to secure working capital financing. These credit lines were utilized as sureties in Germany and abroad and as cash facilities. Note loans totaled EUR 60.0 million as of June 30, 2020.

The termination of the series A and K participation certificates has resulted in a payment obligation of EUR 158.0 million as of January 4, 2021 and the termination of the series D has resulted in a payment obligation of EUR 309.6 million as of January 2, 2023. To partially offset the obligation, a capital increase was carried out in April 2020 by making partial use of approved capital (see also note 4).

NET ASSETS

The Dräger Group's equity declined by EUR 206.1 million to EUR 870.2 million in the first six months of 2020. The equity ratio came to 30.0 %, which was significantly lower than the figure as of December 31, 2019 (41.9 %). The change was primarily due to the termination of all participation certificates.[2]

The buyback value of all participation certificates totaled EUR 467.6 million, of which EUR 309.6 million is attributable to the buyback value of the series D participation certificates and EUR 158.0 million to the series A and K combined. The payment obligation for the series D participation certificates is due in January 2023 and is recognized in the balance sheet at a discounted value of EUR 291.4 million. The difference between the discounted buyback value of EUR 291.4 million and the former carrying value of the debt components of the participation certificates from series D of EUR 19.2 million increased non-current liabilities by EUR 272.2 million. The buyback value of EUR 158.0 million for series A and K is due in January 2021 and is not discounted. The difference between the buyback value of EUR 158.0 million and the former carrying value of the debt components of the series A and K participation certificates of EUR 7.0 million increased current liabilities by EUR 151.0 million. The net interest effect from the termination of the participation certificates and the related net tax effects of EUR 9.4 million was recognized in the income statement.

Additionally, the adjustment of the calculation parameters for German pension provisions, particularly the reduction in the discounting rate from 1.10 % to 1.00 %, increased pension provisions by EUR 31.1 million. The net amount of this adjustment of EUR 21.3 million after deferred tax liabilities decreased reserves from retained earnings recognized directly in equity.

By contrast, the capital increase in April 2020 had a positive effect on equity with a net increase of EUR 75.6 million.

[2] Please refer to Note 5 in the notes

Total assets increased by EUR 328.8 million to EUR 2,899.7 million in the first half of 2020. On the assets side, non-current assets increased by EUR 131.2 million. The main effect results from the increase in deferred taxes of EUR 130.6 million. Current assets increased by EUR 197.6 million, with a EUR 160.4 million increase in inventories. Receivables from tax authorities (EUR +20.1 million) and prepayments made (EUR +16.3 million) also recorded an increase.

The change on the liabilities side resulted from an increase in non-current and current liabilities, which was offset by a decrease in equity (EUR –206.1 million).

Non-current liabilities increased by EUR 219.9 million. The increase in non-current other financial liabilities (EUR +285.3 million) is of particular importance in this regard, primarily due to payment obligations from the termination of the series D participation certificates. By contrast, non-current liabilities to banks decreased by EUR 69.9 million, primarily due to a note loan amounting to EUR 60.0 million being reclassified to current liabilities.

Current liabilities increased by EUR 315.0 million. Current other financial liabilities increased by EUR 150.2 million, primarily due to payment obligations from the termination of the series A and K participation certificates. Current liabilities to banks increased by EUR 45.1 million, primarily due to the reclassification of a note loan. In addition, contractual liabilities (EUR +47.3 million), liabilities to tax authorities (EUR +46.4 million), and trade payables (EUR +33.8 million) all increased.

DRÄGER VALUE ADDED

Dräger Value Added (DVA) increased by EUR 89.5 million to EUR 81.4 million year-on-year in the 12 months to June 30, 2020 (12 months to June 30, 2019: EUR –8.1 million). Rolling EBIT rose year-on-year by EUR 93.3 million. Capital costs rose by EUR 3.9 million, since average capital employed increased by 4.1% to EUR 1,414.9 million.

Average current assets saw a disproportionately lower increase than net sales. As a result, days working capital (coverage of current assets) decreased by five days to 103.0 days. The calculation of days working capital was adjusted at the end of 2019, primarily to fully reflect contract liabilities pursuant to IFRS 15. The prior year's figures were amended accordingly to allow the comparable presentation of the development of this key figure.

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Second quarter				Six months			
		2020	2019	Change in %	Net of currency effects in %	2020	2019	Change in %	Net of currency effects in %
Order intake with third parties	**€ million**	**590.8**	**425.9**	**+38.7**	**+42.0**	**1,633.9**	**804.4**	**+103.1**	**+105.6**
thereof Germany	€ million	131.6	93.7	+40.4	+40.5	543.4	172.8	+214.5	+214.5
Net sales with third parties	**€ million**	**533.3**	**393.5**	**+35.5**	**+38.1**	**928.9**	**762.0**	**+21.9**	**+23.5**
thereof Germany	€ million	134.6	87.9	+53.2	+53.3	216.3	162.6	+33.0	+33.0
EBITDA [1]	**€ million**	**100.2**	**6.3**	**> +100.0**		**109.0**	**4.8**	**> +100.0**	
EBIT [2]	**€ million**	**84.9**	**–10.2**	**> +100.0**		**78.0**	**–27.4**	**> +100.0**	
EBIT [2]/Net sales	%	15.9	–2.6			8.4	–3.6		
Capital employed [3, 4]	€ million	883.3	856.4	+3.1		883.3	856.4	+3.1	
EBIT [2, 5, 6]/Capital employed [3, 4] (ROCE)	%	14.7	–3.2			14.7	–3.2		
DVA [5, 6, 7]	€ million	60.4	–34.6	> +100.0		60.4	–34.6	> +100.0	

1 EBITDA = earnings before net interest result, income taxes, depreciation and amortization

2 EBIT = earnings before net interest result and income taxes

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

4 Value as of reporting date

5 The first-time application of IFRS 16 in fiscal year 2019 impacts this key figure. Therefore, comparability is limited.

6 Value of the last twelve months

7 Dräger Value Added = EBIT less cost of capital of average invested capital

Business performance of the medical division

ORDER INTAKE

	Second quarter				Six months			
in € million	2020	2019	Change in %	Net of currency effects in %	2020	2019	Change in %	Net of currency effects in %
Europe	302.7	208.5	+45.2	+46.4	980.7	395.8	+147.7	+148.6
thereof Germany	131.6	93.7	+40.4	+40.4	543.4	172.8	+214.5	+214.5
Americas	120.8	95.6	+26.4	+34.4	263.8	171.4	+53.9	+59.8
Africa, Asia, and Australia	167.4	121.8	+37.4	+40.2	389.4	237.2	+64.2	+66.9
Total	**590.8**	**425.9**	**+38.7**	**+42.0**	**1,633.9**	**804.4**	**+103.1**	**+105.6**

There was a significant increase in order intake of 105.6 % (net of currency effects) in the medical division in the first six months of the year.

Demand for ventilators rose exponentially year-on-year, and order intake in the accessories business, patient monitoring, and data management increased significantly. A significant rise was also recorded for anesthesia devices; orders increased in the double-digit range in the service business. Order intake decreased only for thermoregulation equipment as well as in the hospital infrastructure business in the first half of the year.

In Europe, order intake more than doubled in the first six months of the year, with a 148.6 % rise (net of currency effects). Orders from Germany made the largest contribution to this increase. Order intake (net of currency effects) also increased strongly in the Africa, Asia, and Australia region and in the Americas region. In the second quarter, Dräger recorded a significant increase in demand of 42.0 % (net of currency effects), with all regions contributing to this increase in orders.

In absolute terms, the growth in demand in the first six months was greatest in Germany, the United Kingdom, China, the U.S., and Australia. By contrast, orders declined in Saudi Arabia, Japan, and the Czech Republic.

NET SALES

	Second quarter				Six months			
in € million	2020	2019	Change in %	Net of currency effects in %	2020	2019	Change in %	Net of currency effects in %
Europe	302.6	198.2	+52.7	+53.4	507.7	381.4	+33.1	+33.6
thereof Germany	134.6	87.9	+53.2	+53.2	216.3	162.6	+33.0	+33.0
Americas	99.4	82.7	+20.3	+27.5	177.4	164.5	+7.8	+12.3
Africa, Asia, and Australia	131.3	112.7	+16.6	+19.0	243.8	216.0	+12.9	+14.3
Total	**533.3**	**393.5**	**+35.5**	**+38.1**	**928.9**	**762.0**	**+21.9**	**+23.5**

NET SALES

Net sales increased by 23.5 % (net of currency effects) in the medical division in the first half of the year. This development was primarily attributable to the Europe region, and Germany in particular. Deliveries also saw double-digit increases in the Africa, Asia, and Australia region and in the Americas region. In the second quarter, Dräger increased net sales by 38.1 % (net of currency effects).

EARNINGS

Gross profit rose by 36.4 % in the first half of 2020 on account of the significant rise in net sales. The gross margin rose significantly by 4.9 percentage points. This was due to a positive country and product mix, fewer margin-reducing tenders, and volume-related degression effects in production. Gross profit climbed by 61.2 % in the second quarter. The gross margin rose 7.9 percentage points. Significantly higher profitability was also achieved in the second quarter thanks to a favorable product and country mix and full capacity utilization in production.

Functional costs were up by 3.0 % year-on-year in the first half of 2020 (net of currency effects; 2.6 % in nominal terms). This was primarily due to the rise in logistics costs. In the second quarter, functional costs increased by 3.9 % (net of currency effects; 3.1 % in nominal terms).

In the first half of 2020, EBIT in the medical division stood at EUR 78.0 million (6 months 2019: EUR –27.4 million). The EBIT margin rose from –3.6 % to 8.4 %. EBIT came to EUR 84.9 million in the second quarter (second quarter 2019: EUR –10.2 million). The EBIT margin was 15.9 % (second quarter 2019: –2.6 %).

Dräger Value Added in the medical division rose by EUR 95.0 million to EUR 60.4 million year-on-year in the twelve months to June 30, 2020 (12 months to June 30, 2019: EUR –34.6 million). Rolling EBIT increased year-on-year by EUR 97.0 million. Capital costs rose slightly to EUR 1.9 million.

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Second quarter				Six months			
		2020	2019	Change in %	Net of currency effects in %	2020	2019	Change in %	Net of currency effects in %
Order intake with third parties	**€ million**	**307.9**	**246.9**	**+24.7**	**+26.4**	**657.5**	**515.9**	**+27.4**	**+29.1**
thereof Germany	€ million	69.9	52.2	+34.0	+34.0	169.4	120.4	+40.7	+40.7
Net sales with third parties	**€ million**	**255.1**	**240.8**	**+6.0**	**+7.6**	**499.5**	**474.0**	**+5.4**	**+6.6**
thereof Germany	€ million	61.1	52.9	+15.5	+15.5	120.3	100.7	+19.5	+19.5
EBITDA [1]	**€ million**	**32.3**	**22.5**	**+43.6**		**53.4**	**42.9**	**+24.4**	
EBIT [2]	**€ million**	**17.4**	**8.7**	**> +100.0**		**23.6**	**15.2**	**+55.2**	
EBIT [2]/Net sales	%	6.8	3.6			4.7	3.2		
Capital employed [3, 4]	€ million	582.7	592.1	–1.6		582.7	592.1	–1.6	
EBIT [2, 5, 6]/Capital employed [3, 4] (ROCE)	%	8.7	2.6			8.7	2.6		
DVA [5, 6, 7]	€ million	20.9	26.5	–20.9		20.9	26.5	–20.9	

1 EBITDA = earnings before net interest result, income taxes, depreciation and amortization
2 EBIT = earnings before net interest result and income taxes
3 Capital employed = total assets less deferred tax assets, securities, cash and cash equivalents, non-interest-bearing liabilities and other non-operating items
4 Value as of reporting date
5 The first-time application of IFRS 16 in fiscal year 2019 impacts this key figure. Therefore, comparability is limited.
6 Value of the last twelve months
7 Dräger Value Added = EBIT less cost of capital of average invested capital

Business performance of the safety division

ORDER INTAKE

	Second quarter				Six months			
in € million	2020	2019	Change in %	Net of currency effects in %	2020	2019	Change in %	Net of currency effects in %
Europe	192.7	153.9	+25.2	+25.7	430.3	315.5	+36.4	+37.2
thereof Germany	69.9	52.2	+34.0	+34.0	169.4	120.4	+40.7	+40.7
Americas	67.1	44.9	+49.6	+52.5	113.8	90.8	+25.3	+27.4
Africa, Asia, and Australia	48.2	48.1	+0.1	+4.4	113.5	109.6	+3.6	+7.2
Total	**307.9**	**246.9**	**+24.7**	**+26.4**	**657.5**	**515.9**	**+27.4**	**+29.1**

Order intake in the safety division rose by 29.1 % (net of currency effects) in the first half of the year.

Demand for light respiratory protection jumped, with orders for safety accessories more than tripling. Business with gas detection products and our service business also grew significantly. On the other hand, there was a decrease in demand for alcohol testing devices, respiratory and personal protection products, and in the engineered solutions business.

In Europe, and Germany in particular, order intake increased significantly in the first six months of the year, with a 37.2 % rise (net of currency effects). In the Americas region, orders were 27.4 % higher (net of currency effects), while order intake in the Africa, Asia, and Australia region grew by 7.2 % (net of currency effects). Orders rose by 26.4 % (net of currency effects) in the second quarter. All regions contributed to this development, with the smallest increase occurring in Africa, Asia, and Australia.

Increased demand in Germany, the U.S., the United Kingdom, Sweden, and France was partly offset by decreases in order intake in Taiwan, the Netherlands, and Saudi Arabia.

NET SALES

	Second quarter				Six months			
in € million	2020	2019	Change in %	Net of currency effects in %	2020	2019	Change in %	Net of currency effects in %
Europe	168.1	143.3	+17.3	+18.2	325.6	286.8	+13.6	+14.2
thereof Germany	61.1	52.9	+15.5	+15.5	120.3	100.7	+19.5	+19.5
Americas	38.4	46.7	–17.7	–14.3	80.6	87.1	–7.5	–5.4
Africa, Asia, and Australia	48.6	50.8	–4.3	–2.2	93.3	100.1	–6.8	–4.7
Total	**255.1**	**240.8**	**+6.0**	**+7.6**	**499.5**	**474.0**	**+5.4**	**+6.6**

NET SALES

Net sales in the safety division increased by 6.6 % (net of currency effects) in the first six months of the year. Deliveries increased significantly in Europe, particularly in Germany. In the Americas region and the Africa, Asia, and Australia region, net sales decreased. In the second quarter, Dräger recorded net sales growth of 7.6 % (net of currency effects), which is attributable to the good development in the Europe region.

EARNINGS

With an increase in sales volume, gross profit improved by 15.3 % in the safety division in the first half of 2020. The gross margin rose by 4.1 percentage points. This was due to a positive product and country mix as well as other margin effects. Gross profit increased by 16.6 % in the second quarter, with the gross margin rising by 4.4 percentage points on account of the positive product mix.

Functional costs in the safety division were up by 12.7 % year-on-year in the first half of 2020 (net of currency effects; +11.9 % in nominal terms). The main drivers of this development were a significant increase in research and development costs, as well as higher logistics costs.

In the first half of 2020, EBIT in the safety division stood at EUR 23.6 million (6 months 2019: EUR 15.2 million); the EBIT margin was 4.7 % (6 months 2019: 3.2 %). In the second quarter, EBIT amounted to EUR 17.4 million (second quarter 2019: EUR 8.7 million). The EBIT margin for the second quarter stood at 6.8 % (second quarter 2019: 3.6 %)

Dräger Value Added in the safety division fell by EUR 5.5 million to EUR 20.9 million year-on-year in the 12 months to June 30, 2020 (12 months to June 30, 2019: EUR 26.5 million). Rolling EBIT fell year-on-year by EUR 3.6 million. Capital costs were up slightly by EUR 1.9 million on account of an increase in capital employed.

CHANGED CONDITIONS AFTER THE CLOSING OF THE INTERIM REPORTING PERIOD

There were no significant changes between the end of the first half of 2020 and the time this interim financial report was prepared.

In July, Dräger received a major order from the United Kingdom to deliver respiratory protection masks. A new production facility will be established in the U.K. to fulfill the order.

Research and development

In the first half of 2020, we invested EUR 140.5 million in research and development (R&D), which was more than in the prior-year period (6 months 2019: EUR 129.0 million). The R&D expenses amounted to 9.8 % of net sales in the first six months (6 months 2019: 10.4 %).

In the medical division, the focus remained on expanding the intensive care and operating room product portfolio, with activities centered on developing system solutions.

With the Evita V600, Evita V800, Babylog VN600, and Babylog VN800, Dräger launched new intensive care ventilators for both adults and premature infants at the beginning of 2020. This enables us to meet some of the sharp global rise in demand for ventilators as an effect of the coronavirus pandemic with our latest equipment. We have developed a control concept for the new intensive care and neonatal ventilators that allows for even easier orientation and clearer user navigation. For this, Dräger was also able to draw on its considerable experience in ventilation. It offers the basis for efficient therapy options that can simultaneously increase patient safety, such as automated weaning: Early support for independent breathing allows patients to be weaned from mechanical breathing support faster, which in turn allows for the earlier mobilization of the patient. The Evita V600 and Evita V800 intensive care ventilators can also be connected to the PulmoVista 500 electrical impedance tomograph (EIT). The PulmoVista 500 electrical impedance tomograph enables medical personnel to directly and continuously observe the ventilation of different lung regions and to individually adjust the therapy. A flexible belt made of soft silicone with 16 integrated electrodes is placed around the patient's chest and connected to the device. No invasive or stressful interventions are necessary. The EIT enables ventilation tailored to the individual patient, thereby protecting their lungs. With the new PulmoVista 500 Pediatric Belt, we are now also able to offer this approach for children and infants. This belt is available in five sizes for body sizes starting from 36 cm.

Our new Vista 120 SC Vital Sign/Spot Check monitor enables clinicians to appropriately monitor lower acuity patients particularly in the general ward, whether they require periodic (spot check) monitoring or low acuity continuous monitoring (vital signs). This new product enhances workflow efficiency and reduces human errors by seamless data integration. The Vista 120 SC Vital Sign/Spot Check monitor complements hospital wide solutions and rounds out our Patient Monitoring portfolio so that we can more effectively address the growing trend of enterprise-wide patient monitoring purchases by hospitals.

The focus of innovation in the safety division is on expanding the Dräger product portfolio and developing systems to deliver complete solutions for customers.

A product update is being launched in the form of the Dräger Alcotest 4000. The device features the latest Dräger product design and has been expressly developed for self-testing, allowing individuals to check their own ability to drive. The battery can now also be replaced by the user via a removable battery cover on the back, and the optional Bluetooth function makes it possible to add further applications.

The new Dräger X-act 7000 works in combination with the Dräger MicroTubes to monitor concentrations of hazardous substances in the air in the workplace environment. The analysis system helps maintain the necessary limit values, which in some cases can be very low. The focus is on measuring carcinogenic and toxic substances for various gases and vapors in the lower ppb range, and the range of gases to be measured is constantly being expanded. The Dräger X-act 7000 is able to replace aspects of conventional laboratory analysis and delivers accurate results directly on site. The selectivity of the system reduces false positive results and, with them, false alarms. The application is simple and saves time and costs.

Dräger has also launched an improved version of the PARAT 3000 filter self-rescuers on the market. The devices offer reliable protection against a wide range of toxic gases and vapors for at least 15 minutes, and are quick and easy to put on. The half-mask version is now equipped with a significantly smaller housing. New accessories make it even easier for the user to carry the devices around in case of an emergency and offer a great deal of flexibility. These self-rescuers are mainly used in industry, such as in the chemical industry or in refineries.

In the first half of the year, we launched the CBRN Cap1 filter after obtaining a new approval. The approval covers the U.S. standard (42 CFR, Part 84). This filter is primarily used or reserved for civil defense purposes. The filter medium (activated carbon) has been renewed, resulting in a more stable product quality and a higher yield.

Personnel

As of June 30, 2020, the Dräger Group employed 15,177 people worldwide, 506 more than in the prior year (June 30, 2019: 14,671); this equates to a 3.4 % rise in headcount. In Germany, the number of people working for the Dräger Group increased by 256 year-on-year, while the number of people working abroad grew by 250. As of June 30, 2020, 52.6 % of employees were working outside of Germany.

In Germany, Production saw the most growth, with an increase of 80 new employees. In addition to this, Dräger also hired 134 employees with fixed-term employment contracts in Production. In Service (+78), the number of employees rose predominantly due to an increase in technicians in maintenance and project-based business. The number of employees in Sales also climbed by 76. In General Administration (+44), Marketing (+21), Quality (+13), and Research and Development (+5), the number of employees increased to a lesser extent. In the Purchasing and Logistics, Dräger employed 61 fewer people year-on-year.

The increase in personnel abroad largely pertained to Service (+101). It is spread among numerous sales and service companies in various countries, such as the U.S., China, and India. We also recruited additional employees in Sales abroad (+68), primarily in the U.S., in Latin America, and in Southeast Europe.

Of the 15,177 employees worldwide, 59.2 % (June 30, 2019: 58.8 %) worked in Sales, Marketing, and Service; 20.4 % (June 30, 2019: 20.7 %) worked in Production, Quality Assurance, Logistics, and Purchasing; 9.7 % (June 30, 2019: 9.8 %) worked in Research and Development; and 10.7 % (June 30, 2019: 10.7 %) worked in General Administration.

Personnel expenses within the Group rose by 6.8 % year-on-year (7.1 % net of currency effects) to EUR 591.8 million. That increase was due to both the increase in headcount and the higher average cost per employee. The cost per employee increased by an average of 3.3 % (net of currency effects: 3.5 %). The main reason for this was higher variable remuneration and pension expenses in Germany, as well as increases in wages and salaries abroad. The personnel cost ratio came to 41.4 % in the first half of 2020 (6 months 2019: 44.8 %).

WORKFORCE TREND

		June 30, 2020	December 31, 2019	June 30, 2019
Germany		7,196	6,996	6,940
Other		7,981	7,849	7,731
Dräger Group total		**15,177**	**14,845**	**14,671**
Turnover of employees (Basis: average of the past twelve months)	%	4.4	5.0	4.9
Sick days of work days in Germany (Basis: average of the past twelve months)	%	5.7	5.8	5.6
Temporary staff in Germany (incl. short-term project employment)		608	416	462

PERSONNEL EXPENSES [1]

in € thousand	Six months 2020	Six months 2019
Wages and salaries	**490,976**	**456,490**
Social security contributions and related employee benefits	86,153	84,943
Pension expenses	14,674	12,719
	591,804	**554,152**

[1] Personnel expenses include the remuneration of the members of the Executive Board of the general partner Drägerwerk Verwaltungs AG, Lübeck.

RISKS TO FUTURE DEVELOPMENT

The material risks to our net assets, financial position, and results of operations, as well as the structure of our risk management system, are outlined in the annual report for fiscal year 2019 on pages 47 et seq. The annual report may be downloaded online at **www.draeger.com**.

In the reporting period, the following significant changes resulted for the forecast period as compared to the 2019 annual report:

The dynamic situation in connection with the current COVID-19 pandemic has led to a changed assessment of the risks and opportunities associated with it.

These encompass both the risk of a possible postponement of net sales to the following year due to disruptions in the global supply chain as well as the risk of a severe recession due to the need for renewed lockdown measures and the associated reduction in industrial and public investments or even a possible deterioration in payment practices. Potential adjustments to placed orders also represent a risk. These risks are offset by opportunities that include, in particular, a more rapid economic recovery, sustained high demand from the medical division, and the potential for further capacity expansion for light respiratory protection.

All told, the COVID-19 pandemic has led to a significant improvement in the net assets, financial position, and results of operations in 2020, and we have adjusted our forecast figures accordingly.

Dräger has not currently identified any individual or aggregated risks that could have a material impact on the company's continued existence as a going concern.

Outlook

FUTURE MARKET ENVIRONMENT

The coronavirus pandemic has shattered the original expectation of increased economic growth in 2020. Instead, the global economy will shrink considerably in 2020. Based on the expectations of the International Monetary Fund (IMF) at the end of June 2020, the extent of the recession will be even greater than predicted in April. These numbers illustrate that the current impact is much bigger than the effects of the financial crisis in 2008/09. At the same time, the IMF views growth forecasts with extreme uncertainty, as the further course of the crisis depends on how the pandemic spreads, how effective the containment measures are, and how economic activity develops, especially among consumers.

Due to the major economic impact of the pandemic, the IMF believes that policymakers will need to take significant fiscal, monetary, and financial support measures to help the affected companies and households. This will be the case in industrialized countries and many emerging markets alike.

To overcome the effects of the pandemic, the IMF also believes that strong multilateral cooperation is needed, including support for countries that are facing not only a health crisis, but also a financial crisis.

The withdrawal of the United States from the World Health Organization (WHO) and the ongoing trade conflict, particularly between the U.S. and China, constitutes a burden on international cooperation. For Europe, the possibility of a disorderly Brexit remains a risk to further economic development.

IMF FORECAST FROM JUNE 2020 ON GROSS DOMESTIC PRODUCT (GDP) GROWTH

in %	2019	2020	2021
Global economy	2.9 %	–4.9 %	5.4 %
U.S.	1.7 %	–8.0 %	4.5 %
Eurozone	1.2 %	–10.2 %	6.0 %
Germany	0.6 %	–7.8 %	5.4 %
China	6.1 %	1.0 %	8.2 %

FUTURE MARKET AND SEGMENT SITUATION

Medical division

We continue to take a positive view of the medical technology market. Worldwide, coronavirus continues to dictate the pace of public and economic life. The crisis has made it clear that many national healthcare systems have to become more efficient and modernize. Among other things, the coronavirus pandemic has exposed the need for investment. In many European countries, a surge in investment has been announced. French President Macron, for example, has announced increased investment in public hospitals. Spain and the Czech Republic also want to modernize their medical technology and promote the health infrastructure. Another growing trend can be observed: The pandemic has increasingly brought the topic of digital healthcare into focus in many European countries, such as Russia, Spain, and Sweden.

North America will be characterized by a high level of uncertainty for as long as the pandemic continues. However, a reduction in the dependency on medical technology imports seems certain. In this dramatic U.S. election year, hopes are being raised that more money will flow into basic, long-term medical care. The pandemic is also still on the rise in South America, where the scope for investments in medical technology not associated with the treatment of coronavirus patients will be reduced in 2020. On the positive side, the strong growth of digital healthcare looks likely to continue beyond the coronavirus crisis.

The same applies to the Africa, Asia, and Australia region. In China, for example, increased digitalization of the Chinese healthcare system is expected following the stress test triggered by the coronavirus crisis. The government has also announced further investment in the digital hospital infrastructure. Japan is planning the expansion of the local supply of medical technology, with Japanese manufacturers also focusing on digital healthcare solutions and investing accordingly. According to the Ibis World forecast, demand for medical technology in Australia is expected to increase by 3.8 % in fiscal years 2020 and 2021. Inventories of medical equipment will be increased in the wake of the coronavirus pandemic. In addition, a high backlog of elective procedures will have to be made up once the pandemic subsides.

Safety division

The safety division presents us with challenging development, albeit with some exceptions. For example, the European chemical industry continues to suffer from weak demand in key customer sectors such as the automotive, aviation, and construction industries. At the same time, other sectors are in high demand, such as the pharmaceutical industry. These isolated glimmers of hope can be found throughout Europe, for example in Sweden and Italy. Developments in the European oil and gas industry are viewed more negatively. For example, experts estimate that Russia could see losses in revenue from the oil and gas business amounting to some USD 165 billion in 2020 due to the combination of low oil prices and low demand. The outlook for the United Kingdom is also uncertain.

We also expect a negative development for the Americas region. The U.S. chemical industry, for example, has not shown positive developments, with important customer industries for chemical products either shutting down or significantly reducing their production. The U.S. oil industry has also slipped into the red. In South America, the Brazilian oil and gas industry is struggling with the oil price: The planned auction of exploration licenses has been postponed indefinitely, and the announced development of the gas market is faltering. However, the Brazilian mining industry expects rapid recovery following the end of the coronavirus pandemic.

We expect to see varying development for the Africa, Asia, and Australia region. The Chinese chemical industry, which supplies almost all sectors, presents a mixed bag depending on the respective segment. For example, refineries are having to adjust to a post-coronavirus scenario with lower demand and adapt their processes accordingly. Japan's major chemical companies have also issued profit warnings for fiscal year 2020 and, as such, will be cautious in terms of investments. By contrast, the Australian mining industry is proving to be robust, with mine operators sticking to their investment plans. Negative development can be expected for the Arabian Peninsula on account of the low oil price. Saudi Arabia's oil revenues, for example, could drop by more than half in 2020.

We also do not expect positive development for the fire service markets due to halted investments.

FUTURE SITUATION OF THE COMPANY

The following section should be read in conjunction with the "Outlook" section in the management report of the 2019 annual report (page 59 et seq.), which describes our expectations for 2020 in detail. The following table provides an overview of the expectations regarding the development of various forecast figures. The forecast horizon is the fiscal year.

EXPECTATIONS FOR FISCAL YEAR 2020

	Results achieved for fiscal year 2019	Forecast for fiscal year 2020	Current forecast
Net sales (net of currency effects)	5.9 %	1.0 to 4.0 %	14.0 to 22.0 %
EBIT margin	2.4 %	1.0 to 4.0 % [1]	7.0 to 11.0 %
DVA	EUR –32.7 million	EUR –70 to +20 million	EUR 110 to 260 million
Other forecast figures:			
Gross margin	42.7 %	On par with prior year (+/– 1 percentage point)	Significant increase year-on-year
Research and development costs	EUR 263.7 million	EUR 275 to 290 million	Confirmed
Interest result	EUR –17.0 million	On par with prior year	Increase in interest expenses
Days working capital (DWC) [2]	109.4 days	Stable development	Improvement
Investment volume [3]	EUR 78.8 million	EUR 85 to 95 million	EUR 125 to 145 million
Net financial debt	EUR 88.7 million	Decrease	Increase

[1] Based on exchange rates at the start of fiscal year 2020

[2] The calculation method for this figure was adjusted at the end of fiscal year 2019. The figure shown here for 2019 is based on the modified method.

[3] Excluding acquisitions and the effects of capitalizing right-of-use assets pursuant to IFRS 16

The strong development of demand as a result of the coronavirus pandemic is leading to a significant increase in order intake and net sales. Following the enormous increase in orders in the first quarter, net sales rose strongly in the second quarter. Based on the order backlog and the increase in net sales of 17.1 % (net of currency effects) in the first half of the year, we now expect net sales growth of between 14.0 and 22.0 % (net of currency effects) for fiscal year 2020.

Our earnings will benefit from a positive product mix, a significant increase in output volumes, the absence of margin-reducing tenders, and high capacity utilization. This is offset by slightly negative currency effects, in particular from the depreciation of some emerging market currencies against the euro. Our gross margin at the end of the year should be significantly higher than in the prior year. All told, we now expect an EBIT margin for fiscal year 2020 of between 7.0 and 11.0 %. The positive earnings development is also reflected in Dräger Value Added, where a positive figure of between EUR 110 to 260 million is expected.

The remeasurement of the debt components of the participation certificate series resulting from the termination of the participation certificates led to interest expenses of EUR 11.1 million. In addition, there is an interest expense from the pro rata compounding on the series D participation certificates until maturity in January 2023, which amounted to EUR 1.8 million until June 2020. As a result, our interest expenses will be higher than originally expected. A year-on-year improvement of days working capital is still expected due to the strong increase in net sales.

In order to meet the significantly increased demand for a number of our products, we are expanding our production, particularly in the area of ventilators and FFP masks. Our investment volume in 2020 will therefore range between EUR 125 to 145 million, which is significantly higher than originally expected.

As a result of the termination of all outstanding participation certificates, the repayment obligations due at the beginning of 2021 and 2023 are now already being reported under liabilities. Our net financial debt will therefore increase in 2020.

DRÄGER MANAGEMENT ESTIMATE

The effects of the coronavirus pandemic are leaving deep marks on the global economy. Due to inherent lack of clarity regarding any further development, forecasts regarding economic recovery are subject to great uncertainty. Added to this are ongoing trade conflicts—especially between the U.S. and China—and the ever-present unresolved Brexit conditions weighing on Europe.

The demand for our products remains unbroken. We are doing everything in our power to further push production and are investing heavily to achieve that end. Following the enormous increase in order intake in the first quarter, net sales also rose significantly in the second quarter. Based on the net sales increase in the first half of the year, we now expect significantly higher net sales growth than at the beginning of the year as well as an improved EBIT margin. We have therefore significantly raised our forecasts for fiscal year

2020. The extent to which we can maintain the significantly higher level of net sales in the following year depends not only on sustained demand for products in connection with the coronavirus pandemic, but also on the general economic recovery, which affects many industries and therefore plays an important role in our business.

FORWARD-LOOKING STATEMENTS

This management report contains forward-looking statements. The statements are based on the current expectations, presumptions, and forecasts of the Executive Board of Drägerwerk Verwaltungs AG, as well as the information available to it to date. The forward-looking statements do not provide any 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 based on assumptions that could prove to be incorrect. Dräger does not assume any responsibility for updating the forward-looking statements made in this report.

Lübeck, August 12, 2020

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

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

Interim financial statements of the Dräger Group as of June 30, 2020

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

in € thousand	Notes	Second quarter 2020	Second quarter 2019	Six months 2020	Six months 2019
Net sales		788,415	634,303	1,428,400	1,235,931
Cost of sales		–400,452	–364,353	–757,267	–711,636
Gross profit		**387,963**	**269,951**	**671,133**	**524,295**
Research and development costs		–72,768	–65,815	–140,502	–129,003
Marketing and selling expenses		–155,236	–151,252	–315,091	–302,438
General administrative costs		–55,862	–51,526	–109,739	–101,071
Impairment losses on financial and contract assets		–1,148	–2,411	–1,679	–2,399
Other operating income		631	804	1,322	1,439
Other operating expenses		–304	–230	–538	–970
		–284,687	**–270,430**	**–566,228**	**–534,442**
		103,276	**–479**	**104,905**	**–10,147**
Result of net monetary position		–358	189	–761	2
Result from other investments		0	–	3	–
Other financial result		–699	–1,236	–2,504	–2,037
Financial result (before interest result)	**9**	**–1,057**	**–1,047**	**–3,261**	**–2,035**
EBIT		**102,219**	**–1,526**	**101,644**	**–12,182**
Interest result	9	–11,249	–4,847	–20,392	–8,892
Earnings before income taxes		**90,971**	**–6,374**	**81,252**	**–21,074**
Income taxes	10	–30,553	1,849	–27,539	6,482
Earnings after income taxes		**60,418**	**–4,525**	**53,712**	**–14,592**
Earnings after income taxes		**60,418**	**–4,525**	**53,712**	**–14,592**
Earnings to non-controlling interests		–7	–60	–69	255
Earnings attributable to shareholders and holders of participation certificates [1]		60,425	–4,465	53,781	–14,848
Undiluted/diluted earnings per share on full distribution [2]					
per preferred share (in €)		2.60	–0.25	2.24	–0.82
per common share (in €)		2.59	–0.26	2.21	–0.85

[1] The holders of the participation certificates do not participate in the negative earnings after income taxes.
[2] The dividend premium of EUR 0.06 on preferred shares is recognized pro rata on a quarterly basis.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

in € thousand	Six months 2020	Six months 2019
Earnings after income taxes	**53,712**	**–14,592**
Items that cannot be reclassified into the income statement		
Remeasurements of defined benefit pension plans	–31,067	–41,688
Deferred taxes on remeasurements of defined benefit pension plans	9,780	13,104
Items that may be reclassified into the income statement in the future		
Currency translation adjustment for foreign subsidiaries	–15,604	5,469
Change in the cashflow hedge reserve recognized directly in equity	8,580	–5,862
Deferred taxes on changes in the cash flow hedge reserve recognized directly in equity	–2,697	1,694
Other comprehensive income (after taxes)	**–31,009**	**–27,283**
Total comprehensive income	**22,703**	**–41,875**
thereof earnings attributable to non-controlling interests	–471	307
thereof earnings attributable to shareholders and holders of participation certificates [1]	23,174	–42,182

[1] The holders of the participation certificates do not participate in the negative earnings after income taxes.

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

in € thousand	Notes	June 30, 2020	December 31, 2019
Assets			
Intangible assets	11	332,832	333,985
Property, plant and equipment	11	417,112	416,520
Right-of-use assets	11	101,544	109,734
Investments in associates		7,464	2,475
Non-current trade receivables	13	1,312	1,499
Other non-current financial assets		20,016	15,501
Deferred tax assets		308,365	177,808
Other non-current assets	14	3,956	3,910
Non-current assets		**1,192,601**	**1,061,433**
Inventories	12	645,568	485,158
Trade receivables and contract assets	13	679,454	710,696
Other current financial assets		43,657	28,669
Cash and cash equivalents		208,656	196,314
Current income tax refund claims		33,427	29,436
Other current assets	14	96,336	59,204
Current assets		**1,707,098**	**1,509,478**
Total assets		**2,899,700**	**2,570,910**

in € thousand	Notes	June 30, 2020	December 31, 2019
Equity and liabilities			
Capital stock		48,026	45,466
Capital reserves		307,035	234,028
Reserves retained from earnings, incl. group result		536,899	779,162
Participation capital		0	29,497
Other comprehensive income		–22,669	–13,350
Non-controlling interests		942	1,556
Equity	**15**	**870,231**	**1,076,359**
Liabilities from participation certificates		0	25,988
Provisions for pensions and similar obligations		421,572	390,939
Other non-current provisions	16	59,286	59,388
Non-current interest-bearing loans and liabilities to banks		48,644	118,569
Other non-current financial liabilities	17	383,376	98,074
Non-current income tax liabilities		19,213	19,267
Deferred tax liabilities		3,124	3,327
Other non-current liabilities	18	32,668	32,410
Non-current liabilities		**967,883**	**747,962**
Other current provisions	16	204,371	215,120
Current interest-bearing loans and liabilities to banks		96,083	51,009
Trade payables		238,883	205,106
Other current financial liabilities	17	220,817	70,660
Current income tax liabilities		61,819	22,860
Other current liabilities	18	239,611	181,833
Current liabilities		**1,061,585**	**746,589**
Total equity and liabilities		**2,899,700**	**2,570,910**

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

	in € thousand	Second quarter 2020	Second quarter 2019	Six months 2020	Six months 2019
	Operating activities				
	Earnings after income taxes	60,418	–4,525	53,712	–14,592
+	Write-down of non-current assets	30,257	30,279	60,721	59,853
+	Interest result	11,249	4,847	20,392	8,892
+/–	Income taxes	30,553	–1,849	27,539	–6,482
+/–	Increase/decrease in provisions	13,225	1,476	–10,199	–18,605
+/–	Other non-cash expenses/income	7,442	1,846	25,728	–2,221
+/–	Losses/gains from the disposal of non-current assets	–11	–97	–124	346
–	Increase in inventories	–116,446	–18,707	–175,084	–61,474
–	Increase in leased equipment	–1,701	–3,132	–5,267	–5,807
+/–	Decrease/increase in trade receivables	–49,235	34,032	10,459	116,112
+/–	Decrease/increase in other assets	–12,874	1,242	–40,668	–21,763
+/–	Increase/decrease in trade payables	31,880	–12,415	37,316	–32,412
+/–	Increase/decrease in other liabilities	1,715	–16,264	64,207	18,509
+	Dividends received	0	–	3	–
–	Cash outflow for income taxes	–11,936	–6,797	–16,619	–3,605
–	Cash outflow for interests	–10,596	–3,377	–19,257	–6,555
+	Cash inflow from interests	557	433	1,025	1,107
	Cash inflow/outflow from operating activities	**–15,505**	**6,993**	**33,884**	**31,302**
	Investing activities				
–	Cash outflow for investments in intangible assets	–1,935	–1,141	–2,904	–2,784
–	Cash outflow for investments in property, plant and equipment	–21,518	–14,381	–37,589	–27,712
+	Cash inflow from disposals of property, plant and equipment	315	242	649	1,581
–	Cash outflow for investments in non-current financial assets	–7,723	–7	–9,252	–12
+	Cash inflow from the disposal of non-current financial assets	36	120	36	120
–	Cash outflow from the acquisition of subsidiaries	–	–	–	–500
+	Cash inflow from the sale of subsidiaries	549	–	549	–
	Cash outflow from investing activities	**–30,276**	**–15,168**	**–48,511**	**–29,307**
	Financing activities				
–	Distribution of dividends (including dividends for participation certificates)	–	–4,001	–	–4,001
+	Cash provided by raising loans	3,054	499	4,131	6,825
–	Cash used to redeem loans	–6,993	–3,382	–13,464	–6,851
+/–	Net balance of other liabilities to banks	–22,777	16,823	–13,548	–13,879
–	Repayment of lease liabilities	–10,325	–9,122	–19,173	–15,690
+	Cash inflow from capital increases	75,217	–	75,217	–
–	Profit distributed to non-controlling interests	–140	–	–140	–
	Cash inflow/outflow from financing activities	**38,036**	**817**	**33,024**	**–33,596**
	Change in cash and cash equivalents in the reporting period	**–7,745**	**–7,358**	**18,397**	**–31,601**
+/–	Effect of exchange rates on cash and cash equivalents	328	–1,033	–6,054	2,244
+	Cash and cash equivalents at the beginning of the reporting period	216,073	158,595	196,314	179,561
	Cash and cash equivalents on reporting date	**208,656**	**150,204**	**208,656**	**150,204**

For notes to the cash flow statement, please see page 20.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

					Other comprehensive income					
in € thousand	Capital stock	Capital reserves	Reserves retained from earnings incl. group result	Participation capital	Currency translation differences	Cash flow hedge reserves	Total other comprehensive income	Total equity of shareholder Drägerwerk AG & Co. KGaA	Non-controlling interests	Equity
January 1, 2019	**45,466**	**234,028**	**790,039**	**29,497**	**–17,718**	**–2,078**	**–19,796**	**1,079,233**	**1,426**	**1,080,659**
Earnings after income taxes	–	–	–14,848	–	–	–	0	–14,848	255	–14,592
Other comprehensive income	–	–	–28,585	–	5,417	–4,167	1,250	–27,335	52	–27,283
Total comprehensive income	**0**	**0**	**–43,432**	**0**	**5,417**	**–4,167**	**1,250**	**–42,182**	**307**	**–41,875**
Distributions	–	–	–4,001	–	–	–	0	–4,001	–	–4,001
June 30, 2019	**45,466**	**234,028**	**742,606**	**29,497**	**–12,301**	**–6,245**	**–18,546**	**1,033,050**	**1,734**	**1,034,783**
January 1, 2020	**45,466**	**234,028**	**779,162**	**29,497**	**–8,229**	**–5,120**	**–13,350**	**1,074,803**	**1,556**	**1,076,359**
Earnings after income taxes	–	–	53,781	–	–	–	0	53,781	–69	53,712
Other comprehensive income	–	–	–21,287	–	–15,202	5,882	–9,320	–30,607	–402	–31,009
Total comprehensive income	**0**	**0**	**32,494**	**0**	**–15,202**	**5,882**	**–9,320**	**23,174**	**–471**	**22,703**
Distributions	–	–	–	–	–	–	0	0	–140	–140
Capital increase	2,560	73,007	–	–	–	–	0	75,567	–	75,567
Purchase of the participation capital	–	–	–274,732	–29,497	–	–	0	–304,229	–	–304,229
Changes in the scope of consolidation/other	–	–	–24	–	–	–	0	–24	–4	–28
June 30, 2020	**48,026**	**307,035**	**536,899**	**0**	**–23,431**	**762**	**–22,669**	**869,290**	**942**	**870,231**

Notes of the Dräger Group as of June 30, 2020 (condensed)

1 BASIS OF PREPARATION OF THE INTERIM GROUP FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA, Lübeck, Germany, ("Dräger") prepared its Group financial Statements for fiscal year 2019 in accordance with the International Financial Reporting Standards (IFRS) as defined by the International Accounting Standards Boards (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). In fiscal year 2020, the interim financial statements of the Dräger Group have therefore also been prepared in accordance with IFRS, and the interim reports in compliance with IAS 34 as well as German Accounting Standard No. 16 (GAS 16 – Interim Financial Reporting) of the German Accounting Standards Committee (GASC).

The interim report should be read in connection with the disclosures in the Dräger IFRS annual report as of December 31, 2019. It was not audited or reviewed by an auditor.

The interim report was prepared in euros. Unless otherwise stated, all figures are disclosed in thousands of euros (EUR thousand); as a result, differences may occur due to rounding.

2 ACCOUNTING POLICIES

The same accounting principles were applied in preparing the interim financial statements and calculating the comparative figures as in the Group financial statements for 2019. A detailed description of these methods is published in the notes to the Group financial statements in the 2019 annual report in Note 7.

The annual report may also be downloaded online at **www.draeger.com**.

In preparing the interim financial statements, the Group opted to present condensed financial statements with selected explanatory notes. In general, greater use was made of estimates in determining carrying amounts than at fiscal year-end.

Accruals and deferrals were recognized where claims or obligations partially arose in the period under review.

The following new standards and amendments to existing standards published by the IASB, which have already been adopted in EU law, are to be applied for the first time in fiscal year 2020, in the event that transactions fall within the respective scopes of application:

– Amendments to IFRS 3 Business Combinations (issued October 2018) define the minimum requirements of a business combination. In addition, the previous requirement for an assessment into a market participant's ability to replace missing elements has been removed and the definition of "output" specified in greater detail. This does not materially impact Dräger's Group financial statements.

– The amendments to IFRS 9, IAS 39, and IFRS 7 Interest Rate Benchmark Reform (issued September 2019) are the Board's response to uncertainties related to the potential impact the IBOR reform will have on financial reporting. The amendments relate in particular to certain simplifications regarding hedge accounting regulations. They are mandatory for all hedging relationships affected by the reform of the reference interest rate. Additional information regarding the matter is also required. This does not materially impact Dräger's Group financial statements.

Further new mandatory standards or amendments of standards that apply only to fiscal years beginning on or after January 1, 2020, and/or that have not yet been endorsed, as well as their impact, can be found in the Dräger IFRS annual report as of December 31, 2019.

3 CHANGES IN THE SCOPE OF CONSOLIDATION

In March 2020, the shares in Dräger Finance Services GmbH & Co. KG, Bad Homburg v.d. Höhe, were sold in full and the company deconsolidated.

In addition, a total of 13.789 % of the shares in MultiSensor Scientific Inc., Somerville, USA, were acquired in March and June 2020, increasing the stake from 19.99 % to 33.779 %. Since this increase, the company has been accounted for as an associated company.

4 CAPITAL INCREASE

In April 2020, Dräger placed 1,000,000 new bearer preferred shares (ISIN: DE0005550636) with institutional investors using an accelerated bookbuilding placement process. The new preferred shares were issued within the scope of a capital increase through the utilization of parts of the authorized capital under exclusion of subscription rights. The price of placement for the new preferred shares stood at EUR 76.50, resulting in gross proceeds of EUR 76,500 thousand for the company. Equity increased by EUR 75,567 thousand as a result of the capital increase.

5 TERMINATION OF THE PARTICIPATION CERTIFICATES

In March 2020, Dräger terminated the 566,819 series D participation certificates (ISIN: DE0005550719) in accordance with the terms and conditions of the participation certificates effective December 31, 2022. The calculation of the buyback value per participation certificate is regulated in the terms and conditions of the participation certificates and—at EUR 546.20—corresponds to ten times the average market price of the preferred share in the last three calendar months before the announcement of the termination (December 2019 to February 2020). The total buyback value amounts to EUR 309,597 thousand and was recognized as a payment obligation at the discounted value of EUR 289,663 thousand. The balance sheet values for the series D participation certificates in equity of EUR 20,966 thousand and debt of EUR 19,151 thousand were derecognized. The termination of the series D participation certificates led to a decrease in equity of EUR 191,099 thousand including a tax adjusted impact on the current result in March 2020. By June 30, 2020, interest expenses amounting to EUR 1,774 thousand had already been recognized from the compounded interest on the payment obligation; by the end of the year, this interest expense will increase to a total of EUR 5,322 thousand.

In April 2020, Dräger terminated the 195,245 series A participation certificates (ISIN: DE0005550651), as well as 69,887 series K participation certificates (ISIN: DE0005550677), in accordance with the terms and conditions of the participation certificates effective December 31, 2020. The calculation of the buyback value per participation certificate is regulated in the respective terms and conditions of the participation certificates and—at EUR 596.00—corresponds to ten times the average market price of the preferred share in the last three calendar months before the announcement of the termination (January 2020 to March 2020). The total buyback value of EUR 158,019 thousand was recognized as a payment obligation. The balance sheet values for the series A and K participation certificates in equity of EUR 8,531 thousand and debt of EUR 7,046 thousand were derecognized. The termination of the series A and K participation certificates led to a decrease in equity of EUR 120,725 thousand including a tax adjusted impact on the current result in April 2020.

All told, the termination of all participation certificate series led to a reduction in equity of EUR 311.8 million. The derecognition of the equity components of the participation certificates reduced equity by EUR 29.5 million. The largest reduction in equity from this transaction stood at EUR 380.9 million and resulted from the buyback value of the participation certificates less the balance sheet values previously reported under equity and liabilities. Interest and taxes affecting profit or loss reduced equity by EUR 7.6 million. By contrast, the capitalization of deferred taxes on the buyback transaction increased equity by EUR 106.2 million.

Series A and K participation certificates are still entitled to dividends for fiscal year 2020. Series D participation certificates are still entitled to dividends for the years 2020, 2021, and 2022.

6 ECONOMIC SITUATION AS A RESULT OF THE COVID-19 PANDEMIC

Dräger is an international leader in the fields of medical and safety technology. As a result of the COVID-19 pandemic, demand for medical technology products, particularly ventilators, is increasing. Due to this circumstance, the order situation at Dräger has improved significantly, with production capacities in these areas being expanded or having already been expanded (for more information, please see page 19 in the management report).

These developments improved Dräger's results of operations significantly in the first half of fiscal year 2020. Based on the current results of operations and the assessment of Dräger's medium-term results of operations, an audit in accordance with IAS 36 as of June 30, 2020, did not result in any further impairment of assets or a reversal of impairment losses recognized on assets in prior years.

7 CHANGES IN SEGMENT REPORTING

Segment reporting pursuant to IFRS 8 in the quarterly and annual reports is geared towards the organizational and management system.

Until the end of fiscal year 2019, the company was managed through the Europe, Americas, and Africa, Asia, and Australia regions. In the course of the reorientation towards the medical and safety divisions, which began at the end of 2018, we have revised and adjusted our Group management. The changes became effective at the beginning of 2020. These changes increase the collaboration between Sales & Service and the product-related responsibilities of the two segments, bringing them closer together. This will enable us to increase customer intimacy at headquarters and implement solutions for our customers more rapidly.

Since January 2020, we have no longer managed our business by region, but instead primarily through the medical and safety divisions. Moreover, we have adjusted our segment reporting accordingly. Further details on these changes can be found starting on page 21 of the Annual Report 2019.

This division-based management approach results in the following changes to our segment reporting:

- Reporting is divided into the medical division and the safety division.
- For reporting EBIT, cross-segment costs are now allocated to the two segments with a plan-based formula.
- Apart from the key influencing factors of net working capital (trade receivables, trade payables, inventories including prepayments received), reported capital employed also includes long-term capital, such as property, plant and equipment. This is assigned to the segments using a net sales formula.
- Dräger value added (DVA) is the central key management figure at Dräger. In the future, it will be disclosed for both the medical and safety divisions in accordance with the adjusted segment reporting.
- Key figures that cannot be reasonably allocated to the divisions, such as net financial debt, are only reported at Group level.

The change in segment reporting results in slight variations of the order intake and net sales per division, compared to the figures reported in the prior year.

8 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Medical division		Safety division		Group	
		Six months 2020	Six months 2019	Six months 2020	Six months 2019	Six months 2020	Six months 2019
Order intake with third parties	**€ million**	**1,633.9**	**804.4**	**657.5**	**515.9**	**2,291.4**	**1,320.4**
Europe	€ million	980.7	395.8	430.3	315.5	1,410.9	711.3
thereof Germany	€ million	543.4	172.8	169.4	120.4	712.8	293.2
Americas	€ million	263.8	171.4	113.8	90.8	377.6	262.2
Africa, Asia, and Australia	€ million	389.4	237.2	113.5	109.6	502.9	346.8
Net sales with third parties	**€ million**	**928.9**	**762.0**	**499.5**	**474.0**	**1,428.4**	**1,235.9**
Europe	€ million	507.7	381.4	325.6	286.8	833.3	668.2
thereof Germany	€ million	216.3	162.6	120.3	100.7	336.6	263.3
Americas	€ million	177.4	164.5	80.6	87.1	258.0	251.6
Africa, Asia, and Australia	€ million	243.8	216.0	93.3	100.1	337.1	316.2
EBITDA [1]	**€ million**	**109.0**	**4.8**	**53.4**	**42.9**	**162.3**	**47.7**
Depreciation/Amortization	€ million	–31.0	–32.2	–29.7	–27.7	–60.7	–59.9
EBIT [2]	**€ million**	**78.0**	**–27.4**	**23.6**	**15.2**	**101.6**	**–12.2**
Capital employed [3, 4, 5]	€ million	883.3	856.4	582.7	592.1	1,466.0	1,448.5
EBIT [2]/Net sales	%	8.4	–3.6	4.7	3.2	7.1	–1.0
EBIT [2, 6, 7]/Capital employed [3,4,5] (ROCE)	%	14.7	–3.2	8.7	2.6	12.3	6.0
DVA [6, 7, 8]	€ million	60.4	–34.6	20.9	26.5	81.4	–8.1

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 of reporting date
5 Due to the redefinition of capital employed in December 2019, the values for 2019 have been adjusted.
6 The first-time application of IFRS 16 in fiscal year 2019 impacts this key figure. Therefore, comparability is limited.
7 Value of the last twelve months
8 Dräger Value Added = EBIT less cost of capital of average invested capital

The key figures from the segment report are as follows:

EBIT

in € thousand	Six months 2020	Six months 2019
Earnings after income taxes	53,712	–14,592
+ Interest result	20,392	8,892
+ Income taxes	27,539	–6,482
EBIT	**101,644**	**–12,182**

CAPITAL EMPLOYED

in € thousand	June 30, 2020	June 30, 2019
Total assets	2,899,700	2,468,966
– Deferred tax assets	–308,365	–161,296
– Cash and cash equivalents	–208,656	–150,204
– Non-interest-bearing liabilities [1]	–765,526	–583,519
– Other non-operating items [1]	–151,199	–125,448
Capital employed [1]	**1,465,953**	**1,448,497**

[1] Due to the redefinition of capital employed in December 2019, the values for 2019 have been adjusted.

DVA

in € thousand	June 30, 2020	June 30, 2019
EBIT (of the last twelve months)	180,401	87,057
– Cost of capital (Basis: average of capital employed in the past twelve months)	–99,044	–95,167
DVA	**81,358**	**–8,110**

The business performance of the individual segments is detailed in the management report accompanying these interim financial statements.

Services rendered between the segments follow the arm's length principle.

9 FINANCIAL RESULT

FINANCIAL RESULT

in € thousand	Six months 2020	Six months 2019
Financial result (before interest result)	**–3,261**	**–2,035**
Interest and similar income	1,275	1,363
Interest and similar expenses	–21,667	–10,255
Interest result	**–20,392**	**–8,892**

10 INCOME TAXES

Income taxes for the first half of 2020 were calculated on the basis of an anticipated Group tax rate of 32.5 % (6 months 2019: 32.5 %).

11 INTANGIBLE ASSETS/PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

INTANGIBLE ASSETS/PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

in € thousand	Carrying amount January 1, 2020	Additions	Disposals/other changes	Depreciation/ amortization	Carrying amount June 30, 2020
Intangible assets	333,985	2,721	–65	–3,810	332,832
Property, plant and equipment	416,520	43,322	–6,519	–36,211	417,112
thereof right-of-use assets	109,734	14,844	–2,354	–20,679	101,544
from land and buildings	79,078	4,935	–1,124	–10,625	72,263
from other plant factory and office equipment	29,483	9,859	–468	–9,669	29,205
from leased assets	1,173	50	–762	–385	76

Pursuant to IAS 36, an impairment test was carried out for all relevant cash-generating units as of December 31, 2019. The planning figures used as part of this impairment test generally continue to apply in these interim financial statements of 2020. As of June 30, 2020, a review was conducted to establish whether impairments of assets recognized in prior years had to be reversed due to the improved order situation at Dräger as a result of the COVID-19 pandemic. No necessity was identified for an adjustment of impairments already recognized or for further impairments to be recognized.

12 INVENTORIES

INVENTORIES

in € thousand	June 30, 2020	December 31, 2019
Finished goods and merchandise	383,553	261,662
Work in progress	82,801	61,664
Raw materials, consumables, and supplies	175,708	158,320
Payments made	3,506	3,511
	645,568	**485,158**

13 TRADE RECEIVABLES AND CONTRACT ASSETS

TRADE RECEIVABLES AND CONTRACT ASSETS

			June 30, 2020			December 31, 2019
in € thousand	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	653,556	1,312	654,868	709,162	1,499	710,661
Contract assets	62,265	–	62,265	38,152	–	38,152
less risk provisions	–36,367	–	–36,367	–36,618	–	–36,618
	679,454	**1,312**	**680,765**	**710,696**	**1,499**	**712,195**

14 OTHER ASSETS

OTHER ASSETS

			June 30, 2020			December 31, 2019
in € thousand	Current	Non-current	Total	Current	Non-current	Total
Prepaid expenses	40,954	–	40,954	24,678	–	24,678
Other tax refund claims	44,524	–	44,524	28,390	–	28,390
Remaining other assets	10,859	3,956	14,815	6,136	3,910	10,046
	96,336	**3,956**	**100,293**	**59,204**	**3,910**	**63,114**

The increase in prepaid expenses is largely attributable to deferred expenses in the current reporting period. Other tax refund claims primarily include VAT claims. All other current assets increased as of the balance sheet date.

15 EQUITY

As a result of the capital increase in April 2020 (see also Note 4), Dräger capital stock increased by EUR 2,560 thousand to EUR 48,026 thousand. Due to the premium and the costs of the capital increase, the capital reserves after tax effects increased by EUR 73,007 thousand.

In contrast, equity decreased by a total of EUR 311,824 thousand due to the termination of the series A, D, and K participation certificates (see also Note 5).

16 OTHER PROVISIONS

As of June 30, 2020, other non-current provisions mainly comprised provisions for personnel and welfare obligations of EUR 36,524 thousand (December 31, 2019: EUR 36,722 thousand).

Other current provisions as of June 30, 2020, also included monthly accruals and consist primarily of provisions for personnel and welfare obligations of EUR 82,603 thousand (December 31, 2019: EUR 101,161 thousand), provisions for outstanding invoices of EUR 54,710 thousand (December 31, 2019: EUR 41,271 thousand), and warranty provisions of EUR 28,340 thousand (December 31, 2019: EUR 27,545 thousand).

17 OTHER FINANCIAL LIABILITIES

Other financial liabilities mainly include the discounted payment obligations amounting to EUR 291,437 thousand in non-current other financial liabilities from the termination of the series D participation certificates and EUR 158,019 thousand in current other financial liabilities from the termination of the series A and K participation certificates. In addition, other financial liabilities mainly include non-current lease liabilities of EUR 74,392 thousand (December 31, 2019: EUR 81,288 thousand) to be recognized in accordance with IFRS 16, and current lease liabilities of EUR 34,228 thousand (December 31, 2019: EUR 34,136 thousand).

18 OTHER LIABILITIES

OTHER LIABILITIES

			June 30, 2020			December 31, 2019
in € thousand	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Contract liabilities	152,133	26,229	178,362	104,873	25,972	130,845
Other tax liabilities	50,418	–	50,418	42,982	–	42,982
Liabilities to employees and for social securities	33,259	–	33,259	31,145	–	31,145
Deferred other income	1,455	6,203	7,659	312	6,203	6,516
Remaining liabilities	2,345	236	2,581	2,521	235	2,756
	239,611	**32,668**	**272,279**	**181,833**	**32,410**	**214,243**

The contractual liabilities include accrued net sales amounting to EUR 96,415 thousand (December 31, 2019: EUR 81,347 thousand), as well as prepayments received of EUR 81,947 thousand (December 31, 2019: EUR 49,498 thousand).

19 FINANCIAL INSTRUMENTS

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

FINANCIAL INSTRUMENTS – ASSETS

	June 30, 2020					December 31, 2019				
	Carrying amount	Fair value				Carrying amount	Fair value			
in € thousand		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
Financial assets – at amortized cost										
Trade receivables and contract assets	680,765	–	–	–	0	712,195	–	–	–	0
Other financial assets	44,432	–	45,094	–	45,094	33,592	–	33,678	–	33,678
Cash and cash equivalents	208,656	–	–	–	–	196,314	–	–	–	–
	933,854	**0**	**45,094**	**0**	**45,094**	**942,101**	**0**	**33,678**	**0**	**33,678**
Financial assets – recognized directly in equity in other comprehensive income										
Derivatives (with hedging relation)	9,189	–	9,189	–	9,189	1,145	–	1,145	–	1,145
	9,189	**0**	**9,189**	**0**	**9,189**	**1,145**	**0**	**1,145**	**0**	**1,145**
Financial assets – at fair value through profit and loss										
Derivatives (without hedging relation)	6,276	–	6,276	–	6,276	2,528	–	2,528	–	2,528
Equity instruments	3,200	–	–	3,200	3,200	6,315	–	–	6,315	6,315
Debt instruments	576	576	–	–	576	590	590	–	–	590
	10,052	**576**	**6,276**	**3,200**	**10,052**	**9,433**	**590**	**2,528**	**6,315**	**9,433**
	953,094	**576**	**60,558**	**3,200**	**64,335**	**952,680**	**590**	**37,351**	**6,315**	**44,256**

FINANCIAL INSTRUMENTS – LIABILITIES

	June 30, 2020					December 31, 2019				
	Carrying amount				Fair value	Carrying amount				Fair value
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
in € thousand										
Financial liabilities – at amortized cost										
Trade payables	238,883	–	–	–	0	205,106	–	–	–	0
Loans and liabilities to banks	144,727	–	138,766	–	138,766	169,578	–	166,880	–	166,880
Other financial liabilities	594,288	–	595,893	–	595,893	178,813	–	180,418	–	180,418
	977,899	**0**	**734,659**	**0**	**734,659**	**553,497**	**0**	**347,299**	**0**	**347,299**
Financial liabilities – recognized directly in equity in other comprehensive income										
Derivatives (with hedging relation)	4,726	–	4,726	–	4,726	12,447	–	12,447	–	12,447
	4,726	**0**	**4,726**	**0**	**4,726**	**12,447**	**0**	**12,447**	**0**	**12,447**
Financial liabilities – at fair value through profit and loss										
Derivatives (without hedging relation)	5,179	–	5,179	–	5,179	3,462	–	3,462	–	3,462
	5,179	**0**	**5,179**	**0**	**5,179**	**3,462**	**0**	**3,462**	**0**	**3,462**
	987,804	**0**	**744,565**	**0**	**744,565**	**569,405**	**0**	**363,208**	**0**	**363,208**

Level 1:

Prices in the active markets are assumed in unchanged form for identical financial assets or financial liabilities. The fair values of non-current securities are based on current stock market prices.

Level 2:

Uses largely observable input factors that can be directly (i.e., price) or indirectly (i.e., derived from prices) observed for financial assets or financial 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-related risks.

The fair value of level 2 financial assets and liabilities measured at amortized cost is 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 as of the balance sheet date. As of December 31, 2019, lease liabilities were measured at the interest rates valid at this point in time. As there were no material changes in these interest rates and no material changes in leases in the last six months, the difference between the fair values of the lease liabilities and their carrying amounts was not recalculated.

Level 3:
Uses factors not based on observable market data for the measurement of financial assets and liabilities (unobservable input factors). These are classified as level 3 when there is an unobservable input factor present that significantly influences the measurement. In the Dräger Group, only equity instruments are allocated to level 3. Dräger applies the discounted cash flow method when measuring equity instruments.

No significant reclassifications between the levels were carried out in the past two fiscal years.

20 RELATED-PARTY TRANSACTIONS

Services were rendered for Stefan Dräger as well as companies and persons related to Stefan Dräger, the Dräger-Stiftung, and the Dräger-Familienstiftung (Dräger Foundation and Dräger Family Foundation) totaling EUR 4 thousand (6 months 2019: EUR 29 thousand) in the first half of 2020. Receivables in this respect amounted to EUR 1 thousand as of June 30, 2020 (June 30, 2019: EUR 19 thousand).

Services in the amount of EUR 11 thousand were rendered for working groups in the first half of 2020 (6 months 2019: EUR 302 thousand). Receivables from services rendered in this respect amounted to EUR 304 thousand (June 30, 2019: EUR 302 thousand).

Drägerwerk Group companies rendered rental services and other services for associate MAPRA Assekuranzkontor GmbH totaling EUR 60 thousand (6 months 2019: EUR 60 thousand) in the first half of 2020. Receivables in this respect amounted to EUR 1 thousand (June 30, 2019: EUR 1 thousand). There were no liabilities.

There were neither receivables nor liabilities as of the balance sheet date with the associated companies Focus Field Solutions Inc, St. Johns, Canada, and MultiSensor Scientific Inc, Somerville, USA. No services were provided in the first half of 2020 either.

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

Drägerwerk Verwaltungs AG is the general partner of Drägerwerk AG & Co. KGaA and holds 0 % of the capital. Only a few transactions are conducted with the general partner, as it only exercises administrative functions. The general partner is entitled to compensation for all expenses incurred in association with the management of Drägerwerk AG & Co. KGaA.

These include the contractually agreed remuneration for its executive bodies. These expenses comprise the remuneration of the Executive Board, the remuneration of its Supervisory Board, liability remuneration, as well as other expenses.

Liabilities to Drägerwerk Verwaltungs AG amounted to EUR 2,020 thousand as of June 30, 2020 (June 30, 2019: EUR 2,556 thousand). Expenses for Drägerwerk Verwaltungs AG services amounted to EUR 8,143 thousand in the first half of the year (6 months 2019: EUR 2,295 thousand). Services in the amount of EUR 3 thousand were rendered for

Drägerwerk Verwaltungs AG (6 months 2019: EUR 12 thousand) in the first half of 2020. There were no receivables in this respect (June 30, 2019: EUR 0 thousand).

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

21 SUBSEQUENT EVENTS

There were no significant changes between the end of the first half of 2020 and the time this interim financial report was prepared.

Lübeck, August 12, 2020

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 for the Interim financial statements, the Group interim financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, the group interim 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 in the remaining fiscal year have been described.

Lübeck, August 12, 2020

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

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

FINANCIAL CALENDAR

Report as of June 30, 2020, conference call	August 13, 2020
Virtual annual shareholders' meeting, Lübeck, Germany	September 30, 2020
Report as of September 30, 2020, conference call	October 29, 2020

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