BUENOS AIRES BUKAREST BLYTH PLYMOUTH
LJUBJANA BEIJING ANDOVER PARIS SEOUL
CHOMUTOV LÜBECK SOFIA TOKYO SÃO PAULO
JOHANNESBURG BOGOTA BANGKOK ATHENS
LISBON **WITH HEARTFELT DEDICATION** ISTANBUL
MUMBAI CASABLANCA MADRID SHANGHAI
STRASBOURG SVENLJUNGA MOSCOW VIENNA
PANAMA DUBLIN OSLO ZAGREB SINGAPORE
SANTIAGO LIMA HO CHI MINH CITY JAKARTA
PRAGUE TELFORD MILAN RIYADH HELSINKI
ANKARA MELBOURNE TAIPEI ROTTERDAM

ANNUAL REPORT 2014

COMPANY PROFILE

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

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

Dräger offers its customers anaesthesia workstations, medical ventilation, patient monitoring as well as neonatal care for premature babies and newborns. With ceiling supply units, IT solutions for the OR, and gas management systems the company is at the customer's side throughout the entire hospital.

Emergency response services, law and regulatory enforcement and the industry trust in Dräger's integrated hazard management, in particular for personal protection and plant safety. This includes: respiratory protection equipment, stationary and portable gas detection systems, professional diving equipment and systems, as well as alcohol and drug impairment detection. In collaboration with its customers Dräger develops customized solutions, such as entire fire training systems, training concepts and workshops.

Dräger has about 13,000 employees worldwide and is currently present in more than 190 countries. The company has sales and service subsidiaries in over 50 countries. Its development and production facilities are based in Germany, Great Britain, Sweden, Czech Republic, South Africa, the USA, Brazil and China.

SELECTED KEY FIGURES DRÄGER GROUP

		2014	2013	Change in %	Q4 2014	Q4 2013	Change in %
Order intake	€ million	2,415.5	2,384.6	+1.3	672.1	627.9	+7.0
Net Sales	€ million	2,434.7	2,374.2	+2.5	769.7	718.2	+7.2
EBIT [1]	€ million	178.6	200.8	–11.1	97.3	89.5	+8.7
in % of net sales	%	7.3	8.5		12.6	12.5	
Net profit	€ million	104.7	119.9	–12.7	62.1	57.0	+9.0
Earnings per share [2]							
per preferred share	€	5.73	6.94	–17.4	3.39	3.30	+2.7
per common share	€	5.67	6.88	–17.5	3.37	3.28	+2.7
Earnings per share on full distribution [3]							
per preferred share	€	4.58	5.30	–13.7	2.70	2.52	+7.1
per common share	€	4.52	5.24	–13.8	2.68	2.50	+7.2
Cash flow from operating activities	€ million	188.0	68.3	+175.1	117.0	18.2	+543.8
Net financial debt [4] / EBITDA [5, 6]		0.04	0.41				
Equity ratio [4]	%	40.1	39.5				
DVA [7]	€ million	81.6	113.9	–28.4			
Headcount as of December 31		13,737	13,334	+3.0			

[1] EBIT = Earnings before net interest result and income taxes
[2] On the basis of the proposed dividend
[3] Based on an imputed actual full distribution of earnings attributable to shareholders
[4] Value as of December 31
[5] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[6] Value of the last twelve months
[7] Dräger Value Added = EBIT less cost of capital

WITH HEARTFELT DEDICATION

TARGETS – RESULTS – FORECASTS

Target 2014[1]	Results 2014	Forecast 2015
Net sales Growth of 2 to 4 percent (net of currency effects)[2]	Net sales + 4.0 percent (net of currency effects)	Net sales Growth of 2 to 5 percent (net of currency effects)
EBIT margin Between 4.5 and 6.5 percent[2]	EBIT margin 7.3 percent	EBIT margin Between 6.0 and 8.0 percent[4]
Dräger Value Added (DVA) Significant reduction compared to prior year[2] (2013: 113,9)	Dräger Value Added (DVA) EUR 81.6 Mio.	Dräger Value Added (DVA) Moderate improvement compared to prior year
Gross margin Below prior year's level (2013: 48,3 percent)	Gross margin 46.7 percent	Gross margin Around prior year's level
Research and development costs EUR 210 Mio.[3]	Research and development costs EUR 212.0 Mio.	Research and development costs Between EUR 220 and 230 Mio.
Interest result Slight improvement compared to prior year (2013: EUR – 23.5 Mio.)	Interest result EUR – 25.0 Mio.	Interest result Slight improvement compared to prior year
Effective tax rate Between 30 and 34 percent	Effective tax rate 31.8 percent	Effective tax rate Between 30 and 33 percent
Operating cash flow Between 70 to 90 percent of EBIT	Operating cash flow 105 percent of EBIT	Operating cash flow Above 70 percent of EBIT
Investment volume Between EUR 100 and 120 Mio.	Investment volume EUR 124.7 Mio.	Investment volume Between EUR 110 and 130 Mio.[5]
Equity ratio Between 41.0 and 44,0 percent	Equity ratio 40.1 percent	Equity ratio Above 40 percent
Net debt Slight improvement compared to prior year (2013: EUR 110.0 Mio.)	Net debt EUR 10.7 Mio.	Net debt Slight improvement compared to prior year

[1] according to most recently released target values (see also table "Comparison of forecast figures and actual figures" on page 66)
[2] target lowered during fiscal year
[3] target raised during fiscal year
[4] On the basis of currency rates at the beginning of the year
[5] Without goodwill

STRUCTURE OF THE DRÄGER GROUP

Drägerwerk AG & Co. KGaA

Dräger Medical GmbH
consolidated companies

Dräger Safety AG & Co. KGaA
consolidated companies

DRÄGER WORLDWIDE

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

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

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

Possible rounding differences may lead to slight discrepancies.

WITH “HEARTFELT DEDICATION” – FROM RESEARCH AND DEVELOPMENT UP TO PRODUCTION AND SALES

The courage to embrace internationality is key to the success of a globally active company. At the same time, the principle “Think global – Act local” still applies. To Dräger, this means listening to the voices of those living and working in different cultural milieus.

It means listening to Cuiren Yan from Shanghai, for example, who works with her team to transform the particular experiences of Chinese customers into continuous product innovation. Or to Malcolm Kay from England when he describes how deeply rooted the German company has become in his old industrial region in the north of England since Dräger established a location there five decades ago. Or to Devang Lakhia, who explains how the pioneering progress being made in the medical field in the metropolitan region of Mumbai is emanating across India.

All of these people – from China to Britain and India – show their heartfelt dedication when it comes to “Technology for Life.” They share memories of the 125th anniversary, which they celebrated together, even if not in person. And all three feel like part of a big family – each one doing their part at different locations, but working together for Dräger.

Cuiren Yan, Manager Life Cycle Engineering, Shanghai (China)
Together with her team the Chinese engineer faces new challenges every day in order to invent or improve Dräger products.

Malcolm Kay, Senior Production Engineer, Blyth (Great Britain)
His knowledge and experience is highly recommended within the international network of Dräger production facilities.

Devang Lakhia, Zonal Manager (West) Sales & Marketing, Mumbai (India)
Dräger´s "Technology for life" is highly appreciated among the customers in India´s booming Mumbai region. The sales manager and his team take care of them.

CONTINUOUS INNOVATION – CUIREN YAN PUSHES PRODUCT DEVELOPMENT IN SHANGHAI

“We enjoy problem-solving. We are constantly responding to daily demands, thus contributing to saving lives.”

“My parents thought I should become a teacher; I wanted to be a doctor. On the advice of a selection committee, I became an engineer, but by doing engineering work at Dräger, my path in life has led me back to medicine after all,” Cuiren Yan says. Together with her young team at Shanghai Dräger Medical Instruments, she follows products from the medical business over their entire life cycle. They are maintained, optimized and undergo further research and development. This engineering assignment calls for a lot of flexibility, not to mention all the questions and comments from customers and the production department that have to be considered. “Unlike in basic development, we are constantly responding to daily demands as they arise, such as a call from production or a customer request passed along to us. Anyone who isn’t a fan of unexpected challenges would have a tough time on our team.” But Cuiren Yan and her team like the fast pace; they are masters of problem-solving, and they know how important reliable support and continuous evolution are to technological products, especially in a competitive market.

Shanghai, the immense metropolis on the Huangpu River, is Cuiren Yan’s home. She has lived here since she was three and even attended university in the city. “You will find training opportunities in Shanghai for almost every subject,” the engineer says. Her city is the leader in the educational sector, and it is playing a major role in helping the economic powerhouse China secure a top spot internationally in the field of engineering. The International Medical Zone of Shanghai, where Shanghai Dräger Medical Instruments has its headquarters, is one of the hot spots of global collaboration in the medical technology sector.

According to Cuiren Yan, 24 million people live in the metropolitan area – perhaps more, it’s hard to be sure – and the region is extremely appealing to many. “Our city is so large that my 35-km commute to work is entirely within the municipal area,” she says. Shanghai Dräger has its own shuttle buses to help ease the work commute for employees. When compared to Lübeck, the contrast is staggering: “I’ve been there often, and I can say that I know the city well.” According to Cuiren Yan, the city is easy to manage, but it is an important place with

Megacity Shanghai: Some 24 million people live in this Chinese economic hub where Dräger has been present since 1994 with a production and development site.

In dialog with employees: Cuiren Yan sees herself as a team player in Dräger's global R&D network.

Precision down to the details: An idea for product enhancement is discussed by the team of developers.

Passionately committed: Cuiren Yan is highly engaged while discussing her topics during the project meeting.

20 years of commitment: Cuiren Yan never loses sight of the big picture amid all the fine, detailed work.

Group portrait: The team of qualified engineers share a collegial and friendly relationship with each other.

Big things come in small packages: The "flowmeter" is one of the key components of Dräger's anesthesia technology.

“WHAT DEFINES OUR TEAM? WE STAND BY OUR PRODUCTS. THEY REALLY ARE OUR PRODUCTS; WE IDENTIFY WITH THEM, WE KNOW THEM INSIDE AND OUT, AND WE ADVOCATE THEM.

WE SOLVE PROBLEMS EVERY DAY, BOTH AS A TEAM AND WITH OUR DIRECT CONTACTS IN LÜBECK, WHOM WE KNOW WELL. THAT’S ONE THING THAT IS REALLY IMPORTANT TO ME. ANOTHER THING IS THAT OUR TECHNOLOGY PROVIDES SUCH MAJOR BENEFITS.”

CUIREN YAN, MANAGER LIFE CYCLE ENGINEERING, SHANGHAI (CHINA)

a formative influence – the home of technology – of which she has the keenest understanding: “I traveled there for the first time in 1992. I had become acquainted with anesthesia technology in China. After completing my degree, I worked in medical equipment production, then in development. I was quite familiar with our products even before the joint venture with Dräger was founded in 1994.” Ten days of concentrated work – a crash course in the manufacture and calibration of anesthesia devices that represented the latest “descendants” of the revolutionary invention created by Dr. Otto Roth and Bernhard Dräger on the Trave River 90 years earlier – laid the foundation. It was the beginning of a long and close relationship.

“I really have been doing this for a long time,” Cuiren Yan says with enthusiasm. One particular highlight happened quite by accident: “I had the opportunity to celebrate the 125th Dräger anniversary three times – in Lübeck, in Andover at Dräger US, where at the time I attended project meetings, and also here in Shanghai.” It’s a source of pride, as is the responsibility of representing Dräger in a market environment with a lot of prospects, but one that is also challenging and sometimes turbulent. “What defines our team? We stand by our products. They really are our products; we identify with them, we know them inside and out, and we advocate them. We solve problems every day, both as a team and with our direct contacts in Lübeck, whom we know well. That’s one thing that is really important to me. Another thing is that our technology provides such major benefits. It saves lives and restores people to health, and that’s something I have always wanted to do.”

TECHNOLOGY AS A PASSION – MALCOLM KAY STANDS FOR EXCELLENT PRODUCTION IN BLYTH

“My sights are firmly set on the future. How can we achieve better production processes in one, three and again in five or more years, with even higher quality, and at lower costs?”

Engineers are often passionate about great technology. Senior Production Engineer Malcolm Kay is no different; in his role at Dräger Blyth, Great Britain, he is a champion for the introduction of robotic and computer controlled manufacturing processes whilst at home, prized possessions include a classic Japanese motorcycle and a thoroughbred German sportscar. “I love German cars for their quality, looks and performance, though my German colleagues didn’t make the decision when buying one any easier. I asked three, and each had a different opinion about which German brand is the best!” says Malcolm. In the end, Kay went with an Audi TT – sporty, great looking, dependable: a classic design. Strictly speaking, Kay doesn’t need any advice when it comes to technical products of the premium international class. The engineer is one of the most experienced experts at the Dräger site in Blyth, which is home to the development and manufacture of critical respiratory protection technology – a global standard for the whole world.

As a port city, Blyth has been connected to the world at large for many centuries and with Dräger for over 50 years: The joint venture Dräger Normalair was founded in 1963, and two years later breathing apparatus production was transferred to England. Blyth has been a fully owned Dräger site since 1974 and today is one of the key employers in the town of 36,000 inhabitants. Malcolm Kay has been here for more than 25 years and his story of rising through the ranks has matched the growing importance of the plant, whose continuous modernization Kay now drives.

“My sights,” says Malcolm, “are firmly set on the future, both professionally and personally. For Dräger in Blyth, I have to ask: ‘How can we achieve better production processes in one, three and again in five or more years, with even higher quality, and at lower costs?’” Kay relies on the balanced synergy of humans and machines, which, for him, is the smart choice from an engineer’s perspective: “Automation – the precisely planned use of robotics – is the key to achieving the highest consistent quality in Blyth. That said, some critical processes can involve the versatility of the human hand.” And the ingenuity of their mind.

Ebb and flow: The North Sea is just a few hundred meters away from Dräger’s production site in Blyth, located in the north of England.

Recognized expert: The production employees appreciate Malcolm Kay’s suggestions and ideas.

Quality and precision work: Modern production technology ensures the consistently high quality of components.

Committed project management: The project status of the construction of another automated production line is discussed together with employees from a plant engineering company.

Expert ideas with the best intentions: Dräger colleagues at other production sites also value Malcolm Kay’s experience and expertise.

Milestone: The oxygen device used by Sir Edmund Hillary in 1953 to successfully climb Mount Everest for the first time is on display in the Dräger showroom in Blyth.

Always in a great mood: Work is much easier with a smile on your face.


Production

“IF I HEAR THAT OUR KNOWLEDGE OF PROCESSES AND MATERIALS COULD BE OF HELP FOR OUR CZECH COLLEAGUES IN HELMET PRODUCTION, I WANT TO SHARE IT WITH THEM.

THAT IS CRUCIAL TO OUR EXCELLENT TEAMWORK WHICH IS A KEY ASSET FOR THE CONTINUING SUCCESS OF DRÄGER.”

MALCOLM KAY, SENIOR PRODUCTION ENGINEER, BLYTH (GREAT BRITAIN)

Such ingenuity enables specialists like Malcolm Kay to read between the lines in the story of technological progress. Intuition tells them when something isn’t what it could or should be. “Instinctively you know, ‘Hey! Something isn’t living up to our vision.’” There are two options: Lower expectations – or stick with them and assess what is hindering them. In Blyth, located directly on the coast of the North Sea, unpredictable weather sometimes can be the cause.

“We wanted to set up the perfect injection molding production process,” Kay says. “Everything seemed to be right in terms of technology, raw materials and training, but we just couldn’t get the consistency right. For me, that meant all factors need to be looked at and statistically evaluated.” The maritime climate turned out to be the culprit as everything else was under control. “The injection molding system just needed to be air-conditioned, and now it works perfectly.”

The people in the region certainly do not lack practical experience, which spans generations. Northeast England was the hot spot of the industrial revolution. It is a place where you find the right kind of mindset, Malcolm says. He himself already had that mentality when he left work in the shipyards and joined Dräger in the late 1980s, discovering that the local ethos is the perfect match to a German family-run company: “We feel loyalty and solidarity. I once traveled to Lübeck, where we spent the whole day working in a very focused way. I would have understood if everyone had just gone home to relax after such a day, but the colleagues there took care of me. They wanted to get to know me properly, and I was really delighted.” It’s a two-way street: “If I hear that our knowledge of processes and materials could be of help in another plant, for example our Czech colleagues in helmet production, I want to share it with them.” And that’s what matters, as Kay learned as a young apprentice: Be attentive, and see where you can lend a helping hand. “That is crucial to our excellent teamwork which is a key asset for the continuing success of Dräger.”

THE FUTURE IS NOW – DEVANG LAKHIA MASTERS THE DYNAMIC MARKET IN MUMBAI

"In our market, the mentality towards German products is easy to sum up – they are synonymous with 'dependable'. That matters to our customers."

Devang Lakhia's benchmark is the team. For him, it all comes down to that, to working together towards goals, the insight that cooperation is the only way to achieve all that's possible. And a lot is possible in India, he explains. Devang is in charge of sales for the Dräger medical division in three out of 29 states in India: Maharashtra, Gujarat and Goa. The region encompasses half of India's west coast where more than 173 million people live. The region's key city, Mumbai, and the greater area alone have a population of more than 18 million. Also Maharashtra and Gujarat region is considered as most developed industrial hub having the highest numbers of developed towns.

Here, in India's financial hub, is where Devang lives and works. This is also where he grew up and where he returned to after finishing his degree in Gujarat. Devang joined Dräger as an experienced professional in the medical ventilation industry. "It was a dream come true," he says. "It had been my hope for a long time to work for Dräger." One obvious reason that makes a compelling case for the company, he explains, is its excellent reputation: "In our market, the mentality towards German products is easy to sum up – they are synonymous with 'dependable'. You hear that each individual device underwent very careful testing before being able to roll off the production line, and Germans are proud of that fact. That matters to our customers – reliability."

The other reason that makes Dräger personally so appealing to Devang Lakhia and, as he explains, also to the growing medical technology business, is its wide-ranging portfolio. "We can find the best solution for every need, from a stand-alone product all the way to the most comprehensive systems solutions for state-of-the-art hospitals." As someone who came from a competitor, Lakhia was keenly aware of these benefits. "The opportunity presented itself, and I made my dream a reality. For the last four and a half years, I have been living this dream at Dräger in Mumbai," – spending more than three of those years as a regional manager for "his" three states.

In many respects, the region plays a pioneering role in India, including in medicine, and that means competition and growth. During Devang's time at Dräger, the team has more than

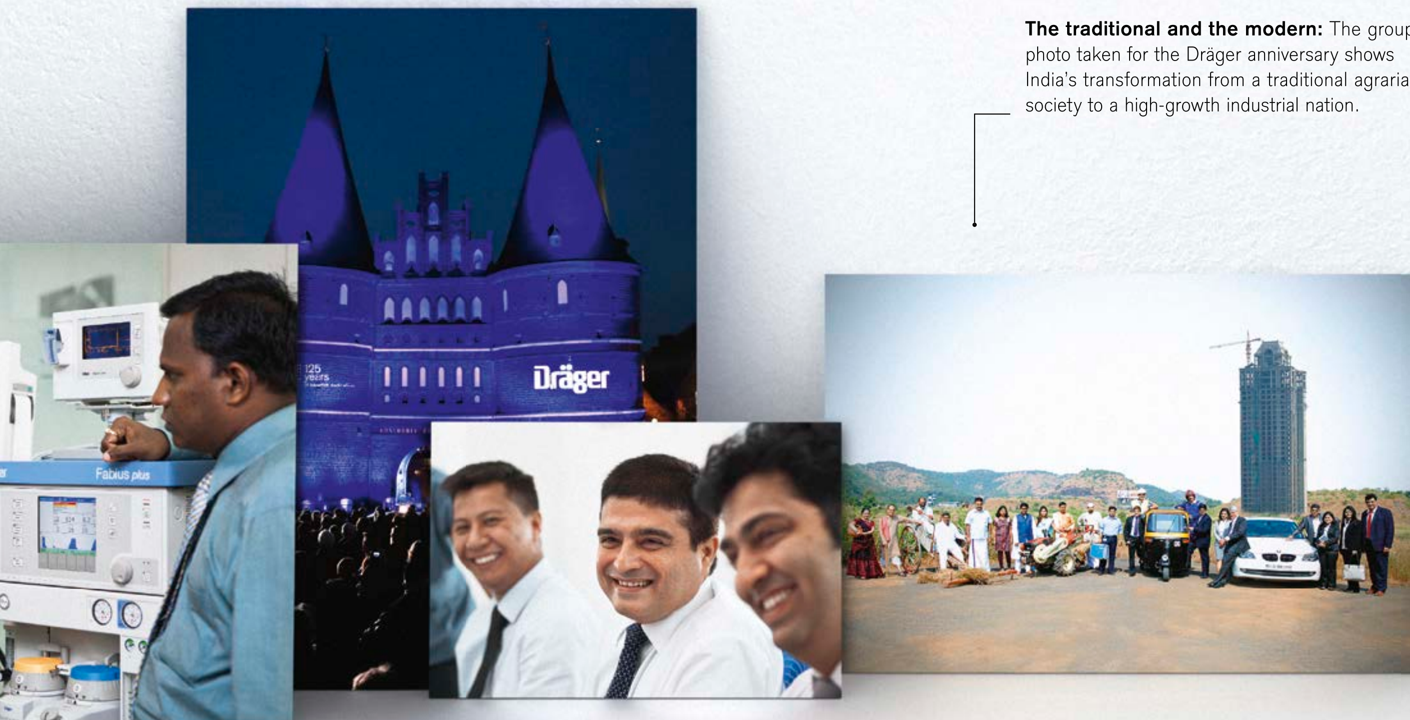
Historical symbol: The "Gateway of India" is the best-known landmark in this city on the Arabian Sea and also a monument from the days of the British Raj.

Boomtown: Mumbai is the financial hub of India with the highest growth rates.

Product training as a team: Devang Lakhia talks to new Dräger employees about the basics of anesthesia technology.

Official ceremony at the Holstentor in Lübeck: The symbol of the city of Lübeck is bathed in the color of Dräger blue during a laser light show to celebrate the company’s 125th anniversary.

The traditional and the modern: The group photo taken for the Dräger anniversary shows India’s transformation from a traditional agrarian society to a high-growth industrial nation.



Heartfelt dedication: Devang Lakhia leads his team to success with heartfelt dedication, humor and passion.

Always in tune with the times: Devang Lakhia always has a sympathetic ear for the concerns of his customers and his team.

Bestseller: Dräger’s “Fabius plus” anesthesia device is a real hit with customers in India’s hospital sector.

Taking stock at the end of the day: The sales manager listens attentively when his employees give him feedback on the day.

“I AM ABSOLUTELY CONVINCED WHENEVER I TELL YOUNGER COLLEAGUES IN THE INDUSTRY THAT THIS IS A TRULY OUT-STANDING PLACE TO DO FIRST-RATE WORK.

FINDING MY WAY TO AND AT DRÄGER WAS MADE EASY FOR ME, AND I HAVE RECEIVED ALL THE SUPPORT I COULD HOPE FOR FROM MANAGEMENT.”

DEVANG LAKHIA, ZONAL MANAGER (WEST) SALES & MARKETING, MUMBAI (INDIA)

doubled sales, and Devang hopes to keep that trend going. In the field of medical technology, demand is currently strongest in the mid-range segment, specifically for functionality that is tried and trusted. But the field of high-tech medicine is also growing rapidly in India. Devang is certain that the market for the complex integrated systems solutions of intensive care medicine will also increasingly open up.

“Intensive care medicine is the area that fascinates me the most personally,” he says, “followed by our operating room products.” This is also reflected in the reason he places such high value on teamwork: “The variety of different needs and requirements means we have to listen to each other very carefully, both here and when communicating with Lübeck. And I am very satisfied in this regard.” Sales and clinical specialists work in close cooperation on Devang’s team. Together they find the right solution, whether it is for a hospital in a major city or a smaller one in the country. “We have four experts on the use of equipment in hospitals on our team. They ensure everything goes smoothly in practice. We convey the message that with us, there is no compromising on quality.”

According to Devang Lakhia, there is a globally shared Dräger experience, and the company’s anniversary made it possible to experience that powerfully firsthand. Devang was especially thrilled to see himself in a global Dräger film created for the company’s 125th anniversary. “I am absolutely convinced whenever I tell younger colleagues in the industry that this is a truly outstanding place to do first-rate work. Finding my way to and at Dräger was made easy for me, and I have received all the support I could hope for from management. We have the leeway to make decisions when and where we need to, and we get helpful feedback. My team is a part of a team. You have a good feeling when you arrive at work in the morning.”

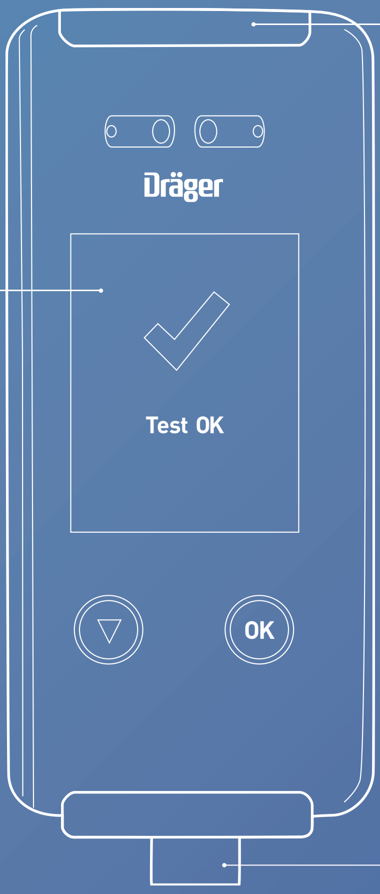
Expression of thanks: We would like to extend our thanks to Cuiren Yan, Malcolm Kay and Devang Lakhia for their support in the preparation of this management report. As representatives of well over 13,000 Dräger employees all over the world, they report on their day-to-day work and the passion with which our employees are committed to “Technology for Life” – each from their own perspective and in reflection of their individual responsibilities. And just like all of us here at Dräger, it’s a job they do with heartfelt dedication.

27

SHAREHOLDER INFORMATION

Interlock 7000

The handheld breath alcohol testing device with color display for intuitive use in 23 languages, with more to follow.



Once the driver's breath is measured using the heated mouthpiece, the status is reported by color-coded LED lights and a variety of different audible signals.

The data is transferred to the control unit via a spiral cable, where it is stored in encoded form.

INTERLOCK 7000: The automobile immobilizer functions on the basis of the driver's level of breath alcohol and checks how much the driver has had to drink. The ignition starts the engine – or not – depending on whether the level of breath alcohol is within legal limits. The automobile immobilizer consists of a handheld unit and a control unit.

Dear Shareholders, dear Employees, dear Readers,

Fiscal year 2014 was a very special one for us. We marked the founding of our company 125 years ago. We celebrated this anniversary with an official ceremony in Lübeck, the "home" of Dräger, and worldwide in connection with customer events at various locations. Together with our customers and employees, we took a look back at our achievements while also keeping our eyes firmly on what is to come – on the possibilities that lie ahead of us and on the challenges that the future will bring.

This past year was also an eventful one outside our company. The Olympic Winter Games and the FIFA World Cup, two major events designed to bring people around the world closer together, took place in 2014. At the same time, the Ukraine conflict presented us with a new trouble spot, and the violence escalated in the Middle East. Besides the suffering caused to people, these developments have created geopolitical uncertainty and additional risks. The global economy once again posted only very moderate growth in 2014. While the US economy grew relatively dynamically, growth in the eurozone remained sluggish. In addition, the emerging markets made a significantly smaller contribution to growth than in the past. The annual growth rate fell in China in particular. Compounding matters, Russia slipped into recession due to the economic sanctions in connection with the Ukraine conflict. Nevertheless, worldwide the medical and safety industries have held their ground in this climate and are growing steadily.

Dräger's fiscal year was also rather mixed. Demand started out very hesitant in the first half of 2014 and did not start to pick up until the second half of the year. In some key markets for Dräger, such as the US and China, it failed to meet our expectations throughout the year. Our business in Russia declined significantly, also in connection with the sanctions imposed on the country. In other markets, such as Southern Europe and Latin America, we fared better than expected. All told, we managed to finish the year with growth of almost 4 percent (net of currency effects) thanks to a strong final spurt in net sales, placing us within the forecast. However, our earnings did not quite measure up. Although the excellent fourth quarter allowed us to outperform our EBIT-margin range, which we lowered in summer, we still remained slightly below our original forecast for the year on this front.

What caused the difference in earnings? The main reason was a less favorable product and country mix than in the prior year. Business was not as good in certain countries and with certain products that are particularly profitable for us. At the same time, our functional costs increased, especially in R&D and Sales. The value of the euro also had a negative overall impact on our earnings. Even though the strong euro weakened significantly in the second half of the year, it still put a strain on our EBIT margin over the course of the year on average. The marked drop in the price of Dräger common and preferred shares in this context was disappointing, but understandable from an investor's point of view. Since our equity ratio increased to over 40 percent in 2014, our distribution rate will double to 30 percent, just as we promised. As a result, dividends will rise significantly despite the decrease in earnings, which is certainly positive for investors.

Around the world – at our various development and production sites as well as at our sales and service companies – our employees were once again actively committed to their work this past year. It is this commitment that made the brilliant final spurt in the fourth quarter possible in the first place. The title of this year's annual report, "With Heartfelt Dedication," reflects this global commitment, for which I would like to express my sincere thanks.

To sum it up, the developments in fiscal year 2014 show two things: First, the increase in net sales demonstrates that our markets are intact and continue to offer good prospects for the future. Second, the developments over the course of the year illustrate the fact that it is better to take a long-term view rather than looking at individual quarters on an isolated basis or overvaluing them. As a family-run company, we think in terms of longer periods of time instead of quarters, and we invest with the long term in mind. You could say that this approach is part of the key to our company.

Dräger will continue to invest in securing its future in 2015 – by once again raising our expenditure on research and development, for example. That is because innovation is of the essence for a company that makes “Technology for Life” and calls for a long-term perspective. We are also investing in production and our infrastructure, especially at our site in Lübeck. We plan to do an even better job at meeting the demands of customers and markets through better production and logistics processes.

We will continue promoting our “Fit for Growth” efficiency program, which we launched last year. This program is intended to help us secure and strengthen our competitiveness. In this context, we are reviewing Dräger’s processes and structures, and we are also taking a critical look at our wide range of sites and locations, some of which have developed over time. We will be focusing particularly on innovation with the aim of bringing customer benefits to market more quickly.

As a result, we are looking to the future with optimism, but without lulling ourselves complacently into a false sense of security. The decline in oil prices is boosting consumers’ purchasing power, and the devaluation of the euro as a result of the ECB’s monetary policy is strengthening the competitive position of the export-oriented industrial sector, which includes Dräger. But all of this also poses a risk and masks the necessity of structural reforms.

Dräger will continue to work on the conditions for future growth and on strengthening its competitive position in 2015. This is the best way for us to ensure that we master the challenges of the future – and that Dräger remains a company that is a global market leader and the first choice for customers, employees and shareholders.

Best regards, Stefan Dräger

Executive Board

Forward-looking, responsible leadership has been fundamental to Dräger's corporate culture for more than 125 years. Stefan Dräger and his Executive Board colleagues are dedicated with all their passion to realizing a sustainable increase in corporate value.

STEFAN DRÄGER

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

DR. HERBERT FEHRECKE

Dr. Herbert Fehrecke in his role as Vice Chairman of the Executive Board is in charge of Purchasing, Quality and Operations. He is also responsible for the Europe region. He has been with the Company since 2008, and his term runs until March 2015.

GERT-HARTWIG LESCOW

Gert-Hartwig Lescow is responsible for the Company's Finance function and for the Americas region. He has been with Dräger since 2008, and his term runs until March 2016.

ANTON SCHROFNER

Anton Schrofner is responsible for Innovation and the Africa, Asia / Pacific and Middle East regions. He has been with the Company since September 2010, and his term runs until August 2018.

Report of the Supervisory Board

Dräger looks back on a fiscal year 2014 shaped by changeable business development. The weak performance in the first half of the year was followed by an extremely strong final quarter. The Supervisory Board dealt in detail with the Company's economic situation and prospects and continued its trusting working relationship with the Executive Board. The Supervisory Board was involved in all decisions directly and in time.

Dear Shareholders,

Your Company developed well in fiscal year 2014 also from the perspective of the Supervisory Board. The earnings target published at the start of 2014 had to be corrected midway through the year, but Dräger was able to exceed the corrected earnings forecast thanks to good performance in the second half of the year and an extremely strong fourth quarter. The EBIT margin came in at 7.3 percent and was only just short of the originally forecast range. Last year, the Company suffered at the hands of subdued demand in a number of important market sectors, but particularly at the hand of the strength of the euro compared to a number of different currencies in the first half of the year. The devaluation of the euro in the second half of the year has improved the fundamental situation for Dräger again in many different markets, but only on the condition that this trend is sustained.

The Executive Board anticipates currency-adjusted net sales growth of 2.0 to 5.0 percent and a EBIT margin of between 6.0 and 8.0 percent for 2015. The Executive Board intends to invest further in Dräger's future potential in 2015. Therefore, spending on research and development will be increased further and a future-proof production site will be constructed on Revalstrasse in Lübeck. With the "Fit for Growth" efficiency program, the Executive Board also wants to boost Dräger's competitiveness even further. The Supervisory Board considers the expectations of the Executive Board regarding net sales and earnings growth in fiscal year 2015 as realistic.

In fiscal year 2014, the Supervisory Board carefully and regularly monitored the work of the Executive Board of the general partner in accordance with the law and the articles of association, and provided advice on the strategic development of the Company as well as all major measures. The Supervisory Board was involved in all decisions of importance to the Company. The extensive written and oral reports by the Executive Board formed the basis for these decisions. Also outside of the Supervisory Board meetings, the Chairman of the Supervisory Board was regularly informed by the Chairman of the Executive Board about current business developments and major transactions.

MEETINGS

In four regular meetings, the Supervisory Board dealt in detail with the business and strategic development of the Dräger Group, the divisions and their German and foreign subsidiaries, and intensively advised the Executive Board on such matters. It was not deemed necessary to discuss meetings or individual points on the agenda without the

PROF. DR. NIKOLAUS SCHWEICKART

Executive Board. No member took part in less than half of the Supervisory Board's meetings in the reporting year.

FOCAL POINTS OF THE SUPERVISORY BOARD DELIBERATIONS

In the past fiscal year, discussion continued to focus on the Company's functional orientation, its long-term strategic targets and its regional growth options. Other focal points of deliberations included Research and Development, the legal structure in Germany and cost development.

The plan for fiscal year 2015 was presented to the Supervisory Board in a meeting held on 12 December 2014 and approved by the Joint Committee, which is responsible for resolutions concerning transactions requiring approval. In this meeting, discussions centered on the strategic developments of the medical division, the launch of new products and deliberations over an overhaul of the product portfolio.

In its meeting on 12 December 2014, the Supervisory Board also covered the German Corporate Governance Code in the version dated 24 June 2014. The Supervisory Board and Executive Board decided to submit a declaration of conformity pursuant to Sec. 161 of the German Stock Corporation Act (AktG), which states that the Company fully complies with recommendations and will continue to do so in the future. The declaration of conformity is permanently available on the Company website and in the corporate governance report.

ACTIVITIES OF THE AUDIT COMMITTEE

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

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

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

ACTIVITIES OF THE NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE AND EFFICIENCY AUDIT

The Supervisory Board regularly deals with the application and enhancement of corporate governance principles within the Dräger Group. It also evaluated its Supervisory Board activities in fiscal year 2014 and conducted an internal efficiency audit.

The declaration of conformity has been reproduced on page 37 of this annual report.

SINGLE ENTITY AND GROUP FINANCIAL STATEMENTS

The Supervisory Board appointed the statutory auditor elected by the annual shareholders' meeting, Frankfurt-based PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, to audit the single entity and Group financial statements for fiscal year 2014. Subject of the audit were the single entity financial statements of Drägerwerk AG & Co. KGaA, prepared in accordance with German Commercial Code (HGB), as well as the Group financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS), and the combined management report of both Drägerwerk AG & Co. KGaA and the Dräger Group.

The auditors examined the single entity financial statements of Drägerwerk AG & Co. KGaA, prepared in accordance with the provisions of the German Commercial Code, the Group financial statements, which were prepared in accordance with IFRS, as well as the combined management report of both Drägerwerk AG & Co. KGaA and the Group, and issued an unqualified audit opinion. The auditors confirmed that the Group financial statements prepared in accordance with IFRS and the Group management report conform with IFRS as adopted by the EU.

The members of the Supervisory Board carefully examined the single entity and Group financial statements and accompanying combined management report as well as the audit reports. Representatives of the statutory auditor attended the Audit Committee's meeting on March 4, 2015, during which Dräger's single entity and group financial statements were deliberated on, as well as the Supervisory Board's meeting on March 5, 2015, to discuss the financial statements. These representatives reported on the performance of the audit and were available to provide additional information. At these meetings, the Executive Board explained the single entity financial statements of Drägerwerk AG & Co. KGaA and the Group financial statements along with the risk management system. On the basis of the audit reports on the single entity and Group financial statements and the combined management report, the Audit Committee came to the conclusion that both sets of financial statements with their respective management reports give a true and fair view of the net assets, financial position and results of operations in accordance with the applicable financial reporting framework. To do so, the Audit Committee deliberated on significant asset and liability items and their valuation as well as the presentation of the earnings position and the development of certain key figures. The Chairman of the Audit Committee reported on the discussions to the Supervisory Board. Further questions by members of the Supervisory Board led to a more detailed discussion of the results. The Supervisory Board was convinced that the dividend proposed by the general partner was in line with Dräger's dividend policy and was appropriate considering the net assets, financial position and results of operations, and approved it. The liquidity of the Company and the interests of the shareholders were taken into account in equal measure. There were no reservations concerning the economic efficiency of the Executive Board's actions.

After the preliminary review by the Audit Committee, the Supervisory Board reviewed and approved the financial statement and consolidated financial statement of

Drägerwerk AG & Co. KGaA as well as the combined management report. The financial statements of Drägerwerk AG & Co. KGaA must be approved by the annual shareholders' meeting. The Supervisory Board agreed with the recommendation made by the general partner to approve the financial statements of Drägerwerk AG & Co. KGaA and supports the proposed appropriation of net earnings.

CHANGES IN THE SUPERVISORY BOARD

Member of the Supervisory Board, Klaus-Dieter Fürstenberg, retired and left the Supervisory Board midway through the year. He was replaced by Klaus-Dieter Fett.

CONFLICTS OF INTEREST

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

The Supervisory Board would like to express its recognition of the Executive Board for its successful work in this fiscal year. Furthermore, it thanks management and all employees, including employee representatives, for their hard work in fiscal year 2014.

Lübeck, March 5, 2015

Prof. Dr. Nikolaus Schweickart
Chairman of the Supervisory Board

Report of the Joint Committee

Dear Shareholders,

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

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

Lübeck, March 5, 2015

Prof. Dr. Nikolaus Schweickart
Chairman of the Joint Committee

Corporate Governance Report

At Dräger, “corporate governance” stands for a responsible and transparent management and control process that focuses on a long-term increase in the value of the Company. It fosters the trust of investors, customers, employees and the public. The recommendations of the Government Commission of the German Corporate Governance Code are applied in all areas.

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

Partnership limited by shares

“A partnership limited by shares (KGaA) is a company with a separate legal personality where at least one partner is fully liable to the Company’s creditors (general partner) and the remaining shareholders have a financial interest in the capital stock, which is divided into shares, without being personally liable for the company’s liabilities (limited shareholders)” (Sec. 278 [1] AktG). Hence, a partnership limited by shares is a hybrid between a stock corporation and a limited partnership, with the character of a stock corporation predominating. As is the case at a stock corporation, a partnership limited by shares has a two-tier management and oversight structure by law. The general partner manages the company and its operations, and the supervisory board oversees the company’s management. The main differences compared to a stock corporation are the general partner, which essentially manages operations, as well as the absence of an executive board and the restricted rights and obligations of the supervisory board. While a supervisory board at a stock corporation appoints the executive board, the supervisory board of a partnership limited by shares does not have this authorization. This means that the supervisory board does not appoint the general partner or its management bodies and does not determine their contractual conditions. In a partnership limited by shares, the supervisory board may not adopt rules of procedure for the company’s management or a catalog of transactions requiring approval. There are also differences relating to the annual shareholders' meeting: Certain resolutions must be approved by the general partner (Sec. 285 (2) AktG), in particular the resolution to approve the financial statements (Sec. 286 (1) AktG). Many of the recommendations of the German Corporate Governance Code (hereinafter also referred to as the "Code"), which is designed for stock corporations, can therefore only be applied to a limited extent to a partnership limited by shares.

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

↗ Please refer to chart "Drägerwerk AG & Co. KGaA"

Declaration of conformity

The joint declaration of conformity by the general partner and the Supervisory Board of Drägerwerk AG & Co. KGaA was discussed and approved in the meeting of the Supervisory Board on December 12, 2014. It states that the recommendations of the Government Commission of the German Corporate Governance Code were applied in all areas.

The declaration was published on December 18, 2014, with the following wording:

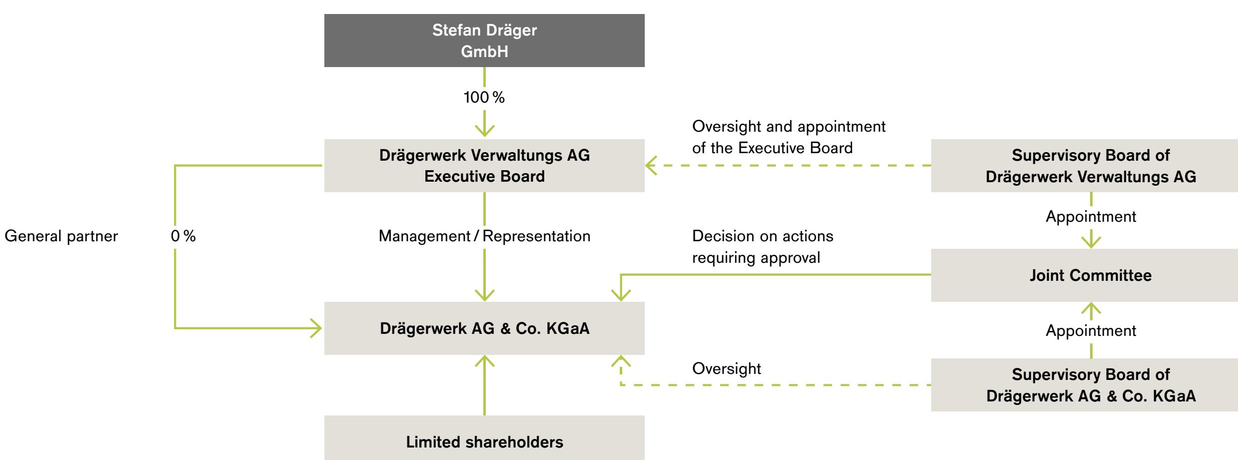
"The recommendations of the German Corporate Governance Code Government Commission were designed with stock corporations in mind. Dräger applies these recommendations to Drägerwerk Verwaltungs AG wherever they are relevant to the general partner and bodies of the AG & Co. KGaA according to the requirements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

The general partner, represented by its Executive Board, and the Supervisory Board declare that Drägerwerk AG & Co. KGaA acted on the recommendations of the German Corporate Governance Code Government Commission, as amended on May 13, 2013, from the date of the issue of its previous declaration of conformity on December 18, 2013 to September 29, 2014 and, since September 30, 2014, has acted and will continue to act on the recommendations as amended on June 24, 2014."

SUPERVISORY BOARD

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

DRÄGERWERK AG & CO. KGAA



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

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

- Professional and personal qualifications, regardless of gender – in the case of identical qualifications, female applicants are given priority (in view of the desire to achieve an adequate proportion of women on the board),
- Business management experience in German and foreign companies with a global presence in various cultural regions,
- Experience as a representative of family-owned as well as listed companies,
- A proven track record in finance and accounting as well as in financing and capital market communication,
- Experience in marketing and sales in diversified technology companies,
- Intellectually and financially independent persons with a high degree of personal integrity who do not have a conflict of interest with the Company,
- The majority of shareholder representatives are independent members, and
- Must be under 70 years of age for new election or re-election.

The last elections for shareholders' representatives took place at the annual shareholders' meeting on May 3, 2013. The objectives were taken into account and comprehensively achieved. Of the six previous shareholder representatives, five ran for re-election. Both male and female candidates were considered in the search for a successor to the member leaving the Supervisory Board; due to his qualifications, a male candidate was proposed for election. It was ensured that a high proportion of Supervisory Board members have experience in representing family-run companies and listed companies as well as in marketing and sales at technology-led companies. According to the assessment of the Supervisory Board, all shareholder representatives are independent as defined by 5.4.2 of the German Corporate Governance Code.

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

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

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

In an effort to improve its effectiveness and efficiency, the Supervisory Board of Drägerwerk AG & Co. KGaA established an Audit Committee and a Nomination Committee in accordance with 5.3.3 of the Code. The Audit Committee consists of the Chairman of the Supervisory Board as well as four further members, of which two are shareholder representatives and two are employee representatives. The Supervisory Board ensures that the Committee members are independent and places great emphasis on their particular knowledge and experience in applying accounting standards and internal control processes. The Audit Committee monitors the adequacy and functionality of the Company's external and internal financial reporting system. Together with the statutory auditors, the Audit Committee discusses the reports drawn up by the Executive Board during the year, the Company's financial statements and audit reports. On this basis, the Audit Committee draws up recommendations for the approval of the financial statements by the annual shareholders' meeting. It deals with the Company's internal control system and with the procedure for recording risks, for risk control and risk management as well as compliance. The internal audit department reports regularly to the Audit Committee, and is engaged by this Committee to carry out audits as is deemed necessary. Reference is also made to the report of the Supervisory Board.

The Chairman of the Supervisory Board as well as two shareholder representatives are members of the Nomination Committee. It is charged with proposing suitable candidates for election to the Supervisory Board. On this basis, the Supervisory Board compiles appropriate suggestions for the annual shareholders' meeting.

GENERAL MANAGEMENT

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

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

The Supervisory Board of Drägerwerk Verwaltungs AG approved the rules of procedure for the Executive Board at its meeting on May 4, 2012. At the meeting on December 11, 2014, the allocation of responsibilities was again confirmed.

Investor relations

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

In addition, Dräger reports to its shareholders on business performance, net assets, financial position and results of operations in three interim reports and the annual report.

Compliance

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

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

Dräger employees were systematically trained on issues relating to compliance, anti-corruption and antitrust law in 2014, both in the form of events on location and online training courses. They also have the opportunity to ask questions or report concerns relating to certain business practices by telephone; the compliance helpline e-mail address also provides support on issues of compliance. Furthermore, we have established at the Company a process to assess compliance-related risks posed by distribution partners.

Compliance reviews to determine the efficiency of compliance-related measures are also part of the Dräger Compliance Program.

We will continue to develop and adjust the Dräger Compliance Program in the future in order to meet updated legal and ethical demands at all times.

Remuneration report

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

EXECUTIVE BOARD REMUNERATION

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

This report provides an overview of the amount and structure of Executive Board remuneration at Dräger and outlines the joint remuneration system for the Executive Board members and the top management levels in the Group (Top Management Incentive, TMI). Dräger implements the following requirements of the Act on the Appropriateness of Executive Board Remuneration (VorstAG), the Act on Disclosure of Executive Compensation (VorstOG), the German Stock Corporation Act (AktG) and the German Corporate Governance Code (GCGC):

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

CONTRACTS AND RESPONSIBILITIES

All Executive Board members have concluded their employment contracts with Drägerwerk Verwaltungs AG. The Supervisory Board of this company is responsible for determining their remuneration. The contracts of the Executive Board members are valid for two to five years. The employment contracts of Dr. Herbert Fehrecke and Anton Schrofner were extended in fiscal year 2013 by two and five years respectively. The responsibilities within the Executive Board changed with the start of fiscal year 2014: Anton Schrofner, the Executive Board member for Innovation, has assumed responsibility for Research and Development, Product Management and Intellectual Property. The regional responsibilities of the various Executive Board members remain unchanged. Stefan Dräger was appointed member and Chairman of the Executive Board of Drägerwerk Verwaltungs AG for a further five years from March 1, 2015 by Supervisory Board resolution in January 2015.

DRÄGER VALUE ADDED AS A KEY MANAGEMENT FIGURE

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

BONUS RESERVE

Dräger integrated a bonus reserve in the remuneration system for Executive Board members and top managers to anchor sustainability in the remuneration system. The bonus reserve encompasses the under- (between -100 percent and 0 percent) and over-achievement (between 200 percent and 300 percent) of goals. This incentive system aims to measure the success of Executive Board members and top managers for the period from January 1, 2011 to December 31, 2014, allowing Executive Board members and top managers to compensate for under- or over-achievement. The system of variable remuneration will be changed for fiscal year 2015, after the Supervisory Board resolved to abolish the bonus reserve. There is no compensation for, carrying forward of or distribution from the bonus reserve for members of the Executive Board.

REMUNERATION STRUCTURE IN 2014

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

Total Executive Board remuneration comprises monetary remuneration components, defined benefit plans and other commitments. In fiscal year 2014, the monetary remuneration components included up to four components: fixed annual remuneration, a DVA-based bonus, a KPI-based bonus and a bonus based on the achievement of individual targets. Limits apply to all remuneration components, including the awarding and subsequent disbursement of bonuses from the bonus reserve. As a result, total remuneration is also limited.

- **Fixed remuneration** is paid monthly as a salary. The fixed remuneration of existing Executive Board members was determined upon their appointments or at the time their contracts were extended and have remained unchanged ever since.
- **Variable Executive Board remuneration (bonus)** focuses on increasing the value of the Company. Dräger has made it its goal to increase DVA between 2010 and 2014. 60 percent to 80 percent of the variable remuneration component is dependent on achieving this goal and is therefore based on a long-term, sustainably oriented measurement period **(bonus based on the DVA)**. If the target is fully met, this portion makes up around 60 percent of the remuneration of the Chairman of the Executive Board and roughly 35 percent to 50 percent of the remuneration of all other Executive Board members. If the target has been exceeded to a considerable extent, the bonus payment will be capped at double the benchmark. If the target is exceeded by more than 200 percent (300 percent maximum cap), a corresponding amount is added to the bonus reserve. If the target isn't reached (–100 percent maximum cap), a corresponding amount is deducted from the bonus reserve.
- 20 percent of variable remuneration for Executive Board members who are responsible for operating functions is calculated on the **basis of KPIs**. The targets are to relate to the areas of responsibility of each member of the Executive Board and have a positive impact on Dräger's company targets. Each year, the Supervisory Board sets KPI targets in consultation with the individual members of the Executive Board: they do not exceed five individual targets. If a target has been exceeded to a considerable extent, the bonus payment will be capped at double the benchmark. If the target has been missed, the bonus is

not paid at all. There are no plans to recognize a bonus reserve for KPI targets.

- When a **personal target** is fully met, the **corresponding variable bonus** amounts to 20 percent of total variable remuneration. Each year, the Supervisory Board sets personal targets for the individual members of the Executive Board. If a target has been exceeded, the payment will be capped at double the benchmark. Again, if the achievement drops below 0 percent, the bonus is not paid at all. There are also no plans to recognize a bonus reserve for personal targets. The Supervisory Board may choose to pay a special bonus for extraordinary performance or services rendered by individual Executive Board members.

REMUNERATION STRUCTURE FROM 2015

Fiscal year 2014 marked the end of the first TMI period. From fiscal year 2015, the composition of variable remuneration will be changed so that the DVA-based bonus constitutes the core component for all Executive Board members. The bonus reserve and the personal objectives no longer apply. A long-term measurement limit applies to some parts of the variable salary components. From fiscal year 2015, the monetary remuneration components comprise three components: (i) fixed annual remuneration, (ii) an annual bonus based on the annual DVA target and a KPI-based annual bonus and (iii) a long-term bonus based on DVA development over a three-year period. Upper limits have been defined for all remuneration components. As a result, total remuneration is also limited.

- **Fixed remuneration** is paid monthly as a salary. The fixed remuneration of existing Executive Board members was determined upon their appointments or at the time their contracts were extended and has remained unchanged since.
- Of the **variable target remuneration**, 50 percent comprises an **annual bonus** and 50 percent a **long-term bonus**.
- In turn, half of the **annual bonus** is based on a **DVA target** and the other half on one or more **KPI targets**. Both targets are defined every year by the Supervisory Board. Target achievement of 0 to 200 percent is possible for the annual bonus and its component targets.
- The **DVA target** is at least EUR 50 million for 100 percent target achievement; in the case of 200 percent target achievement, the target is at least EUR 50 million above the 100 percent DVA target. If DVA is negative, the bonus payment does not apply.
- For 2015, **KPI targets** are based on three component targets: (i) DVA development in North America and selected growth markets, (ii) the expansion of global service and consumables business and (iii) the achievement of the cost targets set for 2015.
- The **long-term bonus** is based on the average achievement of DVA targets for the last three fiscal years and the achievement of a fixed DVA target figure defined at the start of a three-year period. For the long-term bonus, target achievement of 0 to 300 percent is possible.

In fiscal year 2015, the first year of the transition to variable remuneration, the long-term bonus will be assessed on the basis of DVA development in 2015.

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

This goal-oriented variable remuneration system does not just apply to Executive Board members, it also forms the basis of remuneration for some 250 managers throughout the Company. In its meeting on December 11, 2014, the Supervisory Board reviewed and approved the new TMI regulations for the Executive Board.

EMPLOYEE SHARE PROGRAM

In fiscal year 2013, all employees in Germany and the Executive Board of Drägerwerk Verwaltungs AG were, for the first time, given the opportunity to participate in the Company by buying shares. The Executive Board decided to suspend the employee share program in 2014. The program will be offered again in 2015.

EXECUTIVE BOARD REMUNERATION

in €			Fixed remuneration	Additional benefits	**Total fixed remuneration**	One-year variable remuneration
Stefan Dräger Chairman of the Executive Board since March 1, 2005	Granted allocation	**2014**	600,000	10,793	**610,793**	1,400,000
		2014 Minimum	600,000	10,793	**610,793**	0
		2014 Maximum	600,000	10,793	**610,793**	2,800,000
		2013	600,000	10,511	**610,511**	1,400,000
	Contribution in fiscal year	**2014**	600,000	10,793	**610,793**	224,000
		2013	600,000	10,511	**610,511**	1,948,855
	DRS 17	**2014**	600,000	10,793	**610,793**	154,000
		2013	600,000	10,511	**610,511**	224,000
Herbert Fehrecke Purchasing and Quality since April 1, 2008	Granted allocation	**2014**	400,000	21,138	**421,138**	702,350
		2014 Minimum	400,000	21,138	**421,138**	0
		2014 Maximum	400,000	21,138	**421,138**	1,404,700
		2013	400,000	21,260	**421,260**	702,350
	Contribution in fiscal year	**2014**	400,000	21,138	**421,138**	431,243
		2013	400,000	21,260	**421,260**	1,038,797
	DRS 17	**2014**	400,000	21,138	**421,138**	322,050
		2013	400,000	21,260	**421,260**	393,316
Gert-Hartwig Lescow Chief Financial Officer since April 1, 2008	Granted allocation	**2014**	400,000	22,882	**422,882**	710,000
		2014 Minimum	400,000	22,882	**422,882**	0
		2014 Maximum	400,000	22,882	**422,882**	1,420,000
		2013	400,000	22,600	**422,600**	710,000
	Contribution in fiscal year	**2014**	400,000	22,882	**422,882**	142,000
		2013	400,000	22,600	**422,600**	982,668
	DRS 17	**2014**	400,000	22,882	**422,882**	89,460
		2013	400,000	22,600	**422,600**	142,000
Anton Schrofner Innovation since September 1, 2010	Granted allocation	**2014**	400,000	36,290	**436,290**	700,000
		2014 Minimum	400,000	36,290	**436,290**	0
		2014 Maximum	400,000	36,290	**436,290**	1,400,000
		2013	353,333	37,908	**391,242**	542,000
	Contribution in fiscal year	**2014**	400,000	36,290	**436,290**	316,528
		2013	353,333	37,908	**391,242**	639,695
	DRS 17	**2014**	400,000	36,290	**436,290**	285,841
		2013	353,333	37,908	**391,242**	287,260
Total	DRS 17	**2014**	1,800,000	91,104	**1,891,104**	851,351
		2013	1,753,333	92,279	**1,845,612**	1,046,576

	Share-based remuneration	Long-term variable remuneration TMI bonus reserve	**Total variable remuneration**	**Total fixed and variable remuneration**	Pension cost	**Total remuneration**
	0	0	**1,400,000**	**2,010,793**	144,509	**2,155,302**
	0	–1,120,000	**–1,120,000**	**–509,207**	144,509	**–364,698**
	0	1,120,000	**3,920,000**	**4,530,793**	144,509	**4,675,302**
	884	0	**1,400,884**	**2,011,395**	152,215	**2,163,610**
	0	0	**224,000**	**834,793**	144,509	**979,302**
	884	0	**1,949,739**	**2,560,250**	152,215	**2,712,465**
	0	0	**154,000**	**764,793**	0	**764,793**
	884	0	**224,884**	**835,395**	0	**835,395**
	0	0	**702,350**	**1,123,488**	20,000	**1,143,488**
	0	–421,410	**–421,410**	**–272**	20,000	**19,728**
	0	421,410	**1,826,110**	**2,247,248**	20,000	**2,267,248**
	884	0	**703,234**	**1,124,494**	20,000	**1,144,494**
	0	0	**431,243**	**852,381**	20,000	**872,381**
	884	0	**1,039,681**	**1,460,941**	20,000	**1,480,941**
	0	0	**322,050**	**743,189**	0	**743,189**
	884	0	**394,200**	**815,460**	0	**815,460**
	0	0	**710,000**	**1,132,882**	20,264	**1,153,146**
	0	–568,000	**–568,000**	**–145,118**	20,264	**–124,854**
	0	568,000	**1,988,000**	**2,410,882**	20,264	**2,431,146**
	884	0	**710,884**	**1,133,484**	21,618	**1,155,102**
	0	0	**142,000**	**564,882**	20,264	**585,146**
	884	0	**983,552**	**1,406,152**	21,618	**1,427,770**
	0	0	**89,460**	**512,342**	0	**512,342**
	884	0	**142,884**	**565,484**	0	**565,484**
	0	0	**700,000**	**1,136,290**	18,329	**1,154,619**
	0	–420,000	**–420,000**	**16,290**	18,329	**34,619**
	0	420,000	**1,820,000**	**2,256,290**	18,329	**2,274,619**
	0	0	**542,000**	**933,242**	18,080	**951,322**
	0	0	**316,528**	**752,818**	18,329	**771,147**
	0	0	**639,695**	**1,030,937**	18,080	**1,049,017**
	0	0	**285,841**	**722,131**	0	**722,131**
	0	0	**287,260**	**678,502**	0	**678,502**
	0	0	**851,351**	**2,742,455**	0	**2,742,455**
	2,652	0	**1,049,228**	**2,894,840**	0	**2,894,840**

ADDITIONAL BENEFITS FOR EXECUTIVE BOARD MEMBERS

Additional benefits, which Executive Board members receive in addition to the aforementioned remuneration, include contributions for pension, care and health insurance premiums as well as a company car for business and private use. The use of the company car is calculated using the 1 percent method plus the benefit for trips between home address and place of work, and taxed individually. The Executive Board members are responsible for paying the incurred payroll tax. The Company has also taken out group accident insurance for Executive Board members and pays the premium for the D&O financial loss liability insurance policy, liability insurance policy and legal expense insurance policy for members of the Executive Board; these policies do not constitute part of the Executive Board's remuneration. The financial loss liability insurance includes a deductible, which has been set since 2010 at one and a half times the amount of gross fixed annual remuneration in accordance with VorstAG.

The table included in this Remuneration Report complies with the German Corporate Governance Code and DRS 17 (German Accounting Standard 17). Fixed remuneration and additional benefits are based on the agreed fixed amount. For the variable remuneration, "Granted allowances" includes a target value for achieving 100 percent as well as minimum and maximum remuneration.

↗ Please refer to table "Executive Board Remuneration"

DEVELOPMENT OF THE BONUS RESERVE IN 2014

Variable remuneration with long-term incentivization equates to the amount added to the bonus reserve. The value of the bonus reserve fell on account of the discounting effect of EUR 12,253 (2013: EUR 85,364) to EUR 283,428 (2013: EUR 2,025,644): Stefan Dräger: EUR 0 (2013: EUR 31,022); Dr. Herbert Fehrecke: EUR 0 (2013: EUR 11,672); Gert-Hartwig Lescow EUR 12,253 (2013: EUR 34,330); and Anton Schrofner EUR 0 (2013: EUR 8,341), as only Gert-Hartwig Lescow had a positive bonus reserve amount. In addition, the following negative amounts changed the bonus reserve on the basis of the DVA result: Stefan Dräger: EUR 1,120,000 (2013: EUR 1,071,582); Dr. Herbert Fehrecke: EUR 421,410 (2013: EUR 403,192); Gert-Hartwig Lescow: EUR 568,000 (2013: EUR 543,445); and Anton Schrofner: EUR 420,000 (2013: EUR 311,142).

The bonus reserve values are as follows:

↗ Please refer to table "Bonus Reserve"

SEVERANCE PAYMENTS

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

THIRD-PARTY PAYMENTS AND CLAIM REIMBURSEMENTS

In the fiscal year, no benefits were granted by a third party to any member of the Executive Board in relation to duties as member of the Executive Board. If Executive Board remuneration is paid by Drägerwerk Verwaltungs AG, pursuant to Sec. 11 (1) and (3) of the articles of association of Drägerwerk AG & Co. KGaA, it is entitled to claim reimbursement from Drägerwerk AG & Co. KGaA monthly. Pursuant to Sec. 11 (4) of the Company's articles of association, the general partner receives a fee, independent of profit and loss, of 6 percent of the equity disclosed in its financial statements, payable one week after the general partner prepares its financial statements, for the management of the Company and the assumption of personal liability. For fiscal year 2014, this remuneration amounts to EUR 83,498 (2013: EUR 80,167) plus potentially incurred VAT.

BONUS RESERVE

	Stefan Dräger		Herbert Fehrecke		Gert-Hartwig Lescow		Anton Schrofner	
in €	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
2011–2014 (pursuant to TMI)								
Bonus reserve 2014	–1,120,000	0	–421,410	0	–568,000	0	–420,000	0
Bonus reserve 2013	–1,120,000	–1,071,582	–421,410	–403,192	–568,000	–543,445	–325,200	–311,142
Bonus reserve 2012	0	0	0	0	0	0	0	0
Bonus reserve 2011	769,391	736,130	289,490	276,976	851,428	814,620	206,861	197,918
As of December 31	**–1,470,609**	**–335,452**	**–553,330**	**–126,216**	**–284,572**	**271,175**	**–538,339**	**–113,224**

DEFINED BENEFIT PLANS

Obligations to the Executive Board members from the pension plan remain at Drägerwerk AG & Co. KGaA pursuant to the terms and conditions of individual contracts. Defined benefit plans for members of the Executive Boards are agreed individually, based on “Führungskräfteversorgung 2005”, which has been in effect within the Group since January 1, 2006.

The defined benefits under the pension plans offered to the members of the Executive Board are based on the basic annual salary and years of service on the Executive Board. It is based on an annual contribution of up to 15 percent of the basic annual salary. Under the deferred compensation option, an additional annual contribution of up to 20 percent of the basic annual remuneration is possible. These personal contributions were as follows in fiscal year 2014: Stefan Dräger, EUR 120 thousand (2013: EUR 120 thousand); Dr. Herbert Fehrecke, EUR 30 thousand (2013: EUR 22,500); Gert-Hartwig Lescow, EUR 80 thousand (2013: EUR 80 thousand); and Anton Schrofner EUR 0 thousand (2013: EUR 66 thousand). Stefan Dräger receives a further contribution of 50 percent from Drägerwerk AG & Co. KGaA on deferred compensation, but no more than 8 percent of his basic annual salary. This top-up payment is progressive if the Group EBIT margin equals 5 percent or more of net sales.

EUR 3,304,846 was paid to former members of the Executive Board and their surviving dependents (2013: EUR 3,227,995). Pension commitments to former members of the Executive Board and their surviving dependents amounted to EUR 48,674,558 (2013: EUR 42,655,573).

↗ Please refer to table “Pension Obligations for Active Executive Board Members”

SUPERVISORY BOARD REMUNERATION

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

In accordance with Sec. 21 (1) of the articles of association of Drägerwerk AG & Co. KGaA, each Supervisory Board member receives compensation for expenses incurred plus annual remuneration, which is composed of fixed remuneration of EUR 20 thousand (2013: EUR 20 thousand) and variable remuneration. The variable component is 0.015 percent of DVA, but no more than EUR 20 thousand (as in 2013).

PENSION OBLIGATIONS FOR ACTIVE EXECUTIVE BOARD MEMBERS

in €	Addition 2014	Obligation December 31, 2014	Addition 2013	Obligation December 31, 2013
Dräger, Stefan	1,188,611	2,882,530	231,850	1,693,919
Fehrecke, Dr. Herbert	118,230	344,324	46,979	226,094
Lescow, Gert-Hartwig	385,953	784,419	88,526	398,466
Schrofner, Anton	168,444	449,356	78,804	282,912
Executive Board members in total	**1,859,238**	**4,460,629**	**446,159**	**2,601,391**

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

In fiscal year 2014, the total remuneration of the six members of the Supervisory Board of the general partner, Drägerwerk Verwaltungs AG, amounted to EUR 135 thousand (2013: EUR 135,041) as well as additional flat fees for out-of-pocket expenses totaling EUR 55 thousand (2013: EUR 55,028). No remuneration was paid to Supervisory Board members of Group companies.

↗ Please refer to table "Supervisory Board Remuneration"

Shares owned by the executive and supervisory boards

On December 31, 2014, the Executive Board members of Drägerwerk Verwaltungs AG and their related parties directly held 6,108 preferred shares in Drägerwerk AG & Co. KGaA, equivalent to 0.04 percent of the Company's total shares and 114,605 common shares equivalent to 0.66 percent of the Company's total shares.

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

On December 31, 2014, the members of the Supervisory Board and their related parties directly or indirectly held a total of 244 preferred shares, equivalent to less than 0.01 percent of the Company's total shares and no common shares neither directly nor indirectly.

SUPERVISORY BOARD REMUNERATION

in €	2014 Fixed	2014 Variable	2014 Other	2014 Total	2013 Fixed	2013 Variable	2013 Other	2013 Total
Schweickart, Prof. Dr. Nikolaus (Chairman)	60,000	36,720	10,000	106,720	60,000	51,239	10,000	121,239
Kasang, Siegfrid (Vice-Chairman)	30,000	18,360	10,000	58,360	30,000	25,619	10,000	65,619
Fett, Klaus-Dieter	10,000	6,120	–	16,120	–	–	–	–
Friedrich, Daniel	20,000	12,240	–	32,240	20,000	17,080	–	37,080
Fürstenberg, Klaus-Dieter	10,000	6,120	–	16,120	13,333	11,386	–	24,720
Grenz, Prof. Dr. Thorsten	20,000	12,240	20,000	52,240	20,000	17,080	20,000	57,080
Grosse, Peter-Maria	–	–	–	–	8,333	7,117	–	15,450
Klein, Stefan	20,000	12,240	–	32,240	13,333	11,386	–	24,720
Lauer, Stefan	20,000	12,240	–	32,240	13,333	11,386	–	24,720
Lüders, Uwe	20,000	12,240	–	32,240	20,000	17,080	–	37,080
Peddinghaus, Jürgen	–	–	–	–	8,333	7,117	4,167	19,617
Rauscher, Prof. Dr. Klaus	20,000	12,240	10,000	42,240	20,000	17,080	6,667	43,747
Rickers, Thomas	20,000	12,240	–	32,240	20,000	17,080	–	37,080
Tinnefeld, Ulrike	20,000	12,240	10,000	42,240	20,000	17,080	10,000	47,080
Zinkann, Dr. Reinhard	20,000	12,240	–	32,240	20,000	17,080	–	37,080
Total	**290,000**	**177,480**	**60,000**	**527,480**	**286,666**	**244,808**	**60,834**	**592,309**

DIRECTORS' DEALINGS

Date	Name	ISIN	Units	Art	Price	Volume
March 5, 2014	Claudia Dräger	DE0005550602 St.	2,195	Sale	68.71 EUR	150,827.51 EUR
September 30, 2014	Claudia Dräger	DE0005550602 St.	2,500	Sale	64.00 EUR	160,000.00 EUR

DIRECTORS' DEALINGS

In fiscal year 2014, the Company was informed about the following business transactions with executive employees pursuant to Sec. 15a WpHG (Wertpapierhandelsgesetz -German Securities Trading Act).

↗ Please refer to table "Directors' Dealings"

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

53

COMBINED MANAGEMENT REPORT

THE DRÄGER SHARES

MARKET ENVIRONMENT

BUSINESS PERFORMANCE

FUNCTIONAL AREAS

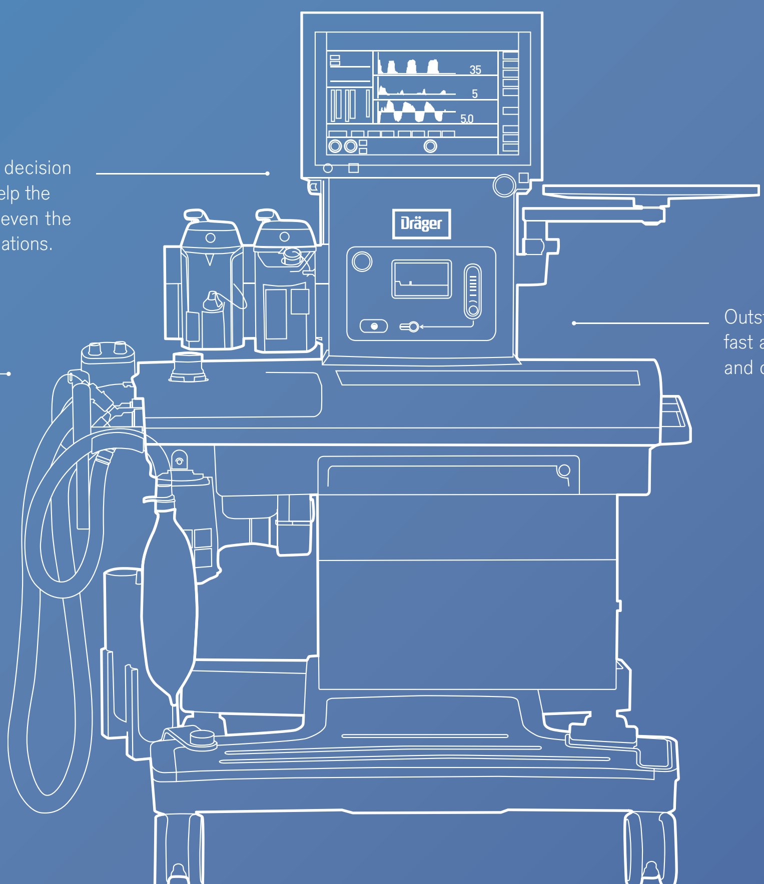
SUSTAINABILITY

POTENTIAL

Perseus A500

Ventilation, monitoring and decision support functions that can help the anesthesiologist to master even the most demanding clinical situations.

Outstanding ergonomic design for fast and easy access to components and controls in critical situations.



Optimized hygiene concepts including cable management and disinfecting.

PERSEUS A500: The anaesthesia platform combines proven ventilation technology with the latest refinements in ergonomics and systems integration. It can be individually configured as an ideal support for the workflows during an operation.

The Dräger Shares

Stock market performance in 2014 was strongly influenced by central banks' monetary policies and geopolitical crises. The DAX broke the 10,000-point barrier for the first time and recorded new highs on several occasions. Dräger shares were unable to keep up with the positive development on the DAX and the TecDAX. The performance of Dräger common shares came to –17 percent over the year, while Dräger preferred shares recorded performance of –12 percent.

POSITIVE DEVELOPMENT ON STOCK MARKETS [1]

The German stock market's bullish end to 2013 continued over the first few days of 2014. However, development moving forward was dominated by weaker growth in emerging economies. The tightening of monetary policy in the U.S. also had a detrimental impact. The announcement from the US central bank (Fed) that it would reduce its bond-buying activities caused capital to flow out of emerging markets as investors anticipated higher interest rates in the US. The escalating Ukraine crisis and then also the conflicts in the Middle East unsettled capital market investors. All benchmark indices in Europe responded to these trends with volatile lateral movement. Only when the head of the European Central Bank (ECB), Mario Draghi, confirmed the continuation of the expansive monetary policy in early May did the DAX pick up pace again. On June 5, the German benchmark index broke the 10,000-point mark for the first time in its 26-year history. However, prices began to slump again in mid-July. After a brief period of respite, another price correction hit the German index in late September and lasted until mid-October. Only after this period did the mood on the markets improve, leading to major price gains before the year was out. In December, both the DAX and the TecDAX recorded new all-time highs at 10,087 points and 1,381 points respectively. The DAX closed the year at 9,806 points, equating to full-year performance of 2.7 percent. TecDAX performance was even more impressive, as it closed December at 1,371 points. This meant that the TecDAX gained 17.5 percent in value over the course of the year.

DEVELOPMENT OF THE DRÄGER SHARES

The price of Dräger common shares and Dräger preferred shares fell slightly in the first few weeks of the year. Figures for fiscal year 2013 were subsequently better than anticipated by the capital market. As a result, prices rose after the announcement of the provisional figures in mid-February. In a volatile stock market environment, prices then fell once again. The development of Dräger's business in the first half of the year failed to match capital market expectations. This means that the price of both types of shares lost a considerable amount of ground in July following the publication of the quarterly results and the revision of the full-year targets. Only the positive third-quarter performance was able to convince the capital market. The Dräger share price rose significantly after the publication of Q3 figures, but were only able to partially compensate for the losses that had been suffered up until then. Against the backdrop

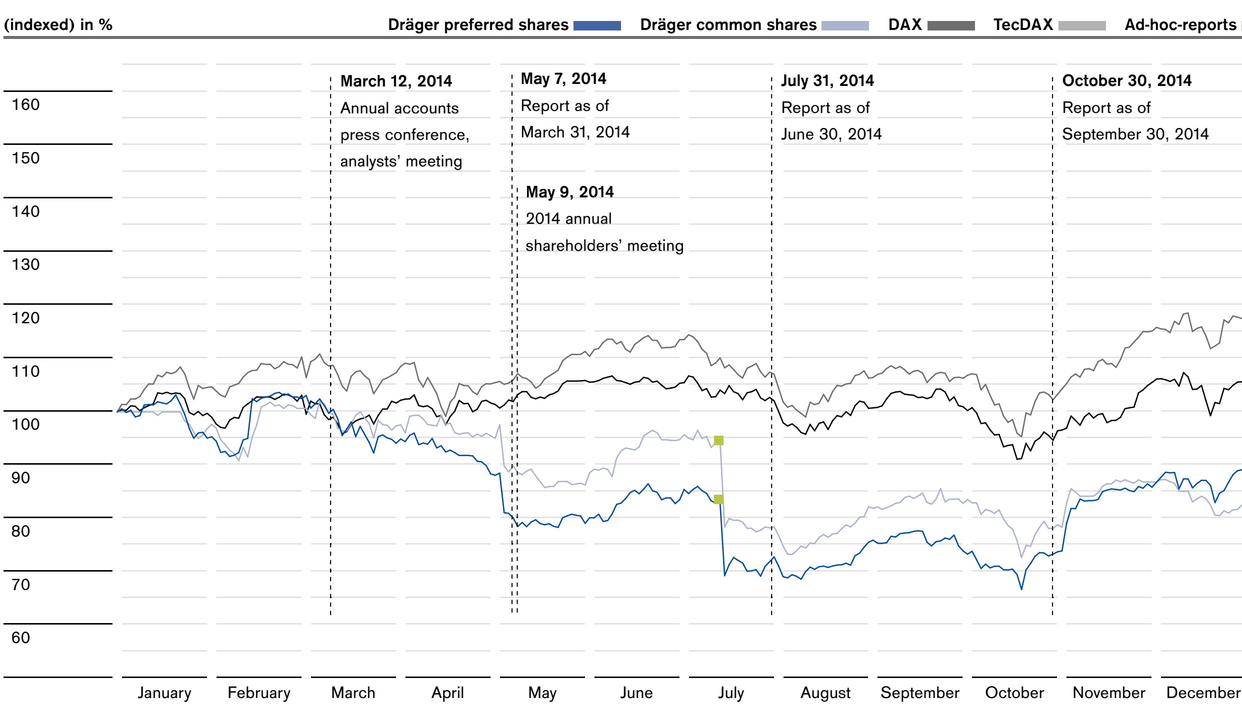
[1] Stock market prices and index levels at daily closing rates on the XETRA trading system of Deutsche Börse AG.

DEVELOPMENT OF THE DRÄGER SHARES AND KEY INDICES AS OF DECEMBER 31, 2014

in %	1 year	3 years	5 years	10 years
Dräger common shares [1]	–17	8	–	–
Dräger preferred shares	–12	10	23	7
DAX	3	18	10	9
TecDAX	18	26	11	10

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

SHARE PRICE DEVELOPMENTS

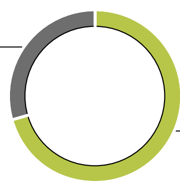


of a favorable stock market environment, Dräger shares spent the last few weeks of the year in a lateral trend, with preferred shares recording minor price gains.

Dräger common shares closed the year at EUR 63.76, while Dräger preferred shares came in at EUR 83.87. This equates to performance of –17.2 percent and –11.6 percent respective over the year as a whole.

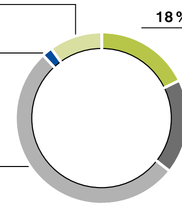
↗ Please refer to chart "Share Price Developments"

SHARE OWNERSHIP



Dräger family Free float

SHAREHOLDER STRUCTURE [1]



[1] Preferred shares and common shares not including shares owned by the Dräger family; as of March 2014

STABLE SHAREHOLDER STRUCTURE

The capital stock is divided into common and preferred shares. According to Deutsche Börse AG, 71.42 percent of common shares are held by the Dräger family, and 28.58 percent are in free float. Around 67.19 percent of common shares of Drägerwerk AG & Co. KGaA are held by Dr. Heinrich Dräger GmbH. The majority of shares of Dr. Heinrich Dräger GmbH are held by members and companies of the Dräger family. As a result, the voting rights associated with the common shares are in the hands of the Dräger family. Members of the Dräger family also hold around 4.23 percent of voting rights in person, resulting in the family being in possession of 71.42 percent of voting rights in total. Due to Company regulations, the voting rights of Dr. Heinrich Dräger GmbH are to be counted towards Stefan Dräger GmbH, in which the majority shareholder is Stefan Dräger.

↗ Please refer to chart “Share Ownership”

According to Deutsche Börse AG, the non-voting preferred shares are 100 percent in free float. They are also included in the TecDAX share index of Deutsche Börse.

An analysis of the shareholder structure (common and preferred shares) conducted in the first quarter of 2014, that excluded the Dräger family, showed that just over 18 percent of the capital stock is accounted for by institutional investors from Germany and the USA. respectively. Shareholders from the UK and Ireland held approximately 17 percent of Dräger stocks and investors from France around 11 percent at the time. Approximately 24 percent of the capital stock was owned by institutional investors from other European countries. The proportion of private investors and other unidentified investors was around 10 percent of share capital.

↗ Please refer chart “Shareholder Structure”
Please refer to Note 48 in the notes

REPORTS PUBLISHED REGARDING VOTING RIGHTS

In 2014, we published seven reports regarding voting rights in accordance with the requirements of the WpHG (Wertpapierhandelsgesetz – German Securities Trading Act). All reports regarding voting rights are available on the Dräger website in the Investor Relations section and solely refer to common shares.

ISSUING NEW PREFERRED SHARES

In fiscal year 2014, we issued 550,000 new no-par preferred shares (no-par shares) from authorized capital. As a result,

DRÄGER SHARES – BASIC FIGURES

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

[1] International Stock Identification Number

we fulfilled claims of owners of the option rights guaranteed in the form of warrants issued in August 2010. Further share options are also available for a total of 500,000 non-voting preferred shares. These share options mature on April 30, 2015.

Please refer to Note 3 in the notes

PROPOSED DIVIDEND

Under the current dividend policy, 30 percent of Group net profit (less earnings attributable to non-controlling interests) is distributed as a dividend if the equity ratio exceeds 40 percent of consolidated total assets. As of December 31, 2014, the equity ratio stood at 40.1 percent, meaning that the Executive Board of the general partner and the Supervisory Board will propose a dividend of EUR 1.39 per preferred share and EUR 1.33 per common share to the annual shareholders' meeting. This would lead to a distribution rate of 30.1 percent (prior year: 15.1 percent) of Group net profit less earnings attributable to non-controlling interests.

Please refer to Note 19 in the notes

EMPLOYEE SHARE PROGRAM

The Executive Board of Drägerwerk Verwaltungs AG decided in November 2014 to enable Dräger employees in Germany to once again participate in the Company in 2015 within the scope of an employee share program. The employee share program was last implemented in 2013. The plan is to grant each participant one bonus share in return for every three preferred shares with a holding period of roughly two years acquired by the employee within the scope of the employee share program. The number of shares available for acquisition in the program is limited. There is no intention to increase the Company's capital, rather acquire the necessary preferred shares on the capital market.

SUCCESSFUL INVESTOR RELATIONS ACTIVITIES

The Executive Board and the investor relations department are in close dialog with institutional investors and analysts at research agencies. In 2014, we held roadshows or took part in investor conferences in London, Paris, Frankfurt, Munich, Toronto, Luxembourg, Madrid, Zurich and Helsinki. At the medical trade fair MEDICA, we informed investors about Dräger's product innovations and offered them the opportunity to speak to Dräger management and product experts within the scope of an investor day. In addition, private investors can access comprehensive information on Dräger and Dräger shares on our website.

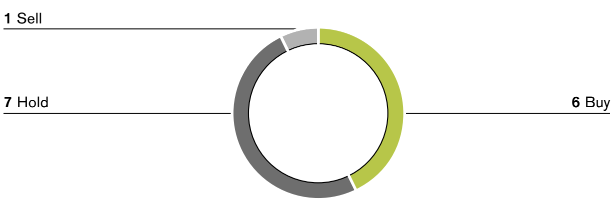
We were awarded first prize in IR Magazine's international "Investor Perception Study" in the "Best overall IR – Small Cap" category.

DRÄGER SHARES INDICATORS

	2014	2013	2012
Common shares			
No. of shares as of the reporting date	10,160,000	10,160,000	10,160,000
High (in €)	78.49	89.64	77.30
Low (in €)	56.13	57.00	48.41
Share price as of the reporting date (in €)	63.76	77.00	57.00
Average daily trading volume [1]	4,893	6,163	4,855
Dividend per share (in €)	1.33 [2]	0.77	0.86
Dividend yield	2.1 %	1.0 %	1.5 %
Earnings per common share (in €) [3]	5.67 [2]	6.88	7.67
Earnings per common share in the case of a full distribution (in €) [3,4]	4.52	5.24	5.84
Preferred shares			
No. of shares as of the reporting date	7,100,000 [5]	6,550,000	6,350,000
High (in €)	98.12	106.60	87.15
Low (in €)	63.36	76.90	63.14
Share price as of the reporting date (in €)	83.87	94.92	76.52
Average daily trading volume [1]	28,350	27,479	29,721
Dividend per share (in €)	1.39 [2]	0.83	0.92
Dividend yield	1.7 %	0.9 %	1.2 %
Earnings per preferred share (in €) [3]	5.73 [2]	6.94	7.73
Earnings per preferred share in the case of a full distribution (in €) [3,4]	4.58	5.30	5.90
Total distribution [6] (in € thousand)	31,555 [2]	18,039	19,905
Distribution rate [6]	30.1 % [2]	15.1 %	15.1 %
Market capitalization (in € thousand)	1,243,279	1,404,046	1,065,022

[1] All German stock exchanges (Source: designated sponsor)
[2] Pending approval by the annual shareholders' meeting
[3] For diluted earnings per share ↗ Please refer to Note 19 in the notes
[4] Based on an assumed actual full distribution of earnings attributable to shareholders ↗ Please refer to Note 19 in the notes.
[5] Increase due to the exercise of share options ↗ Please refer to Notes 3 and 31 in the notes.
[6] Including distribution to participation certificates

ANALYST RECOMMENDATIONS [1]



[1] At the end of 2014

Over the past few years, the Dräger annual report has always been placed highly in the annual "Best annual report" competition held by the German "manager magazin". For fiscal year 2013, the Dräger report finished second in the TecDAX in the "Reporting" category of the newly launched competition.

ANALYSTS

Fourteen analysts from various institutions regularly monitored and evaluated Dräger's business performance during the course of 2014 (2013: 14): Berenberg Bank, CBS Research, Commerzbank, Deutsche Bank, DZ Bank, equinet, Hauck & Aufhäuser, HSBC, Independent Research, Kepler Cheuvreux, LBBW, M.M. Warburg & Co., Montega and NORD/LB.

↗ Please refer to chart "Analyst recommendations"

Group structure

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

Please refer to Note 52 in the notes.

Central functions and jointly used services are housed under Drägerwerk AG & Co. KGaA.

As of December 31, 2014, 13,737 people were employed worldwide, of whom 51.9 percent work in Sales, Marketing and Service, 26.3 percent in Production, Quality Assurance, Logistics and Purchasing, 10.2 percent in Research and Development, and 11.6 percent in Administration. Dräger is represented in over 190 countries on all continents. The Company has its own sales and service companies in more than 50 countries. The Group operates development and production sites in Germany (Lübeck), China (Shanghai and Beijing), Great Britain (Blyth), the Czech Republic (Policka, closed at the end of 2014), and the US (Andover, Pittsburgh and Telford) as well as production sites in Germany (Hagen), Brazil (São Paulo), Great Britain (Plymouth), Sweden (Svenljunga), South Africa (King William's Town) and the Czech Republic (Chomutov).

OPERATING ACTIVITIES OF THE MEDICAL DIVISION

In the medical division, Dräger develops, produces, and markets system solutions, equipment and services for acute point of care (APOC). These include the perioperative care (products and services connected to the operating room), critical care and neonatal care, as well as emergency care. The Group's portfolio comprises products for therapy, monitoring, information management and process support. Dräger is one of the global market leaders with its products for ventilation, anesthetics and warming therapy as well as related accessories and consumables. In recent years, Dräger strengthened its expertise as a system provider with products such as integrated IT solutions for the operating room and gas management systems.

OPERATING ACTIVITIES OF THE SAFETY DIVISION

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

Control system

MANAGEMENT BY CUSTOMER SEGMENTS

The management of the Company is geared towards the customer segments of the medical division and the safety division. The customer segments form the foundations of strategic development and are the primary management parameters for the development of operating business.

VALUE-DRIVEN MANAGEMENT THROUGH DRÄGER VALUE ADDED

In order to achieve long-term success, Dräger has to generate steady growth as well as stable and sustainable economic performance. The Group uses a value-driven management system to increase Company value in the long term based on the performance indicator Dräger Value Added (DVA). This performance indicator is reported for the Group and for the medical and safety divisions. The main targets we want to achieve with DVA are:

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

DVA is the result of EBIT over the preceding twelve months less calculated capital costs (basis: average capital employed in the past twelve months). We calculate capital costs on the basis of average costs for equity and debt over past years. The weighted average cost of capital (WACC) used for calculating the cost of capital was the current rate of 9.0 percent (2013: 9.0 percent) before taxes.

DVA is the central key management figure which we use to measure the development of the Company's added value and that of its various units. DVA makes it possible to combine the various targets within the Group and all relevant key figures and to adjust business decisions so as to assist in increasing Company value. The major proportion of annual variable remuneration of Executive Board members is measured by DVA performance. We have also integrated DVA into internal reporting and the managers have been given specific training regarding this topic.

Our performance indicators are DVA, net sales and EBIT margin. We only use financial performance indicators as primary management parameters.

ROLLING FINANCIAL FORECAST

The rolling financial forecast contains the best possible estimate of net sales, gross margin and functional cost development. In this calculation, the remainder of the current year and the following are presented collectively to ensure that two full fiscal years are available for each forecast. Current business performance is analyzed based on this forecast. Appropriate countermeasures are taken whenever performance remains behind expectations.

FUNCTIONAL ORGANIZATION

In 2007, Dräger first started implementing a functional, cross-departmental management model. This allows the reduction of unnecessary double structures in the medical and safety divisions and simplifies the use of synergy effects. In 2014, we merged safety and medical division com-

EXECUTIVE BOARD RESPONSIBILITIES

Stefan Dräger	Dr. Herbert Fehrecke	Gert-Hartwig Lescow	Anton Schrofner
Functional Responsibility[1]			
Corporate Auditing Corporate Communications Global Project Business Human Resources Legal Marketing Real Estate Sales	Purchasing Manufacturing and Logistics Quality	Accounting Controlling Customs and Export Control Insurances Investor Relations Merger & Acquisition Risk Management Taxes Treasury	Intellectual Property IT Product Management Research and Development
	Regional responsibilities	Regional responsibilities	Regional responsibilities
	Europe	North America Central and South America	Middle East Africa Asia / Pacific

[1] The Executive Board in total is responsible for the Compliance function.

panies in Switzerland and Austria, among others. The Executive Board members of Drägerwerk Verwaltungs AG are also the General Managers of Dräger Medical GmbH and Executive Board members of Dräger Safety AG & Co. KGaA. Since 2012, all three Companies' Supervisory Boards have been manned by the same members on the capital side.

REGIONAL RESPONSIBILITIES OF THE MEMBERS OF THE EXECUTIVE BOARD

All members of the Executive Board also have regional responsibilities in addition to their functional tasks. Gert-Hartwig Lescow heads the Americas region, Dr. Herbert Fehrecke heads Europe, and Anton Schrofner heads the Middle East, Africa and Asia / Pacific. This ensures that the Executive Board has an understanding of the effects of its decisions on an operational level, maintains customer contact and makes the connection between global thinking and local requirements. The regionally responsible member of the Executive Board also provides cross-functional balance.

↗ Please refer to chart "Executive Board Responsibilities"

Since 2012, Regional Sales and Service Managers bear responsibility in each respective region for the previously separate medical and safety divisions. The other functions with a global radius improve transnational cooperation. For instance, we jointly use infrastructure and central service functions to ensure that Dräger employs its resources more efficiently. In every country with Dräger subsidiaries, one Manager has also been tasked with coordinating the various functions within the country as Country Manager in addition to their basic duties. The advantage of this structure is that it explicitly and concisely allocates tasks and responsibilities. A clearly defined escalation path helps to deal with difficult situations more quickly. We have also improved our system of checks and balances and therefore reduced risks within the internal control system. Coordinated targets and performance-related remuneration ensure that we keep our focus on major goals.

General economic conditions

WEAK GROWTH

According to the Institute for the World Economy (IfW) in Kiel, Germany, global economic expansion stalled once more over the course of 2014. The global economy remained susceptible to disturbances, such as geopolitical developments and financial market turbulence. As a result, the IfW corrected its 2014 growth forecast to 3.2 percent; in June, growth of 3.6 percent was forecasted. In the year under review, growth primarily originated from industrialized nations, mainly the USA, while momentum in the emerging markets largely remained low. Eurozone economic expansion came to a standstill in the summer of 2014. The IfW expects a growth rate of only 0.7 percent for full-year 2014. Economic recovery failed to continue in Germany, too, with the IfW cutting its growth forecast for 2014 to 1.4 percent. The Organization for Economic Co-operation and Development (OECD) believes that the eurozone is treading water in economic terms and now poses a major risk to global growth. The OECD is calling for further reforms to increase growth potential in Europe.

DIVERGENT MONETARY POLICIES FORESEEABLE

The European Central Bank (ECB) lowered its key interest rate in early September 2014 once again to a record low of 0.05 percent. Furthermore, banks have since had to pay an interest rate of 0.2 percent to deposit excess liquidity at the ECB. In addition, the ECB intends to bolster lending by buying up Pfandbrief bonds and asset-backed securities. In January 2015, the ECB also decided to purchase bonds with a volume of up to EUR 1.1 trillion by September 2016 in order to stimulate the economy and prevent deflation. In late October 2014, the Japanese central bank once again chose to increase the volume of its monthly bond buying. An increase in value-added tax in April 2014 caused economic recovery in Japan to falter, and the core inflation rate had fallen away from the target of 2 percent. The Federal Reserve left its interest rates unchanged in mid-December 2014, after it called an end to its bond-buying program in October. According to the Fed, interest rates will remain low for some time and it will exercise caution in the normalization of monetary policy. As a result, we are seeing increasingly divergent monetary policies in the USA on the one hand and Europe and Japan on the other. In Europe, the ECB is targeting further quantitative easing, while interest rates in the US could be raised in 2015. These divergent strategies, together with the recent weakening of economic data, have resulted in increasing volatility on the capital markets.

INFLATION RATES EXTREMELY LOW, EURO WEAKER

In 2014, inflation rates were extremely low – partly on account of falling energy costs. The rate of inflation in the eurozone came to a mere 0.4 percent, down from 1.4 percent in the prior year; in December, prices even fell year-on-year by 0.2 percent. The rate of inflation in Germany in 2014 also fell substantially compared to 2013, from 1.5 percent to 0.9 percent. At the start of the year under review, the euro made further gains on the US dollar, reaching some USD 1.39 in the spring. However, it then lost a considerable amount of ground. The fall in the euro's value has accelerated since the ECB's decision to cut interest rates in September. In late December, the euro was only trading at roughly USD 1.21, well down on the late-2013 rate. Measured against the currencies of 20 of the most important trading partners in the eurozone, the nominal effective exchange rate of the euro was down 3.9 percent year on year by the start of December 2014.

The recent devaluation of the euro only had a minor effect on average exchange rates for 2014. Compared to most currencies relevant to Dräger, the price of the euro rose significantly in some cases. It only lost value compared to the British pound and, to a lesser extent, the US dollar and the Chinese yuan.

MEDICAL DIVISION – INDUSTRY PERFORMANCE

Medical division industries experienced moderate growth in 2014. In the USA, market volume continued to rise thanks to the ever-increasing and ageing population. Dynamic growth in emerging markets continued. Demand for medical products was particularly high in China, where rising incomes and higher life expectancy – a major challenge in healthcare – made contributions to the positive development. The Russian market continued its downward trend in 2014, with investments in medical technology declining. Sales in Europe developed sluggishly. Sales development in South Europe was dampened by the cost-saving measures dictated by budgetary consolidation. In North Europe, however, slight growth was recorded. Strong investment in the expansion of the healthcare system in the Middle East also caused demand for medical technology to rise.

SAFETY DIVISION – INDUSTRY PERFORMANCE

Industry growth in the safety division was stable overall in 2014. The upturn in the US economy continued, causing a moderate rise in demand for safety products. Persistent expansion of natural gas and crude oil output as well as increasing investments in the chemical industry were key drivers of growth. The Chinese market experienced moderate growth. Industrial production continued to rise, although the rate of growth fell slightly. This had a positive effect on the sales of safety products. Demand in Europe was sluggish. In South Europe, demand for safety products fell slightly due to the weak economic situation, whereas minor growth was recorded in North Europe. Demand increased moderately in Latin America and continued increasing rapidly in the Middle East.

TRENDS WITH AN INFLUENCE ON BUSINESS PERFORMANCE

We constantly watch and analyze the most important factors that influence our business. In addition to economic factors, there are currently three key megatrends that

CHANGES TO EXCHANGE RATES RELEVANT TO DRÄGER:

Average prices compared to the euro	12 months 2013	12 months 2014	Change in %	Impact on earnings for Dräger (EBIT)
Argentinian peso	7.389	10.845	46.80	↓
Australian dollar	1.3936	1.4745	5.80	↓
Japanese yen	130.18	140.54	8.00	↓
Russian ruble	42.61	52.01	22.05	↓
Turkish lira	2.5675	2.8939	12.70	↓

have a significant influence on our business: Globalization, health and connectivity.

Globalization

Globalization denotes the increasing interconnectedness of international markets. Producers offer their goods and services globally and are constantly tapping new sales markets. Both sales markets and production sites are shifting from industrialized countries to emerging economies. The reasons for this are the increasingly intense nature of global competition and higher cost pressure at companies. This shift to emerging countries is stimulating their local economies and leading to a structural growth spurt. More and more people are gaining access to medical services as a result. Economic growth goes hand in hand with rising standards of living and therefore also of occupational safety. Globalization therefore increases demand for medical and safety products and services over the long term.

Health

Today, health no longer simply means “avoiding illness,” but also describes a state of physical, mental and social well-being. This is fueled by the realization that quality of life into old age depends on daily well-being. The desire to maintain good health, the growth of the world’s population and its ageing at the same time are leading to increasing demand for medical care around the world. Health as a trend is not only limited to people’s private lives, but also includes the working world. This is creating increased regulatory safety requirements for dangerous working environments. This megatrend therefore offers good medium- and long-term prospects for the medical and safety technology industry.

Connectivity

Growing digital connectivity has been shaping the economy for years. The spread of connected devices and the availability of internet connections are both a challenge and an opportunity for businesses. At hospitals, for instance, demand is growing for connected medical devices and IT systems to simplify and improve clinical procedures and their administration. Wireless data transmission from detection devices to IT systems is becoming increasingly important in safety technology. The ever-increasing need to access safety-related information via networks and platforms also offers great potential for the future of Dräger. Using such platforms, buyers can access product information or share their experiences worldwide, for example.

OVERALL ASSESSMENT OF FRAMEWORK CONDITIONS

The global economic upturn came to a standstill in 2014. Only a few industrialized countries, such as the USA, reported stronger growth rates. Emerging economies were unable to make as strong a contribution as in prior years. The slight growth trend seen in the eurozone slackened off over the course of the year. In addition, geopolitical developments such as the tensions in Ukraine and the Middle East also had a negative impact on the economic environment.

Business performance of the Dräger Group

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Fourth quarter			Twelve months		
		2014	2013	Changes in %	2014	2013	Changes in %
Order intake	**€ million**	**672.1**	**627.9**	**+7.0**	**2,415.5**	**2,384.6**	**+1.3**
Orders on hand [1]	**€ million**	**463.6**	**475.4**	**–2.5**	**463.6**	**475.4**	**–2.5**
Net sales	**€ million**	**769.7**	**718.2**	**+7.2**	**2,434.7**	**2,374.2**	**+2.5**
EBITDA [2]	**€ million**	**119.8**	**108.1**	**+10.8**	**255.6**	**270.3**	**–5.4**
Depreciation / amortization	€ million	–22.4	–18.6	+20.8	–77.0	–69.5	+10.8
EBIT [3]	**€ million**	**97.3**	**89.5**	**+8.7**	**178.6**	**200.8**	**–11.1**
Interest result	€ million	–7.2	–4.2	+70.2	–25.0	–23.5	+6.8
Income taxes	€ million	–28.0	–28.3	–1.0	–48.9	–57.5	–14.9
Net profit	**€ million**	**62.1**	**57.0**	**+9.0**	**104.7**	**119.9**	**–12.7**
Earnings per share [4]							
per preferred share	€	3.39	3.30	+2.7	5.73	6.94	–17.4
per common share	€	3.37	3.28	+2.7	5.67	6.88	–17.5
Earnings per share on full distribution [5]							
per preferred share	€	2.70	2.52	+7.1	4.58	5.30	–13.7
per common share	€	2.68	2.50	+7.2	4.52	5.24	–13.8
R&D costs	€ million	56.6	50.5	+12.1	212.0	201.5	+5.2
Equity ratio [1]	%	40.1	39.5		40.1	39.5	
Cash flow from operating activities	€ million	117.0	18.2	+543.8	188.0	68.3	+175.1
Net financial debt [1]	€ million	10.7	110.0	–90.3	10.7	110.0	–90.3
Investments	€ million	40.6	43.3	–6.4	124.7	110.6	+12.8
Capital employed [1, 6]	€ million	1,107.2	1,052.9	+5.2	1,107.2	1,052.9	+5.2
Net working capital [1, 7, 9]	€ million	539.4	524.3	+2.9	539.4	524.3	+2.9
EBIT [3] / Net sales	%	12.6	12.5		7.3	8.5	
EBIT [3, 8] / Capital employed [1, 6] (ROCE)	%	16.1	19.1		16.1	19.1	
Net financial debt [1] / EBITDA [2, 8]	Factor	0.04	0.41		0.04	0.41	
Gearing [10]	Factor	0.01	0.13		0.01	0.13	
DVA [11]	€ million	81.6	113.9	–28.4	81.6	113.9	–28.4
Headcount as of December 31		13,737	13,334	+3.0	13,737	13,334	+3.0

1 Value as of December 31
2 EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
3 EBIT = Earnings before net interest result and income taxes
4 On the basis of the proposed dividend
5 Based on an assumed actual full distribution of earnings attributable to shareholders
6 Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
7 Net working capital = current, non-interest-bearing assets plus non-current trade receivables less current, non-interest-bearing debt
8 Value of the last twelve months
9 The prior-year figures have been adjusted due to the change in definition of net working capital, which now includes non-current trade receivables.
10 Gearing = Net financial debt / equity
11 Dräger Value Added = EBIT less cost of capital

CHANGE TO REGIONAL REPORTING

Country	Prior regional allocation	New regional allocation
Bangladesh, India, Madagascar, Mauritius, Seychelles, Sri Lanka	Asia/Pacific	Middle East, Africa and Other
Kyrgyzstan, Tajikistan	Asia/Pacific	Europe
Azerbaijan, Armenia, Georgia, Israel, Kazakhstan, Turkmenistan, Uzbekistan	Other	Europe

CHANGE TO REGIONAL REPORTING

At the start of fiscal year 2014, we made a slight change in the regional reporting of order intake, orders on hand and net sales. This corresponds to the regional structure in internal reporting and responsibilities at management level. The figures for prior periods were adjusted accordingly. The table contains a summary of the changes. Figures for Europe now include figures for Germany, while Germany figures will also continue to be presented separately, too.

↗ Please refer to table "Change To Regional Reporting"

OVERALL MANAGEMENT ASSESSMENT OF BUSINESS PERFORMANCE

Fiscal year 2014 was once again characterized by very moderate global economic growth. Whereas growth rates rose in industrialized countries, the rate of growth in emerging nations such as China declined. There were major changes in the price of some commodities and in some exchange rates in 2014. While the euro rose in value at the start of the year compared to many other currencies, the value of the euro lost ground midway through 2014 and this trend accelerated further towards the end of the year. On average, the euro gained value compared to many other currencies over the course of the year.

Against this backdrop, our order intake rose slightly year on year (+1.3 percent). In terms of net sales, the increase was slightly higher at 2.5 percent; in absolute terms, we set a new record here at EUR 2.4 billion. Exchange rate development also had an impact on our business performance. Order intake rose by 2.8 percent net of currency effects, while net sales increased by 4.0 percent net of currency effects. Thanks to the extremely strong net sales performance in the medical division in the fourth quarter, both divisions were able to grow by roughly the same amount in fiscal year 2014 net of currency effects.

In terms of earnings, we recorded a decline in earnings before interest and taxes (EBIT) in fiscal year 2014 of 11.1 percent to EUR 178.6 million (2013: EUR 200.8 million). As a result, our EBIT margin fell from 8.5 percent to 7.3 percent. The decline in our earnings is predominantly due to the less favorable product and country mix year on year; business in some countries and involving certain products that are particularly profitable to us fell short of expectations. Functional costs also rose, particularly in Research and Development and Sales. The development of the euro had a negative impact overall on our result. The strength of the euro declined considerably in the second half of the year, but the EBIT margin remained under fire on average over the course of the year. Dräger Value Added (DVA), the most important key management figure, declined in fiscal year 2014. As of December 31, we had generated a DVA of EUR 81.6 million (2013: EUR 113.9 million). Our equity ratio exceeded the 40 percent-mark and, in accordance with our dividend policy, the distribution rate rose to 30 percent. We will therefore propose a corresponding increase in the

COMPARISON OF FORECAST FIGURES AND ACTUAL FIGURES

	Forecast 2014 (management report 2013)	**Forecast 2014** (last published target figures)	**Results achieved in 2014**
Net sales	Growth between 3 and 6% (net of currency effects)	Growth between 2 and 4% (net of currency effects)	Growth of 4% (net of currency effects)
EBIT margin	Between 8.0 and 10.0%	Between 4.5 and 6.5%	7.3%
DVA	Moderate rise (2013: EUR 113.9 million)	Major decline (2013: EUR 113.9)	EUR 81.6 million
Other forecast figures:			
Gross margin	48 – 49 %	Down year on year (2013: 48.3%)	46.7%
Research and development costs	EUR 206 million	EUR 210 million	EUR 212.0 million
Interest result	Slight improvement (2013: EUR –23.5 million)	Slight improvement (2013: EUR –23.5 million)	EUR –25.0 million
Effective tax rate	30 – 34%	30 – 34%	31.8%
Operating cash flow	50 to 75 % of EBIT	70 to 90 % of EBIT	105 % of EBIT
Investment volume	EUR 100 million to EUR 120 million	EUR 100 million to EUR 120 million	EUR 124.7 million
Equity ratio	41 – 44%	41 – 44%	40.1%
Net financial debt	Slight improvement (2013: EUR 110.0 million)	Slight improvement (2013: EUR 110.0 million)	EUR 10.7 million

dividend on Dräger common and preferred shares at the annual shareholders' meeting.

We were forced to adjust our forecast due to the extremely subdued demand in the first half of the year and the poor earnings development midway through 2014. In terms of net sales development, we were able to close the year with an increase of 4.0 percent net of currency effects, thanks in no small part to the extremely strong final quarter. This put us within our originally forecast range and at the upper end of the corrected range. In terms of earnings, we even exceeded the forecast EBIT margin range that was corrected downwards in the summer, thanks to the extremely successful fourth quarter, and only fell short of our original forecast for the year by a small margin. As predicted in our July 2014 adjusted forecast, our DVA declined significantly and stood at EUR 81.6 million in fiscal year 2014.

Our other forecast figures developed as follows: At 46.7 percent, our gross margin was down year on year in line with the forecast corrected in the summer. Aside from the unfavorable product and country mix, negative exchange rate effects from the stronger euro over the course of the year also had an effect. Our R&D expenses in 2014 came in at EUR 212.0 million, slightly above the corrected forecast and the originally anticipated figure. The slightly higher expenses were particularly due to additional spending on patient monitoring and clinical data management. Our net interest result declined slightly year on year and therefore fell short of the originally forecast figure. The tax rate met expectations at 31.8 percent. At 105 percent, operating cash flow as a percentage of EBIT came in above the increased range. Significant cash inflow from operating activities at the end of the year was a pivotal factor in this development. Our investment volume was slightly above the forecast corridor, while the equity ratio fell just short of its anticipated range. Thanks to the extremely positive cash flow development,

ORDER INTAKE

	Fourth quarter				Twelve months			
€ million	2014	2013	Change in %	Net of currency effects in %	2014	2013	Change in %	Net of currency effects in %
Europe	379.0	363.6	+4.2	+4.7	1,355.6	1,319.9	+2.7	+3.5
of which Germany	131.9	125.2	+5.3	+5.3	483.4	467.5	+3.4	+3.4
Americas	136.0	116.9	+16.4	+11.8	461.1	466.0	–1.1	+1.6
Asia / Pacific	108.3	100.4	+7.9	+3.8	392.7	393.0	–0.1	+2.9
Middle East, Africa & Other	48.8	46.9	+4.0	–0.3	206.1	205.7	+0.2	+1.4
Total order intake	**672.1**	**627.9**	**+7.0**	**+5.5**	**2,415.5**	**2,384.6**	**+1.3**	**+2.8**

ORDERS ON HAND

€ million	December 31, 2014	December 31, 2013	Change in %	Net of currency effects in %
Europe	231.1	242.8	–4.8	–4.1
of which Germany	102.1	107.2	–4.8	–4.8
Americas	87.0	90.7	–4.1	–11.3
Asia / Pacific	72.4	78.7	–7.9	–14.7
Middle East, Africa & Other	73.1	63.3	+15.5	+8.3
Total orders on hand	**463.6**	**475.4**	**–2.5**	**–5.6**

NET SALES

	Fourth quarter				Twelve months			
€ million	2014	2013	Change in %	Net of currency effects in %	2014	2013	Change in %	Net of currency effects in %
Europe	435.8	417.4	+4.4	+5.3	1,360.4	1,330.8	+2.2	+2.9
of which Germany	148.1	143.8	+3.0	+3.0	486.6	472.8	+2.9	+2.9
Americas	149.2	132.8	+12.4	+8.8	470.7	459.7	+2.4	+5.2
Asia / Pacific	120.6	104.7	+15.2	+11.4	402.4	392.2	+2.6	+5.4
Middle East, Africa & Other	64.1	63.4	+1.1	–1.1	201.1	191.4	+5.1	+6.4
Total net sales	**769.7**	**718.2**	**+7.2**	**+6.3**	**2,434.7**	**2,374.2**	**+2.5**	**+4.0**

we were able to expand cash and cash equivalents and thus reduce our net financial debt by a considerable margin.

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

ORDER INTAKE

In fiscal year 2014, Dräger's order intake increased year on year by 2.8 percent (net of currency effects) to EUR 2,415.5 million (2013: EUR 2,384.6 million). In the medical division, order intake rose by 2.8 percent (net of currency effects), while order intake in the safety division increased by 4.0 percent (net of currency effects).

The positive order intake trend was bolstered by above-average growth in Europe: Here, order intake rose by 3.5 percent (net of currency effects), including in Germany. In Germany, we increased order intake by 3.4 percent. In the Asia / Pacific region, order intake failed to match prior-year growth rates but still increased by 2.9 percent year on year (net of currency effects). We also generated slight increases in order intake in the Americas region as well as in the Middle East, Africa and Other Countries region.

ORDERS ON HAND

As of December 31, 2014, orders on hand (net of currency effects) were down 5.6 percent against the prior-year value. This figure declined in almost all regions. The percentage decline in orders on hand reached double digits in both the Asia / Pacific and Americas regions. At the end of 2014, Group equipment orders on hand – net of the large order from Deutsche Bank – stood at 2.2 months (December 31, 2013: 2.3 months). In other words, orders on hand will be able to cover 2.2 months of average net sales of the previous twelve months.

NET SALES

In fiscal year 2014, our net sales rose by 4.0 percent (net of currency effects) thanks in no small part to a 6.3 percent increase in the fourth quarter (net of currency effects). The medical division boosted its net sales by 4.3 percent (net of currency effects), while the safety division only just fell short of this figure with net sales growth of 4.2 percent. Net sales in the safety division with third parties increased by 3.6 percent (net of currency effects).

Net sales increased in all regions. There was slight growth in Europe, including Germany. Net sales growth in the Americas, Asia / Pacific and Middle East, Africa and Other Countries regions was slightly above average.

EARNINGS

In fiscal year 2014, gross profit developed slightly disproportionately in relation to net sales, with a decrease of EUR 9.5 million to EUR 1,138.0 million. At 46.7 percent, the gross margin was 1.6 percentage points lower than in the prior year. The decrease was due to lower pricing in several large projects, combined with an unfavorable product and country mix. The increase in the annual average value of the euro compared to other important Group currencies had a negative impact on the gross margin – particularly in the first half of the year.

The decrease in gross profit and increased functional costs led to a decline in earnings. Functional costs rose by 3.4 percent (net of currency effects). Net of positive currency effects, sales and marketing costs were slightly up year on year (+ 2.3 percent). This rise was due to continued investment in our growth regions, as well as a volume-related increase in freight costs. Research and development expenditure continued to rise as planned, increasing by 4.9 percent (net of currency effects). The research and development (R&D) ratio therefore amounted to 8.7 percent of net sales (2013: 8.5 percent). Lower IT costs in administration were unable to compensate for non-recurring expenses for the consolidation of our production and sales sites in Czech Republic and an increase in personnel costs. Administrative expenses rose by 3.2 percent. Personnel expenses rose by 6.1

INVESTMENTS / DEPRECIATION AND AMORTIZATION

€ million	2014 Investments	2014 Depreciation / amortization	2013 Investments	2013 Depreciation / amortization
Intangible assets	21.8	11.1	9.8	8.3
Property, plant and equipment	102.9	65.9	100.8	61.2

percent. This increase was due, in particular, to recruitment and increases in wages and salaries. The pay raise for the German metal and electrical industries also contributed to the increase. Changes in exchange rates failed to have a major positive effect on personnel expenses.

The other financial result increased significantly year on year to EUR 7.8 million (2013: EUR –4.9 million). This improvement was mainly due to measurement income resulting from changes in exchange rates.

Overall, we generated Group earnings before interest and taxes (EBIT) of EUR 178.6 million (2013: EUR 200.8 million). The EBIT margin fell from 8.5 percent in the prior-year period to 7.3 percent.

The net interest result declined by EUR 1.5 million year on year to EUR –25.0 million (2013: EUR –23.5 million). The tax rate fell to 31.8 percent (2013: 32.4 percent). Earnings after income taxes amounted to EUR 104.7 million, down EUR 15.2 million on the prior-year period (2013: EUR 119.9 million).

INVESTMENTS

In fiscal year 2014, we invested EUR 102.9 million in property, plant and equipment (2013: EUR 100.8 million) and EUR 21.8 million in intangible assets (2013: EUR 9.8 million). These mainly concerned investments in production and administration buildings and replacements. At the Lübeck site, we invested in the construction of a new administration building (EUR 7.7 million) and in the modernization of the production site within the scope of the “factory of the future” project (EUR 4.4 million). Further investments in production facilities were also made in China and Czech Republic totaling EUR 11.1 million. In the course of the “One Dräger” project, a total of EUR 7.3 million was invested in the merger of companies in Canada, Japan and Switzerland.

The addition of assets from an acquisition in Chile was also reflected in additions to assets. Depreciation and amortization totaled EUR 77.0 million as of the end of 2014 (2013: EUR 69.5 million). Investments covered 161.9 percent of depreciation, meaning that non-current assets rose by EUR 47.7 million net.

Cash flow statement

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

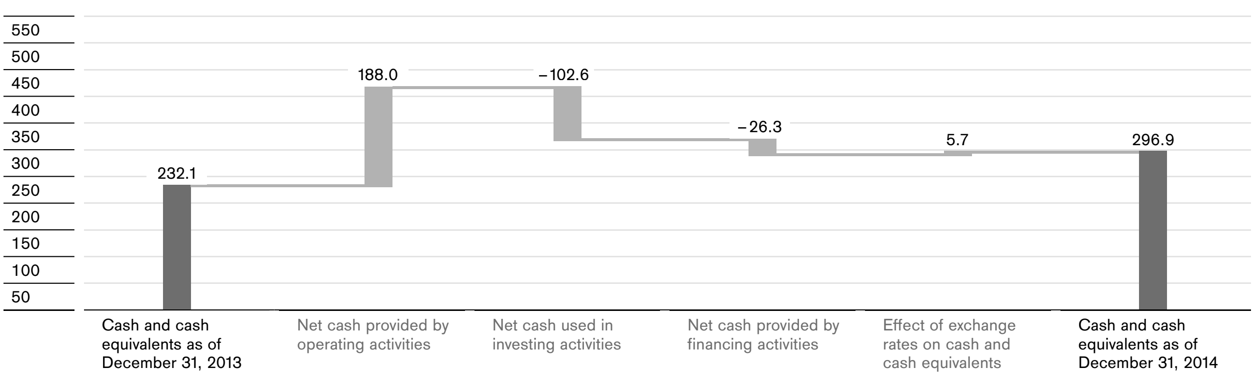
In fiscal year 2014, we generated cash inflow from operating activities of EUR 188.0 million compared to cash inflow of EUR 68.3 million in the prior year period. One key factor in this development was the EUR 1.6 million reduction in trade receivables within the scope of the receivables management system, which had increased by EUR 69.5 million in the prior year period. At the same time, trade payables

FINANCIAL FIGURES

€ million	December 31, 2014	December 31, 2013	Change in %
Total assets	2,234.1	2,065.0	+ 8.2
Equity	896.6	816.0	+ 9.9
Equity ratio	40.1 %	39.5 %	
Capital employed	1,107.2	1,052.9	+ 5.2
Net financial debt	10.7	110.0	– 90.3

CASH FLOW RECONCILIATION

January to December 2014 in € million



rose by EUR 25.2 million (2013: EUR 6.4 million). In addition inventories only rose by EUR 1.1 million (2013: EUR 26.4 million), which also had a positive impact on cash inflow from operating activities. The decline in earnings after income taxes – adjusted for write-downs, changes to cash neutral provisions as well as other non-cash earnings / expenses – decreased from EUR 190.0 million to EUR 186.3 million and compensated for this effect.

The cash inflow from operating activities includes EUR 132.7 million (2013: EUR 48.5 million) in income taxes paid, EUR 3.4 million (2013: EUR 4.1 million) in interest received, and EUR 21.2 million (2013: EUR 20.4 million) in interest paid.

At EUR 102.6 million, cash outflow from investing activities increased (2013: EUR 86.5 million). Of these investments, EUR 45.5 million was attributable to the construction of new buildings and the modernization and renovation of existing buildings at the Lübeck site. Further investments totaling EUR 7.4 million and EUR 3.7 million were made in production sites in China and the Czech Republic respectively. EUR 3.5 million was also invested as part of the moving of the merged Swiss subsidiaries to a single facility. The cash outflow from the acquisition of subsidiaries of EUR 2.7 million resulted exclusively from the acquisition of shares in SIM-SA S. A., now Dräger-Simsa S. A. in Chile

Please refer to note 5 of the notes.

Cash outflow from financing activities of EUR 26.3 million was primarily impacted by the repayment of a note loan in the amount of EUR 50.0 million. On the other hand, the exercise of eleven share options on preferred shares brought in a total of EUR 34.9 million. In addition, dividends in the amount of EUR 19.8 million (2013: EUR 21.9 million) were paid to our shareholders.

Cash and cash equivalents as of December 31, 2014 exclusively comprised cash, of which EUR 8.4 million (December 31, 2013: EUR 6.1 million) was subject to restrictions.

↗ Please refer to chart “Cash Flow Reconciliation”

ADDED VALUE CREATED BY THE DRÄGER GROUP

The Dräger Group’s added value is calculated by deducting input expenses such as the cost of materials, depreciation and amortization and other operating expenses from total operating performance (net sales plus other operating income). The added value is then broken down into the percentage attributable to the Group’s major stakeholders, thus showing the Dräger Group’s contribution to the income of the public and private sectors. In 2014, Dräger created added value of EUR 1,124.7 million, which rose year on year by 3.2 percent. The largest portion of this added value, EUR 922.5 million (82.0 percent), was attributable to Dräger employees (2013: EUR 869.4 million; 79.8 percent). With a 4.7 percent increase in headcount (annual average), added value per employee amounted to EUR 83 thousand (2013: EUR 84 thousand) and was slightly lower than the prior-year figure (–1.2 percent). Average personnel expenses per employee remained almost constant at EUR 68 thousand (2013: EUR 67 thousand) in the Dräger Group.

↗ Please refer to chart “Added Value Statement of the Dräger Group”

Financial management

BORROWING

To secure our working capital requirements in the medium term, we increased our existing credit lines by EUR 75.0 million to EUR 315.0 million on October 30, 2013 and extended the terms to October 30, 2018. These credit lines were utilized as sureties in Germany and abroad and, to a small extent, as cash facilities.

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

Dräger uses note loans in addition to bilateral credit lines for its medium and long-term financing. In the reporting year, Dräger repaid due note loans totaling EUR 50.0 million. As of December 31, 2014, total note loans amounted to EUR 182.3 million (December 31, 2013: EUR 232.2 million).

In order to finance new construction projects for low-energy buildings, we took out two redeemable loans from the KfW Energy Efficiency Program. The term of the EUR 7.55 million loan from January 10, 2014 runs until March 31, 2024. The term of the EUR 1.33 million loan from November 17, 2014 also runs until March 31, 2024. The redeemable loan of originally EUR 18.0 million from the KfW Energy Efficiency Program dated June 6, 2013, with a term until June 30, 2023, was reduced by mutual consent on August 18, 2014 by EUR 2.05 million to EUR 15.95 million. At present, Dräger does not have a rating from agencies such as Standard & Poor’s, Moody’s or Fitch.

Please refer to Notes 36 to 42 in the notes for further details on Dräger Group’s loans and liabilities.

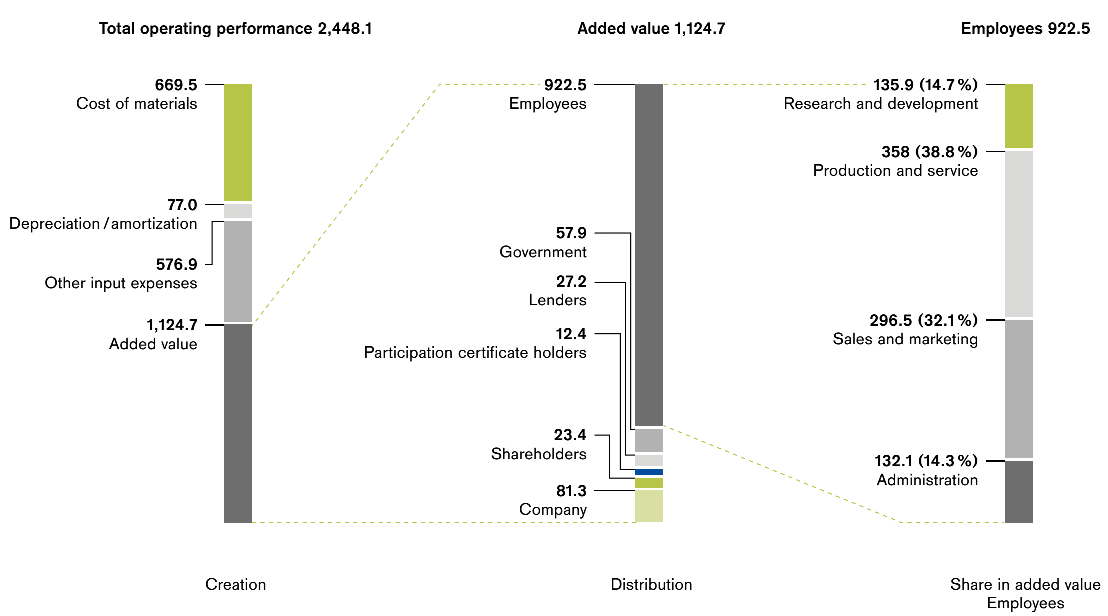
FINANCIAL POSITION OF THE DRÄGER GROUP

€ million	2009	2010	2011	2012	2013	2014
Cash flow from operating activities [1]	193.5	219.1	161.7	176.8	68.3	188.0
Cash flow from investing activities [1]	–42.5	–52.2	–67.4	–65.5	–86.5	–102.6
Free cash flow	151.0	166.9	94.2	111.3	–18.2	85.4
Cash flow from financing activities	64.9	–210.1	–4.6	–192.0	–70.8	–26.3
Change in liquidity (excluding exchange rate effects)	215.9	–43.2	89.7	–80.7	–88.9	59.0

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

ADDED VALUE STATEMENT OF THE DRÄGER GROUP

Figures in € million



BILATERAL CREDIT LINES WITH TERMS UNTIL OCTOBER 30, 2018

Type of credit	€ million	Intended use	Lender
Cash	178.0	Secure working capital requirements	Commerzbank, Deutsche Bank, HSBC, Helaba, RBS, SEB, Svenska Handelsbanken, Sparkasse zu Lübeck, Deutsche Apotheker- und Ärztebank
Sureties	137.0	Within the context of conducting business activities	Commerzbank, Deutsche Bank, HSBC, RBS
Total	**315.0**		

LIQUIDITY FORECAST

Liquidity came to EUR 296.9 million at the end of the year (December 31, 2013: EUR 232.1 million). For its medium and long term planning, Dräger forecasts a positive development of cash and cash equivalents. This will be influenced by a planned increase in operating cash flow – reflecting expected business developments – and solid financing, which has already been arranged for the coming year as a prudent measure. Future payment obligations from note loans falling due, which will result in payments of EUR 86.5 million in 2015 and EUR 57.5 million in 2016, as well as the planned dividend distributions, will have a negative impact on liquidity. The short- and medium-term liquidity supply of Dräger Group is secured by existing cash in hand and bank balances as well as the limits of the existing credit lines, of which most have a term of more than one year.

TASKS AND STRUCTURE OF THE TREASURY DEPARTMENT

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

DERIVATIVE FINANCIAL INSTRUMENTS

Dräger generally uses financial instruments only for hedging purposes and not to optimize earnings, although the principles of economic efficiency are also applied to such decisions. Transactions of this type are selected and concluded in a uniform manner throughout the Group.

Please refer to Note 43 of the notes for detailed information on the derivatives used by the Company.

NET ASSETS

In fiscal year 2014, our equity rose by EUR 80.6 million to EUR 896.6 million. Eleven options (550,000 preferred shares) were exercised in fiscal year 2014, which increased equity by a total of EUR 34.9 million. The adjustment of the underlying interest rate for German pension provisions from 3.5 percent to 2.0 percent increased pension provisions by EUR 82.4 million; the net amount of this adjustment of EUR 56.9 million after deferred tax liabilities reduced reserves from retained earnings recognized in equity. The equity ratio went up slightly to 40.1 percent as of December 31, 2014 (December 31, 2013: 39.5 percent). Excluding the requisite interest rate adjustment, the equity ratio would have increased to 42.7 percent as of September 30, 2014.

NET ASSETS OF THE DRÄGER GROUP

		2009	2010	2011	2012	2013	2014
Non-current assets [1]	€ million	657.7	681.0	690.2	710.4	717.2	781.5
Current assets	€ million	1,228.1	1,295.9	1,425.0	1,389.8	1,347.8	1,452.6
thereof cash and cash equivalents	€ million	344.1	320.0	412.3	332.4	232.1	296.9
Equity [1]	€ million	393.8	636.6	729.6	729.7	816.0	896.6
Debt [1]	€ million	1,492.0	1,340.3	1,385.6	1,370.4	1,249.0	1,337.5
thereof liabilities to banks	€ million	465.9	407.5	449.8	387.2	332.8	296.2
Total assets [1]	€ million	1,885.8	1,976.9	2,115.2	2,100.1	2,065.0	2,234.1
Long-term equity-to-fixed-assets ratio [1, 2, 3]	%	211.3	254.5	249.2	239.2	233.7	230.4

[1] Previous year's figures (2012) were adjusted due to first-time adoption of IAS 19 (2011) in accordance with IAS 8.
[2] Long-term equity-to-fixed-assets ratio = total equity and long-term debt divided by intangible assets and property, plant and equipment
[3] Equipment leased out is recognized in property, plant and equipment since 2012. The figures for 2011 were adjusted accordingly.

In fiscal year 2014, total assets rose by EUR 169.1 million to EUR 2,234.1 million. On the assets side, property, plant and equipment rose by EUR 39.2 million, while intangible assets increased by EUR 11.2 million. Trade receivables rose by EUR 17.1 million, while inventories increased by EUR 16.2 million. Cash and cash equivalents increased by EUR 64.7 million.

On the liabilities side, the change was mainly the result of an increase in equity (EUR +80.6 million) and increased pension provisions (EUR +78.0 million). Increases in trade payables (EUR +29.0 million) and in other financial liabilities (EUR +16.2 million) were compensated by a decline in loans and liabilities to banks (EUR –36.5 million).

The days working capital (coverage of current assets) rose marginally to 118.3 days. The reason for this was the slight fall of prepayments received as well as the slightly below average volume of trade payables.

DVA

Our Dräger Value Added (DVA, on a twelve-month rolling basis) fell by 28.4 percent year on year to EUR 81.6 million as of December 31, 2014 (2013: EUR 113.9 million). Our EBIT fell substantially by EUR 22.2 million year on year. The average cost of capital increased by EUR 10.1 million, as the average capital invested rose by 11.6 percent to EUR 1,078.1 million. The increase in capital employed is mainly due to a rise in non-current assets, higher inventories and receivables as well as a fall in provisions.

Business performance of the medical division

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

				Fourth quarter			Twelve months
		2014	2013	Changes in %	2014	2013	Changes in %
Order intake	**€ million**	**439.7**	**417.3**	**+5.4**	**1,576.2**	**1,558.6**	**+1.1**
Orders on hand [1]	**€ million**	**307.9**	**309.8**	**–0.6**	**307.9**	**309.8**	**–0.6**
Net sales	**€ million**	**518.1**	**480.6**	**+7.8**	**1,585.4**	**1,544.7**	**+2.6**
EBITDA [2]	**€ million**	**91.3**	**83.2**	**+9.7**	**157.2**	**179.4**	**–12.4**
Depreciation / amortization	€ million	–8.3	–7.2	+15.2	–28.3	–26.1	+8.4
EBIT [3]	**€ million**	**83.0**	**76.1**	**+9.2**	**128.9**	**153.3**	**–15.9**
R&D costs	€ million	40.2	34.9	+15.0	151.7	141.5	+7.2
Cash flow from operating activities	€ million	62.6	–12.8	–590.8	132.7	25.6	+417.9
Investments	€ million	14.2	12.8	+11.1	39.4	36.1	+9.1
Capital employed [1,4]	€ million	679.5	681.2	–0.3	679.5	681.2	–0.3
Net working capital [1,5,6]	€ million	403.8	422.5	–4.4	403.8	422.5	–4.4
EBIT [3] / Net sales	%	16.0	15.8		8.1	9.9	
EBIT [3,7] / Capital employed [1,4] (ROCE)	%	19.0	22.5		19.0	22.5	
DVA [8]	€ million	69.2	97.5	–29.0	69.2	97.5	–29.0
Headcount as of December 31		7,458	7,319	+1.9	7,458	7,319	+1.9

[1] Value as of December 31
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = Earnings before net interest result and income taxes
[4] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[5] Net working capital = current, non-interest-bearing assets plus non-current trade receivables less current, non-interest-bearing debt
[6] The prior-year figures have been adjusted due to the change in definition of net working capital, which now includes non-current trade receivables.
[7] Value of the last twelve months
[8] Dräger Value Added = EBIT less cost of capital

ORDER INTAKE

In fiscal year 2014, order intake in the medical division increased by 2.8 percent (net of currency effects). A positive demand trend in Europe, Germany and the Asia / Pacific region was set against a decline in demand in the Middle East, Africa and Other Countries region. In the Americas region, there was a small increase in order intake (net of currency effects). The strong fourth quarter was a major contributing factor to this.

In fiscal year 2014, order intake rose in particular in the hospital consumables, service and workplace infrastructure businesses, as well as to a lesser extent in business with anesthesiology devices. In our hospital consumables business, the positive demand trend continued in all regions, but particularly in the Middle East, Germany and certain markets in Central and Latin America. Our service business remained on its growth course in 2014; order books were considerably fuller in Germany, a number of other European countries, in the Americas region and in China. In the area of workplace infrastructure, order intake rose in particular in certain European countries, in Germany, as well as in North America and the Asia / Pacific region. We recorded a slight increase in business with anesthesiology devices. A rise in demand for these devices in certain European countries was set against a decline in North America and the Middle East. Our order intake in Ventilation declined by a considerable margin, particularly in some European countries and in North America. Orders in patient monitoring and clinical data management also declined. Positive demand in Germany and some countries in Central and South America was unable to compensate for major declines in other countries.

In Europe, including Germany, our order intake rose by 4.0 percent (net of currency effects). While demand increased in Germany, Spain, the Netherlands and Italy in particular, it declined in Russia and Poland.

Order intake rose by 3.5 percent in Germany. Particular growth was generated in the service business, the workplace infrastructure business and the hospital consumables business. By contrast, demand for respiratory care devices fell considerably year on year.

In the Americas region, our order intake only rose slightly (net of currency effects) in spite of an extremely strong fourth quarter. A significant increase in some Latin American countries was set against weaker demand in Canada and the US in particular.

Order intake in the Asia / Pacific region rose by 6.3 percent (net of currency effects) in 2014. We recorded growth in Japan, Thailand, Indonesia and Australia in particular, while demand in China declined year on year.

In the Middle East, Africa and Other Countries region, order intake declined net of currency effects by 4.3 percent. A significant increase in order intake in India, Egypt and Morocco was unable to compensate for declines in other countries in this region.

ORDERS ON HAND

On December 31, 2014, orders on hand in the medical division came to EUR 307.9 million, down 4.6 percent (net of currency effects) year on year (December 31, 2013: EUR 309.8 million).

Although Dräger recorded order intake growth in Europe and particularly in Germany, orders were down significantly both in the Americas and the Asia / Pacific regions.

Equipment orders on hand covered a 2.5-month period at the balance sheet date, based on net sales for the past twelve months (December 31, 2013: 2.7 months).

ORDER INTAKE

	Fourth quarter				Twelve months			
€ million	2014	2013	Change in %	Net of currency effects in %	2014	2013	Change in %	Net of currency effects in %
Europe	230.8	225.4	+2.4	+3.2	830.4	806.0	+3.0	+4.0
of which Germany	86.5	80.3	+7.7	+7.7	319.7	308.8	+3.5	+3.5
Americas	99.2	85.2	+16.4	+12.6	325.0	332.9	–2.4	+0.6
Asia / Pacific	76.5	68.7	+11.5	+7.7	269.2	260.0	+3.5	+6.3
Middle East, Africa & Other	33.2	38.0	–12.8	–17.0	151.6	159.7	–5.1	–4.3
Total order intake	**439.7**	**417.3**	**+5.4**	**+4.1**	**1,576.2**	**1,558.6**	**+1.1**	**+2.8**

ORDERS ON HAND

€ million	December 31, 2014	December 31, 2013	Change in %	Net of currency effects in %
Europe	123.1	123.6	–0.4	+1.2
of which Germany	43.2	39.6	+9.3	+9.3
Americas	73.3	78.3	–6.3	–13.7
Asia / Pacific	55.1	56.9	–3.2	–10.5
Middle East, Africa & Other	56.4	51.0	+10.6	+2.1
Total orders on hand	**307.9**	**309.8**	**–0.6**	**–4.6**

NET SALES

	Fourth quarter				Twelve months			
€ million	2014	2013	Change in %	Net of currency effects in %	2014	2013	Change in %	Net of currency effects in %
Europe	273.7	262.0	+4.4	+5.9	824.7	809.1	+1.9	+2.7
of which Germany	94.5	91.0	+3.9	+3.9	315.1	305.4	+3.1	+3.1
Americas	112.3	101.3	+10.9	+8.2	335.5	325.2	+3.2	+6.5
Asia / Pacific	83.3	68.1	+22.3	+18.4	275.2	260.9	+5.5	+8.1
Middle East, Africa & Other	48.8	49.1	–0.7	–3.0	150.0	149.5	+0.3	+1.2
Total net sales	**518.1**	**480.6**	**+7.8**	**+7.2**	**1,585.4**	**1,544.7**	**+2.6**	**+4.3**

NET SALES

In the medical division, we increased our net sales by 4.3 percent (net of currency effects) in fiscal year 2014 on the back of a strong fourth-quarter performance. Net sales rose in all regions, with the Asia / Pacific region recording double-digit growth in the fourth quarter.

Net sales rose in almost all medical division business fields in fiscal year 2014. Our service business continued its growth trend. We recorded considerable growth, particularly in Germany, some European countries and in the US. Net sales also rose considerably in the hospital consumables business. The net sales trend in Germany, the Middle East and some Central and Latin American countries contributed in particular to this. Net sales of anesthesiology devices also rose in fiscal year 2014, mainly due to a significant rise in deliveries to certain European countries, including Germany, and to China. Growth was also recorded in business with workplace infrastructure, particularly in Northern Europe, the Middle East and the Asia / Pacific region. Net sales in the patient monitoring and clinical data management business remained stable. Deliveries of respiratory care devices fell. Increases in net sales in some countries in Central and Latin America as well as in Europe could not compensate for the slump in net sales in Russia and the decreases in the US and the Middle East.

In Europe, including Germany, net sales rose by 2.7 percent (net of currency effects). Solid growth in Germany, the UK and several Southern European countries was set against a major decline in net sales in Russia.

In Germany, we increased net sales by 3.1 percent. Key factors in this development included our service business, business involving hospital consumables as well as patient monitoring and the clinical data management business.

Deliveries in the Americas region rose by 6.5 percent (net of currency effects). A major rise in net sales in Mexico, Brazil, Argentina, Colombia and Canada was set against a fall in US net sales.

The Asia / Pacific region recorded net sales growth of 8.1 percent, boosted by an extremely strong fourth quarter. Deliveries to Japan and China, in particular, increased.

Net sales in the Middle East, Africa and Other Countries region increased slightly. A rise in deliveries in Egypt, Iraq, South Africa and India was able to compensate for the falls in Saudi Arabia and Morocco.

EARNINGS

In fiscal year 2014, gross profit in the medical division fell only slightly short of the prior-year figure against the backdrop of a lower gross margin (−1.4 percentage points). Positive volume effects were able to compensate for the margin reduction for the most part. Reasons for the lower margin include changes to the country and product mix and currency effects. The significant decline in Russian business compared to prior years as well as the current reticence among medical technology customers in the USA and isolated low-margin projects all had a negative impact on the margin. Both the gross margin and gross profit increased significantly year on year in the fourth quarter, due to strong net sales performance.

Functional costs in the medical division rose disproportionately much in 2014 compared to net sales. Dräger invested in research and development, sales organization and growth markets to continue to support future growth.

Research and development expenses rose by 7.2 percent compared with the previous year (+6.9 percent net of currency effects). The development of a number of new medical products, as well as the development of existing products, played a major role in this increase. In addition, a number of different products were updated to meet the requirements of the RoHS II Directive[1] and the IEC 60601 Directive[2], Third Edition, of the European Union.

Furthermore, we also increased investments in our sales structure in growth markets. For example, we continued to expand Service and Sales in Saudi Arabia, China and Brazil. Even though the euro became substantially weaker over the course of the year, it remained relatively strong over the year as a whole in comparison with many currencies. The changes in exchange rates had a negative effect on net sales, but cushioned the rise in functional costs somewhat.

In total, EBIT fell by 15.9 percent to EUR 128.9 million (2013: EUR 153.3 million). The EBIT margin of 8.1 percent was down on the prior year's value (2013: 9.9 percent).

INVESTMENTS

In fiscal year 2014, Dräger invested EUR 38.4 million in property, plant and equipment (2013: EUR 35.1 million) and EUR 1.0 million (2013: EUR 1.1 million) in intangible assets. The majority of these investments were for replacements. We also invested a further EUR 7.5 million in the construction of a new production and management building in China (12 months 2013: EUR 8.8 million). In addition, we invested EUR 2.6 million in Japan and EUR 2.1 million in Switzerland for expansions and modifications in connection with the consolidation of the Group companies. In fiscal year 2014, depreciation and amortization of non-current assets came to EUR 28.3 million (2013: EUR 26.1 million). Investments covered 139.2 percent of depreciation, meaning that non-current assets rose by EUR 11.1 million net.

FINANCIAL POSITION AND NET ASSETS

As of December 31, 2014, capital employed decreased slightly by EUR 1.8 million to EUR 679.5 million (December 31, 2013: EUR 681.2 million). The rise in property, plant and equipment (EUR +14.2 million) and inventories (EUR +12.1 million) was more than compensated for by higher trade payables (EUR –21.3 million) and other effects.

The days working capital (coverage of current assets) rose marginally to 131.8 days. This was due to the slight decline in prepayments received on average and the slight rise in inventories. Cash inflow from operating activities rose considerably to EUR 132.7 million (2013: EUR 25.6 million) year on year. The increase in cash inflow was primarily attributable to a change in working capital, which rose considerably in fiscal year 2013 but declined in fiscal year 2014.

DRÄGER VALUE ADDED

DVA in the medical division decreased in fiscal year 2014 by EUR 28.3 million on the year to EUR 69.2 million. This drop in DVA was driven mainly by EBIT, which fell by EUR 24.4 million. Higher average capital employed caused DVA to fall by a further EUR 3.9 million.

[1] EU Directive "Restrictions on the use of certain hazardous substances in electrical and electronic equipment"
[2] International Electrotechnical Commission

Business performance of the safety division

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Fourth quarter			Twelve months		
		2014	2013	Changes in %	2014	2013	Changes in %
Order intake	**€ million**	**246.0**	**220.2**	**+11.7**	**883.7**	**859.8**	**+2.8**
Orders on hand [1]	**€ million**	**160.2**	**167.1**	**–4.1**	**160.2**	**167.1**	**–4.1**
Net sales	**€ million**	**264.6**	**248.0**	**+6.7**	**890.9**	**864.4**	**+3.1**
EBITDA [2]	**€ million**	**42.9**	**39.0**	**+10.1**	**117.6**	**116.0**	**+1.4**
Depreciation / amortization	€ million	–8.1	–6.8	+19.2	–29.2	–26.7	+9.2
EBIT [3]	**€ million**	**34.8**	**32.2**	**+8.1**	**88.4**	**89.2**	**–1.0**
R&D costs	€ million	16.2	15.4	+5.5	58.4	58.1	+0.5
Cash flow from operating activities	€ million	38.4	26.2	+46.6	65.8	57.1	+15.3
Investments	€ million	11.8	11.1	+6.3	43.7	35.9	+21.8
Capital employed [1,4]	€ million	256.3	227.0	+12.9	256.3	227.0	+12.9
Net working capital [1,5,6]	€ million	165.1	148.3	+11.4	165.1	148.3	+11.4
EBIT [3] / Net sales	%	13.2	13.0		9.9	10.3	
EBIT [3,7] / Capital employed [1,4] (ROCE)	%	34.5	39.3		34.5	39.3	
DVA [8]	€ million	66.1	69.3	–4.7	66.1	69.3	–4.7
Headcount as of December 31		5,360	5,131	+4.5	5,360	5,131	+4.5

[1] Value as of December 31
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = Earnings before net interest result and income taxes
[4] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[5] Net working capital = current, non-interest-bearing assets plus non-current trade receivables less current, non-interest-bearing debt
[6] The prior-year figures have been adjusted due to the change in definition of net working capital, which now includes non-current trade receivables.
[7] Value of the last twelve months
[8] Dräger Value Added = EBIT less cost of capital

ORDER INTAKE

In fiscal year 2014, order intake in the safety division increased by 4.0 percent (net of currency effects). Demand rose in almost all regions, with the Asia / Pacific region proving the sole exception.

Order intake in industrial health and safety rose by an above-average amount, with demand particularly high for light respiratory protection and mobile gas detection products. Our service and replacements business was also shaped by sustained growth. Business with government agencies was another area of growth. Demand for our alcohol testing devices was particularly high, while business with personal protection products for fire services also experienced growth. Plant safety equipment order intake saw a slight increase. Growth in maintenance and equipment rental business was able to compensate for the decline in demand for stationary gas detection systems. By contrast, order intake in the engineered solutions business declined considerably. However, it should be noted here that we had received a major order for tunnel rescue trains in Switzerland the previous year.

In the Europe including Germany region, our order intake rose by 4.0 percent (net of currency effects). This increase was carried by positive demand in Germany, Turkey, Scandinavia and the UK. As a result, we were able to more than compensate for the fall in order volume in Switzerland, the Netherlands and Russia.

In Germany, order intake rose considerably by 4.9 percent. In business with government agencies, demand for personal protective equipment for fire services experienced particularly high growth. In terms of plant safety equipment, we recorded an increase in maintenance and equipment rental orders. Orders were also up in the service business. By contrast, business involving engineered solutions declined.

Order intake in the Americas region rose by 6.8 percent (net of currency effects) on the back of a strong fourth quarter. This trend was the result of a major rise in demand in Canada, Brazil and Mexico. Orders in the US, however, fell slightly net of currency effects.

In the Asia / Pacific region, we were faced with a 3.2 percent decline in orders (net of currency effects). Demand for safety products was particularly low in China, while orders from Japan and South Korea also fell. Greater demand in Australia, New Zealand and Indonesia were unable to compensate for this.

In the Middle East, Africa and Other Countries region, we boosted order intake by some 17.4 percent (net of currency effects) on the back of extremely high demand in the fourth quarter. The increase in order intake in Saudi Arabia, the UAE, Egypt and India was a pivotal factor in this development.

ORDERS ON HAND

On December 31, 2014, orders on hand in the safety division stood at EUR 160.2 million, down 5.6 percent (net of currency effects) year on year (December 31, 2013: EUR 167.1 million). Excluding the large tunnel rescue trains order for Deutsche Bahn, orders on hand increased by 2.4 percent (net of currency effects).

Orders on hand fell in the Asia / Pacific region as well as in Europe including Germany. In the Americas region, and particularly in the Middle East, Africa and Other Countries region, we recorded an increase in orders on hand.

As of December 31, 2014, equipment orders on hand – excluding the aforementioned large order – stood at 1.9 months (December 31, 2013: 1.8 months).

ORDER INTAKE

€ million	Fourth quarter 2014	Fourth quarter 2013	Change in %	Net of currency effects in %	Twelve months 2014	Twelve months 2013	Change in %	Net of currency effects in %
Europe	160.6	147.5	+8.9	+8.8	566.3	547.2	+3.5	+4.0
of which Germany	55.0	53.1	+3.6	+3.6	198.5	189.2	+4.9	+4.9
Americas	38.1	31.9	+19.6	+12.9	140.1	133.3	+5.1	+6.8
Asia / Pacific	32.0	31.9	+0.3	–4.5	124.3	133.1	–6.6	–3.2
Middle East, Africa & Other	15.4	9.0	+71.5	+67.4	53.0	46.2	+14.8	+17.4
Total order intake	**246.0**	**220.2**	**+11.7**	**+9.8**	**883.7**	**859.8**	**+2.8**	**+4.0**

ORDERS ON HAND

€ million	December 31, 2014	December 31, 2013	Change in %	Net of currency effects in %
Europe	110.9	120.2	–7.7	–7.9
of which Germany	60.3	68.4	–11.9	–11.9
Americas	15.2	12.8	+18.8	+13.0
Asia / Pacific	17.4	21.9	–20.5	–26.1
Middle East, Africa & Other	16.7	12.3	+36.1	+34.1
Total orders on hand	**160.2**	**167.1**	**–4.1**	**–5.6**

NET SALES

€ million	Fourth quarter 2014	Fourth quarter 2013	Change in %	Net of currency effects in %	Twelve months 2014	Twelve months 2013	Change in %	Net of currency effects in %
Europe	173.9	164.9	+5.4	+5.4	575.2	555.5	+3.5	+3.9
of which Germany	63.3	61.4	+3.1	+3.1	206.0	198.8	+3.6	+3.6
Americas	38.0	31.7	+20.1	+13.4	138.1	134.8	+2.4	+3.9
Asia / Pacific	37.6	37.1	+1.4	–2.2	128.0	132.0	–3.0	+0.3
Middle East, Africa & Other	15.1	14.3	+5.2	+3.3	49.6	42.1	+17.8	+20.4
Total net sales	**264.6**	**248.0**	**+6.7**	**+5.1**	**890.9**	**864.4**	**+3.1**	**+4.2**

NET SALES

In fiscal year 2014, net sales in the safety division increased by 4.2 percent (net of currency effects). There was positive net sales development in all regions. Growth in net sales even reached double figures in the Middle East, Africa and Other Countries region, while only a slight increase was recorded in the Asia / Pacific region.

Net sales rose considerably in engineered solutions business as a result of partial invoicing for tunnel rescue train orders for Deutsche Bahn and Schweizer Bundesbahn. Net sales of plant safety equipment also rose, above all as a result of major growth in maintenance and equipment rental business; by contrast, net sales of stationary gas detection systems declined slightly. Demand for our industrial health and safety products rose year on year; this particularly applied to mobile gas detectors, light respiratory protection products and chemical protective suits. Net sales also rose in our service and replacements business, as they did in business with government agencies. Strong growth in business with alcohol testing devices was offset by stable net sales development in the area of protective equipment for fire services and a decline in the area of diving equipment.

In Europe including Germany, net sales rose by 3.9 percent (net of currency effects). In Germany, the Netherlands, Switzerland and Turkey, deliveries were up, while net sales were down in Russia and Belgium.

In Germany, we increased net sales by 3.6 percent. This trend was driven by the partial invoicing of tunnel rescue trains for Deutsche Bahn in the area of engineered solutions, together with increases in the area of plant safety equipment business. Service and spare part business also experienced net sales growth.

In the Americas region, we recorded an increase in net sales of 3.9 percent (net of currency effects). Our deliveries rose considerably, particularly in some countries in Central and South America. In the US, net sales rose slightly year on year net of currency effects.

Net sales in the Asia / Pacific region remained stable year on year net of currency effects. In China, our deliveries fell considerably year on year net of currency effects, while net sales in South Korea also declined. We recorded positive net sales development in Japan, Thailand, Vietnam and Indonesia.

Net sales in the Middle East, Africa and Other Countries region grew by 20.4 percent (net of currency effects). This was above all due to an increase in deliveries in Saudi Arabia and the United Arab Emirates. That being said, India also recorded significant growth.

EARNINGS

In the safety division, gross profit in fiscal year 2014 declined by 1.7 percent year on year in spite of an increase in net sales. Negative effects from changes to exchange rates as well as a change in the product mix towards more low-margin products had an impact on margins. All in all, we recorded an overall decline in the gross margin of 2.2 percentage points in the safety division.

Functional costs in safety division were down on 2013 levels throughout 2014. Research and development expenses in the safety division remained stable. As a result, the research and development ratio was on a par with the prior year at 6.6 percent (2013: 6.7 percent). Overall, functional costs declined as a result of lower IT costs in administration expenses. The change in exchange rates had a positive impact on functional costs, causing them to fall by 1.3 percent net of currency effects.

In total, EBIT in the safety division remained on par with the prior year at EUR 88.4 million (2013: EUR 89.2 million). The EBIT margin declined from 10.3 percent in the prior year to 9.9 percent in 2014.

INVESTMENTS

Dräger invested EUR 39.7 million (2013: EUR 35.1 million) in property, plant and equipment and EUR 4.0 million (2013: EUR 0.8 million) in intangible assets in the safety division. The majority of these investments were for replacements. In addition, we invested EUR 3.6 million in the expansion of our production facility in the Czech Republic and a further EUR 2.6 million in building conversions at our subsidiary in Canada. Depreciation and amortization amounted to EUR 29.2 million (2013: EUR 26.7 million). Investments therefore covered up to 149.5 percent of depreciation and amortization (2013: 134.1 percent) and non-current assets rose by EUR 14.5 million net.

FINANCIAL POSITION AND NET ASSETS

Capital employed in the safety division came to EUR 256.3 million as of the balance sheet date in 2014, 12.9 percent up on the prior-year period (2013: EUR 227.0 million). This rise was predominantly due to the increase in receivables and inventories in working capital. Cash flow from operating activities came to EUR 65.8 million (2013: EUR 57.1 million). Days working capital (coverage of current assets) was 99 days in the safety division. An extended payment period as well as an extended inventory turnover and lower prepayments resulted in a slight year-on-year increase in days working capital.

DRÄGER VALUE ADDED

DVA in the safety division decreased by EUR 3.3 million to EUR 66.1 million (2013: EUR 69.3 million) due to a slight increase in capital costs against the backdrop of stable earnings.

Business performance of Drägerwerk AG & Co. KGaA / Other companies

BUSINESS PERFORMANCE OF DRÄGERWERK AG & CO. KGAA / OTHER COMPANIES

		Fourth quarter			Twelve months		
		2014	2013	Changes in %	2014	2013	Changes in %
Order intake	**€ million**	**3.3**	**5.1**	**–36.1**	**13.4**	**15.5**	**–13.5**
Orders on hand [1]	**€ million**	**0.0**	**0.0**		**0.0**	**0.0**	
Net sales	**€ million**	**3.3**	**5.1**	**–36.1**	**13.4**	**15.5**	**–13.5**
EBITDA [2]	**€ million**	**10.6**	**82.2**	**–87.1**	**141.7**	**230.1**	**–38.4**
Depreciation / amortization	€ million	–6.6	–4.5	+46.1	–20.1	–16.6	+20.8
EBIT [3]	**€ million**	**4.0**	**77.7**	**–94.9**	**121.6**	**213.5**	**–43.0**
R&D costs	€ million	0.6	0.2	+158.2	2.2	1.9	+18.0
Cash flow from operating activities	€ million	21.8	73.3	–70.3	107.8	173.1	–37.7
Investments	€ million	14.5	19.5	–25.4	42.1	38.6	+9.0
Capital employed [1,4]	€ million	804.9	750.6	+7.2	804.9	750.6	+7.2
Net working capital [1,5]	€ million	–26.6	–45.5	–41.6	–26.6	–45.5	–41.6
Headcount as of December 31		919	884	+4.0	919	884	+4.0

[1] Value as of December 31
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = Earnings before net interest result and income taxes
[4] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[5] Net working capital = current, non-interest-bearing assets plus non-current trade receivables less current, non-interest-bearing debt

EARNINGS

Drägerwerk AG & Co. KGaA is the parent company of the Dräger Group. Together with the other companies, it provides services to the medical and safety divisions and their companies.

Drägerwerk AG & Co. KGaA / Other companies' EBIT declined in fiscal year 2014 to EUR 121.6 million (2013: EUR 213.5 million). This reduction was the result of lower earnings from profit and loss transfer agreements of EUR 157.1 million (2013: EUR 255.2 million) and a moderate rise in remaining expenses related to Drägerwerk AG & Co. KGaA.

INVESTMENTS

Investments at Drägerwerk AG & Co. KGaA / Other companies amounted to EUR 42.1 million in fiscal year 2014 (2013: EUR 38.6 million). While investments in property, plant and equipment fell by EUR 5.4 million to EUR 25.3 million (2013: EUR 30.7 million), investments in intangible assets increased year on year by EUR 8.9 million to EUR 16.8 million (2013: EUR 7.9 million). These investments mainly concerned the modernization of the IT infrastructure.

In fiscal year 2014, depreciation and amortization came to EUR 20.1 million and covered 209 percent of the investments, meaning that non-current assets increased by EUR 22.0 million net.

Research and Development

Dräger attaches a great deal of importance to its research and development (R&D) activities. We increased our R&D capacities consistently in 2014 in order to increase our competitiveness and profitability.

Our research and development expenses rose last year by EUR 10.5 million to EUR 212.0 million (2013: EUR 201.5 million). This figure corresponds to 8.7 percent of net sales (2013: 8.5 percent). An increasing number of intensive development projects and upgrades to a variety of products contributed to this rise. In addition, a number of different products were updated to meet the requirements of the RoHS II Directive[1] and the IEC 60601 Directive, Third Edition[2], of the European Union.

The volume of services that Dräger obtained from external development partners in 2014 amounted to EUR 32.5 million (2013: EUR 32.3 million). This accounts for 15.4 percent of total R&D expenses (2013: 16.0 percent), meaning that the ratio fell slightly year on year. We regularly assess the necessary technological competencies for every product area and then decide whether we perform the services ourselves or obtain them elsewhere.

As of December 31, 2014, 1,406 employees worked in research and development in the medical and safety divisions worldwide (December 31, 2013: 1,423). A total of 61 people worked in Central Basic Research and Patents in Lübeck at that time (December 31, 2013: 58). In 2014, patent and trademark offices around the world issued 140 new patents to Dräger (2013: 150). We applied for another 106 patents at international patent and trademark offices (2013: 105). Our experts in Basic Research analyzed more than 80 new technological developments in 15 technological fields in 2014 and evaluated their relevance for Dräger. They prepared product innovations in a number of different projects to develop new technologies, including ten projects for medical applications and 19 for safety applications. At the same time, basic research supported ongoing product developments. Our product innovation process is applied cross-divisionally in order to ensure the close integration of technology projects with product development projects.

MEDICAL DIVISION

In 2014, Dräger again developed numerous new medical technology products and upgraded existing ones: eight new

[1] EU Directive "Restrictions on the use of certain hazardous substances in electrical and electronic equipment"
[2] International Electrotechnical Commission

RESEARCH AND DEVELOPMENT

R&D costs in € million	2009	2010	2011	2012	2013	2014
Medical division	107.8	101.1	111.1	135.8	141.5	151.7
in % of net sales	8.5	6.9	7.5	8.7	9.2	9.6
Safety division	39.3	43.9	44.8	57.9	58.1	58.4
in % of net sales	5.8	6.0	5.6	6.8	6.7	6.6
Drägerwerk AG & Co. KGaA	2.3	3.3	4.7	3.6	1.9	2.2
Dräger Group	149.4	148.4	160.5	197.3	201.5	212.0
in % of net sales	7.8	6.8	7.1	8.3	8.5	8.7
Headcount	992	1,005	1,109	1,267	1,423	1,406

and extended devices (2013: nine) and three new accessory products (2013: five). We are currently devoting a great deal of attention to the development of new components and products for the “Infinity Acute Care System” (IACS), our patient monitoring and data management system.

The new VG 2.2 software update for the “IACS” and the “M540” mobile patient monitor supports applications from the intensive care ward to the operating room. It eases our customers’ day-to-day activities, with the standardized alarm behavior between the IACS and the ICS improving clinical workflow and preventing unnecessary double alarms. Also, the “M540” can be configured so that medical staff can focus on caring for the patient during patient transportation and documentation continues without interruption. Our “IACS VG3” expands connectivity between Dräger devices in the operating room and the intensive care unit. Also, it further increases the clinical value of IACS by providing new parameters. Our VG 1.1.1 software for the “Infinity CentralStation” supports these new features and contains an array of further improvements.

We also launched an update for the “Perseus A500” anesthesia workstation. Release 1.1 improves user-friendliness and flexibility. New functions have also been added, such as the removal of breathing noises and the low flow assistant, which allows the user to monitor consumption of anesthetic gases. The flexibility of the “Perseus A500” has also been increased by a number of additional variations and device combinations. The new release also opens up our horizons in terms of marketing the “Perseus A500,” particularly in the USA but also in Japan and many countries in Southeast Europe.

Our “SmartSonar Sepsis” software helps hospital employees detect and treat a sepsis with precision and at an early stage. It evaluates and classifies up to 25 of a patient’s vital signs and keeps track of them over the last 24 hours. The software is fed with data via the patient data management system “Integrated Care Manager.” “SmartSonar Sepsis” is approved for use in Germany, Austria and Switzerland.

“Innovian Anesthesia 6.0 VA” is a data management system for capturing, displaying and recording perioperative anesthesiological treatment information electronically. This version maps clinical workflows with even greater precision and enables more extensive and specific documentation.

In the second quarter, we also successfully updated all products in line with the RoHS II Directive [1]. Another focus of our investments is the fulfillment of the IEC 60601 Directive, Third Edition [2], but this has yet to be completed.

[1] EU Directive “Restrictions on the use of certain hazardous substances in electrical and electronic equipment”
[2] International Electrotechnical Commission

SAFETY DIVISION

A number of product launches shaped 2014 in R&D in the safety division, too. In total, we launched 13 new products (2013: 14).

We have revised and improved our escape hoods portfolio. The new “PARAT” escape hood can be donned in only three steps and protects its wearer from toxic industrial and combustion gases, vapors and particles for at least 15 minutes. The robust and ergonomic design of the packaging offers many different options for carrying and mounting the escape hood so that it is always ready to use.

In mobile gas detection, sensors are employed to guarantee safety in the workplace, prevent emergencies and identify leakages. The new “DrägerSensor NH3 TL,” which monitors concentrations of ammonia in ambient air, is especially suitable for use in the chemical industry as well as in the food and beverage industry. The launch of the “Dräger Sensor HCN LC” represents yet another electro-chemical sensor for monitoring concentrations of hydrogen cyanide gas in ambient air. It is intended for use in the chemical, electroplating and mining industries. The new “XXS HCN PC Sensor” was developed especially to meet mining needs. It serves to monitor permanent concentrations of hydrogen cyanide gas in ambient air and boasts a long service life. As a result, it complements Dräger’s portfolio of sensors, which are aligned with our customers’ particular needs.

The new “X-zone 5500” mobile gas detector and the “X-zone com” communication module expand the scope of mobile gas detection. As before, up to 25 devices can be connected to form an alarm chain link, in order to flexibly monitor larger areas. The data can now be uploaded to a cloud server via the communication module, meaning that warning signals are transmitted directly to the safety officer and headquarters.

In 2014, we introduced the “Polytron 5100” stationary gas detector. It can detect significantly more gases than its predecessor, the 5000. It will mainly be used in the oil and gas industry as well as in the chemical industry. “Dräger Polysoft” is a new piece of software for the configuration and maintenance of stationary gas detectors. It also serves as a platform for all future stationary Dräger gas detectors.

We have also introduced two new breath alcohol measuring devices with a vehicle immobilizer on the market, the “Interlock 7000” and the “Interlock 5000.” The devices measure breath alcohol and prevent a vehicle’s engine from being started if the driver’s breath alcohol concentration is too high. The “Interlock 7000” can be deployed very quickly and has low power consumption. In addition, it meets all the requirements of an alcohol interlock as a mandatory device in the vehicles of individuals who have been convicted of driving under the influence of alcohol (anti-drink driving programs). It can also be fitted with a GPRS module for mobile data transmission and a camera.

Our new “Dräger X-plore 8000” powered air-purifying respirator provides protection against a wide range of dangerous gases, dust and particles. It is robust and combines intuitive handling with intelligent electronics to increase safety and is particularly suitable for use in an industrial environment.

The “Saver;” our Emergency Escape Breathing Apparatus, was given NIOSH (National Institute for Occupational Safety and Health) approval and is now available on the US market with a range of additional functions. It provides industrial personnel up to 15-minute supply of air in emergency situations.

The new “X-Plore 9000 NG” compressed air hose system offers our customers convenient and safe respiratory protection and boasts very low noise levels and is extremely light. The modular design allows a wide range of respiratory air source combinations with the half- and full-face masks, protective hoods and visors available in our product range.

Thanks to its brand-new concept, the "Ventilation Vest" gives chemical protection suit wearers an optimum respiratory air supply as well as comfortable, targeted cooling. Its high levels of comfort means that it can be worn for long periods of time and therefore deployed in a flexible manner. As it is so easy to use and clean, the "Ventilation Vest" is also perfect in preparing for and wrapping up deployments.

Purchasing

Strategic Purchasing is responsible for obtaining all of the materials and services required within Dräger – from electronic printed circuit boards and plastic and machining parts as well as complex mechatronic systems such as cockpits and trolleys to IT services and fleet management. Our purchasing volume came to EUR 1,055 million (2013: EUR 1,043 million), roughly half of which can be attributed to production materials.

In 2014, we completed work on the purchasing strategies for our key goods groups and took into consideration the requirements of Research and Development, Quality, Production and Logistics. The strategies also include definitions of decision-making criteria in favor of or against suppliers, which are based on their technology, innovation and flexibility. We were able to use these as a basis in 2014 to appoint our most important strategic partners.

We implement our purchasing strategies on a global scale. In the development of new products, we now involve the highest quality suppliers directly in our projects and improve quality even further by doing so. This allows us to achieve rapid market entry and gives our suppliers planning security as well as the chance to act in a targeted and customer-oriented manner.

We support our purchasing employees by means of a specially developed Competence Management Program. The focus of this program is currently on technical training courses, the expansion of material and product knowledge and teaching value and target price analysis. We also organize regular "Technology Days," in which purchasing employees can share their experience with Research and Development employees and strategic suppliers as well as research institutes can present innovations relating to a variety of different subjects.

SUPPLIER QUALITY AND RELIABILITY

Thanks to the introduction of our Supplier Quality Improvement Program (SQIP), we have been able to boost the quality of our suppliers' products by a considerable margin. Over the past three years, disruptions in production caused by defective products (work in progress rate) fell by over 40 %. We intend to continue going down this path of success and further expand the program. In 2014, we achieved positive results with suppliers who took part in the program. All in all, 2014 saw supplier quality develop positively.

In 2014, we focused particularly on supplier performance. We require the highest levels of availability, especially in the accessories and consumables businesses; this means short, flexible supply chains that also include sub-suppliers. This is why we have put our faith in customer-oriented, cost-optimized logistics models as well as the continual monitoring and management of logistics performance in conjunction with our internal interface partners.

COMPETITIVENESS

When purchasing production materials, services and systems, we expect competitive prices and terms and conditions. We are applying value management methods on an increasing basis, both in series production and in the development of new products: We involve internal purchasing Value Managers, in addition to the Advanced Procurement Engineers, in development projects at an early stage. On the other hand, methods such as value and target price analysis also help to identify good partners in developing and applying new technologies as well as optimizing costs in series production.

In 2014, we also made progress in reducing costs in indirect materials, which includes services, IT, office materials and the vehicle fleet. This was achieved by involving suppliers in corresponding processes at an early stage, exerting an influence on product specifications and further consolidating our supplier portfolio. Our Advanced Procurement Engineers have specialized their skills and expanded their market expertise, allowing our purchasing activities to be optimally geared towards the needs and requirements of the internal specialist departments.

In 2014, we also introduced regional responsibilities in our purchasing and supplier quality assurance (SQA) processes and expanded the purchasing network with additional distribution and service companies. We want to provide optimum, on-site support to our regions in the performance of their purchasing activities. To do so, we provide professional purchasing methods and processes and allow regions to access our global supplier portfolio. In some regions, we have been able to reduce the costs of purchased materials and services by a considerable margin as a result.

The supplier day, which we introduced in 2012, remains an important part of the collaboration with our preferred suppliers and strategic partners. The motto of the 2014 supplier day was “tradition meets change – a powerful value proposition.”

Quality

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

CONTINUOUS IMPROVEMENT IN QUALITY

We always set ourselves ambitious quality targets for our products and product groups. Continuous improvement every single year is our benchmark. The necessary improvements are initiated across all functional areas, implemented systematically and followed up. These range from improvements to internal processes, to technical product optimization and intensive support to users of our products to be in an even better position to anticipate specific requirements at an early stage of product development. In 2014, all areas of the Company that are involved, such as Development, Purchasing, Production and Quality Management, successfully worked towards increasing the quality of our Company over the long term and once again make major steps forward in relation to key quality parameters and products. Continuous quality improvements led to a 7 percent reduction in the product defect rate after receipt of goods and a 15 percent improvement in the product defect rate during the warranty period. Our “Infinity Acute Care System” monitoring solution also saw an above-average number of improvements to its product defect rate. This improvement has a direct positive effect on customer satisfaction.

LICENSING OF NEW PRODUCTS

Last year we received licenses for important medical technology products in key markets:

- The “Perseus A500” anesthesia workstation was approved in the USA and China, which means we can now offer this product in all key markets worldwide.
- The “Savina 300” and “Evita V300” ventilators were licensed in the USA and Brazil respectively.

We also succeeded in reducing our approval times for new medical technology products in selected growth markets through coordination and trusting cooperation with approval authorities and, as a result, can establish a market presence with our innovative products even more quickly.

DEVELOPMENT OF THE QUALITY MANAGEMENT SYSTEM

In 2014, we continued with the consolidation of the processes from the previously separate medical and safety divisions. On the basis of this process, we have divided all production sites and all distribution and service sites into two groups for the certification of our quality management system and for reasons of efficiency. The introduction of certification groups allowed certification costs to be cut by a considerable margin. By the end of the fiscal year, more than 90 companies had an ISO 9001-certified quality management system. All production, distribution and service sites with medical technology products also have ISO 13485 certification. In addition, the majority of our production sites and distribution and service sites have both ISO 14001 certification, an international standard for environmental management systems, and OHSAS 18001 certification, an international standard for occupational health and safety. Our management systems are continuously reviewed and their efficiency validated by means of internal and external audits. An inspection from the US Food and Drug Administration (FDA) at the Dräger Medical GmbH Lübeck site in January 2014 resulted in no objections.

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

Production and Logistics

In 2014, the focus of our efforts in Production and Logistics was on expanding capacities and increasing the efficiency of our processes.

We continue to expand our capacities in China in order to be able to efficiently meet the constantly growing demand there and in the rest of the Asia / Pacific region. In Shanghai, we expanded our production portfolio in the area of ceiling supply units. In Beijing, preparation work for the expansion of respiratory protection devices and half mask production in 2015 was completed.

In the Czech Republic, the expansion of production capacities and the shift of the production of masks and chemical protection suits from the Lübeck site is proceeding according to schedule. The first mask production lines were initiated in mid-2014; this project is set for completion in early 2016.

We also finalized plans for the future development of the Lübeck production site and commenced the renovation of existing production buildings. This year, we are set to begin construction of the new factory for configurable medical technology devices. These measures will allow us to combine processes across the entire value chain even further and bring Production and Logistics even more closely together.

Finally, we pressed ahead with our efforts to increase efficiency at all production and logistics sites. In Blyth, for example, we have automated most of the compressed air bottle production process, simplified order processing structures and standardized processes and IT systems.

Marketing, Sales and Service

CUSTOMER-FOCUSED EFFICIENCY

As part of the “Fit for Growth” program geared towards improving profitability at Dräger, we intend to boost the efficiency of our central functions as well as of the organization of Marketing, Sales and Service. Our aim is to increase customer intimacy in an efficient manner. We will review roles and responsibilities at Group headquarters, regional centers and in different countries and make adjustments as and when necessary. Potential areas of action include the expansion of shared services on national or regional level as well as a review into whether improvements can be made to sites and corporate structures in individual countries. We anticipate the first concrete results in the medium term.

IMPLEMENTATION OF THE FUNCTIONAL STRUCTURE IN MARKETING

Last year we pressed ahead with the organizational re-alignment of marketing functions. This process was and continues to be focused on further internationalization and increasing the consistency of the functional structure in order to boost our customer orientation and efficiency even further. In this process, we concentrate on gaining an even better understanding of our customers' requirements with regard to our range of products and services and cooperation with Dräger and therefore on meeting these requirements accordingly.

We now need to continue to fill this model with life. By making organizational adjustments at management level, we have laid the foundations for systematic implementation and a reduction in complexity. Since last year, marketing has been a globally managed and integrated unit.

MARKETING FOCUS: CUSTOMER ORIENTATION AND GLOBAL COOPERATION

The focus of our market activities is always "How can we do an even better job at recognizing and meeting our customers' needs?" We launched the "Marketing Next Level" program to find the best answers to this question and rapidly apply the findings in practice. Within the scope of this program, we conceive and implement improvements in the following core areas:

- Objectives and measures to achieve these,
- Reduction of decision and response times,
- Roles, responsibilities, workflows and interfaces, and
- Regional and local organizational structures.

With this program, we aim to improve customer satisfaction with Dräger, our products and all other contact points. To achieve this, we have developed a series of measures. They are both internal and external and are derived from our basic motives and objections: Dräger does not simply want to generate profitable growth; it also wants to embrace a diverse corporate culture and capitalize on the many advantages that arise as a result. We want to offer complete solutions, including services, to our global and local customers alike. Our customers and their requirements are always the focal point of our activities. We want to firmly establish the Dräger brand in their minds and raise the brand's distinctiveness even further.

EXPANSION OF GLOBAL SALES AND SERVICE

In 2014, we developed topics in Sales and Service aimed specifically at generating profitable growth. In essence, these concern customers and partners, who would like to work with Dräger towards a common goal in respect of internationalization across national and also regional borders.

In global key account management, we networked positions both in terms of specific customers and across different countries. This allows us to manage selected customers from the oil and gas segment and the chemical industry in a better and more targeted manner than in the past. In 2015, we plan to extend the logical combinations of these customer sites and Dräger.

In the medical and safety divisions, we grant a selected group of manufacturers the rights to use Dräger patents and products through licenses. We were able to boost net sales in business with original equipment manufacturers (OEMs) in both divisions in fiscal year 2014. We intend to expand this business moving forward.

In Sales and Service, Dräger works closely together with a number of different partners worldwide. In 2014, we improved the selection and evaluation process for these partners in pilot countries across all regions. In the current fiscal year, we will now review to what extent we can intensify cooperation with partners, who have already worked for and with Dräger in various countries. In addition, we are also planning to provide our partners with more targeted and comprehensive information through country-specific portals. In the medium-term, we expect to generate net sales growth and improve margins in growth countries.

In fiscal year 2014, we also focused on analyzing and expanding our range of services. In organizational terms, we laid the foundations for the international expansion of an extremely promising area of business for Dräger by migrating a global service program into the line organization. Key drivers of growth here are more complex services, such as Shutdown and Rental Management, in which Dräger provides comprehensive support in the controlled decommissioning of major plants, such as those in the chemical industry. Another area of growth is the focused development of classic services for safety customers. We have developed a service portfolio that is tailored precisely to their needs and requirements. It now encompasses device cleaning and disinfection, as well as extensive training programs.

CUSTOMER RELATIONSHIP MANAGEMENT

Last year we once again succeeded in increasing the coverage of our sales and service regions in customer relationship management (CRM). We reached a major milestone in our ambition of global coverage by commissioning our Company-wide CRM system in South America. The system is already available to Dräger employees in both divisions in a dozen countries. In the medical division, we already cover 24 countries worldwide. One of the benefits of the CRM system is that it allows us to strengthen our customer services in analytical and operational terms and provide a more accurate forecast of future business.

IT

INCREASINGLY STANDARDIZED INFORMATION TECHNOLOGY ON A GLOBAL SCALE

The Company's global presence requires efficient support of Dräger business processes through standardized IT services. Against this backdrop, we pressed ahead with the global standardization of our IT environment in 2014 through a number of different IT projects. This includes gearing IT structures towards standardized processes and using standardized tools. At Dräger, standardized information technology on a global scale is the basis for efficient, international cooperation and networking between our employees. It puts us in the position to respond quickly and flexibly to specific requirements at each of our sites.

The global consolidation of numerous enterprise resource planning (ERP) systems from various manufacturers was at the forefront of investments in fiscal year 2014, too. These systems include administrative processes as well as the entire supply chain, from material requirements planning to procurement and production through to customer delivery. We continued with the introduction of an integrated SAP system and rolled out the system for companies in the Czech Republic, Switzerland and the UK. As a result, we can meet our targets of 90 percent coverage at production companies by 2016.

In the area of customer relationship management (CRM), the focus last year was on increasing worldwide usage of a standard IT solution. A key milestone was the function expansion of the CRM environment with the addition of a new solution for our service employees, known as the Future Technician Workplace. This element supports service technician in contract management, maintenance and service management and repair management for our installed devices. Following successful pilot tests in the UK and Austria, it will be rolled out on a global scale from 2015.

A further important step is to make a platform available for employee and business partner cooperation across borders and sites, which will be achieved with Microsoft SharePoint. The SharePoint infrastructure was commissioned in 2014 and is available worldwide. The next major milestone in this regard is the launch of an employee portal across all Dräger sites. The introduction of Microsoft Lync means that we also have access to a further modern communication instrument at all international sites. This enables us to save on travel and work in a more cost-efficient manner.

In terms of our IT infrastructure, we continued to make headway with measures to standardize IT workstations and bring these measures to our international sites: The rollout of a global, automated Microsoft software structure simplifies the systematic modernization and standardization of end-user software. Given the priority of information security at the Company, we have increased the number of measures aimed at safeguarding the reliability and security of data within IT.

In order to gear IT organization towards the requirements of global business operations, we make further headway with the internationalization of IT in 2014 and developed a basic structure for the regional IT organizations. This structure defines the responsibilities and rules of cooperation in service provision. We began rolling out this structure in regions in the year under review; this process is set to be completed in early 2015.

IT EMPLOYEES

In fiscal year 2014, we systematically pursued our aim of investing in core competencies. Central tasks such as project management, IT consulting for applications and infrastructure, IT security and IT architecture continued to be internalized. As a result, the headcount rose to 305.

IT COSTS

Due to the increased functional orientation of the Group, IT costs were determined in line with new cost structures for the first time. This led to a largely structurally related increase in costs from EUR 111.3 million in fiscal year 2013 to EUR 122.8 million in the year under review (by comparison, former cost structure in 2014 EUR 117.1 million).

Employees in figures

As of December 31, 2014, a total of 13,737 people worked for the Dräger Group, up 403 on the prior year (December 31, 2013: 13,334); this equates to a rise in headcount of 3.0 percent. In Germany, the number of people working for the Dräger Group rose by 149, while the number of people working abroad rose by 254. As of December 31, 2014, 54.0 percent (December 31, 2013: 53.7 percent) of employees were working outside of Germany.

In view of the long-term growth strategy, we expanded the workforce above all in Service (+107) and in Sales (+54).

At Drägerwerk AG & Co. KGaA / Other companies, the number of employees increased by 35 year on year as of December 31, 2014. At Drägerwerk AG & Co. KGaA, these employees operated above all in administrative functions, such as in IT (+18).

In the medical division, the number of employees rose by a total of 139, 43 of which in Germany – above all in Research and Development (+36). At the foreign subsidiaries, a total of 96 additional people were employed: 40 in Sales and 23 in Service.

In the safety division, Dräger employed a total of 229 more people on December 31, 2014 than in the previous year. The increase in the number of employees in Germany (+71) was mainly due to the number of temporary employees that were hired for short-term projects in relation to changes to industrial systems, known as Shutdown & Rental Management (+70). Of the additional 158 employees outside of Germany, 38 are attributable to the acquisition of Dräger-Simsa S.A. in Chile and 61 to Service.

Personnel expenses within the Group rose by 6.1 percent year on year (+6.6 percent net of currency effects) to EUR 922.5 million. This was the result of growth-related recruitment and pay raises, including raises in accordance with wage agreements in the metal and electrical industries in Germany. The personnel cost ratio in fiscal year 2014 was 37.9 percent (2013: 36.6 percent).

Sustainability

For Dräger as a listed fifth generation family-run company, sustainability is a fundamental part of corporate strategy: We want to pass on a successful company with continuously increasing value in the long term to the next generations. This requires a cautious approach with all stakeholders, from employees to customers and suppliers, to investors, the media and society as a whole.

Compliance

Dräger has stood for "Technology for Life" for 125 years. The highest degree of professionalism and reliability also determine our conduct and our values. Our Principles of Business and Conduct provide the framework for this.

The main elements of this program and the measures taken in fiscal year 2014 are explained in detail on page 40 et seq. of Dräger's corporate governance report.

Executive Board and Supervisory Board remuneration

The basic features of the remuneration system for the Executive Board and Supervisory Board are described on pages 41 et seq. of the remuneration report included in the corporate governance report.

Employees

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

FOCAL POINTS IN 2014

In 2014, the development of the HR strategy was a pivotal component of our work. Our HR contribution to the growth strategy puts the spotlight on our employees. The basis for this are efficient processes that guarantee sustainability and continuity over further strategy development cycles. In the future, we will continue to develop and improve our HR performance at all points at which applicants and employees come into contact with the Company.

2014 was shaped by Group-wide HR initiatives, which we planned to support the global growth strategy. Our managers must face the challenges of managing employees in other regions, networking with colleagues on different continents and adapting themselves and their employees to new situations on a daily basis. We will be acknowledging these challenges with the "Leadership Development" initiative and adjust our current management model to meet changing framework conditions. We aim to develop a global management philosophy that does justice to the diversity and international nature of our business and our Company.

SUPPORT AND DEVELOPMENT

Dräger operates on a global scale. Customer orientation, an entrepreneurial approach, flexibility and international orientation are the principles for our employees' work.

We teach and reinforce these principles in individual and group-based training courses. We discuss where there is need for improvement with the employees and set development targets.

In 2014, our personnel development costs increased by 1.5 percent to EUR 16.6 million (2013: EUR 16.4 million). Of this, EUR 0.6 million was invested in international employee development programs. Costs for further training amounted to EUR 8.6 million (2013: EUR 9.3 million).

Dräger constantly reviews the development of the Company and its processes in order to guarantee its competitiveness. When implementing changes, Dräger increasingly relies, besides external experts, on change managers, whom it trains itself and who understand Dräger business and deploy their methodical and social skills in accompanying change processes.

TRAINING AND TALENT-SPOTTING

In order to guarantee a long-term stream of highly talented employees, Dräger takes responsibility for training young talents itself. Dräger offers young people a wide range of career opportunities in the form of ten vocational training subjects, seven different dual study courses and its own international graduate trainee program “life.” In 2014, Dräger recruited 87 trainees and dual students in Germany as well as seven graduates around the world as part of the “life” program. In fall 2014, Dräger was given the Apprenticeship–Award by the Chamber of Industry and Commerce in recognition of the high quality of its dual vocational training courses.

We gain access to the next generation of talent in relevant labor markets by establishing and systematically developing a powerful employer brand. Through our clear positioning, we appeal to applicants who fit in with our value-oriented corporate culture: People who are interested in work that makes a difference.

HEALTH AND SAFETY

The working conditions at our Company and the health of our employees are extremely important to us, both in Germany and across the globe. Our comprehensive medical

WORKFORCE TREND

	Headcount as of the balance sheet date		Headcount (average)	
	December 31, 2014	December 31, 2013	2014	2013
Medical division	7,458	7,319	7,410	7,150
Safety division	5,360	5,131	5,258	4,979
Drägerwerk AG & Co. KGaA and other companies	919	884	909	837
Dräger Group total	**13,737**	**13,334**	**13,576**	**12,967**
Women	4,006	3,880	3,979	3,812
Men	9,731	9,454	9,598	9,155
Dräger Group total	**13,737**	**13,334**	**13,576**	**12,967**
Personnel development costs in € million	**16.6**	**16.4**		
thereof training expenses in € million	8.6	9.3		

WORKFORCE TREND

		Headcount as of the balance sheet date	
		December 31, 2014	**December 31, 2013**
Number of employees		13,737	13,334
Percentage of female employees	%	29.2	29.1
Part-time employees		842	848
Average years with Dräger in Germany	Years	13	13
Average age of employees	Years	42	43
Turnover of employees	%	3.6	3.6
Sick days of work days in Germany	%	5.2	4.8
Accidents in Germany (accidents at work and whilst commuting to work)Time off sick > 3 days		44	47

care, measures for preventing accidents and illness, and our systematic occupational health management exceed minimum statutory obligations. All of these things have a positive impact on job satisfaction, employee motivation, absences and the accident rate.

In 2014, the ratio of accidents per 1 million working hours was lower at Dräger in Germany than in the prior year at 4.38 (2013: 4.87) and remained at a low level in comparison with the rest of the industry (Employer's Liability Insurance Association for the Energy, Textile, Electronic and Media Industries 2013: 12.2; 2012: 13.0). The long-term aim is to reduce the accident rate by 20 percent within the next five years.

The health center opened at the Dräger headquarters in Lübeck in 2013 is being used by an ever-increasing number of employees. In addition to housing various public doctors' offices and the Company medical services, the health center also features a gym. Financially supported by the Company, the health center gives employees the chance to keep fit and healthy in close proximity to their workplace. In 2014, 2,393 employees took part in one of Dräger's prevention or health promotion programs. Health-related absences again remained low in Germany in 2014 at 5.2 percent of work days (2013: 3.5 percent).

Please refer to the section "Employees in figures" on page 94 et seq.

Environment

We see the responsibility we assume both within and outside of the Company as a vital part of our corporate strategy that is geared towards long-term, sustainable increase in value. We have laid down our guiding principles in assuming responsibility in the internal directive "We take responsibility – quality, environment, employees, society." We have published this directive in 21 languages Group-wide to enable as many employees as possible to understand and apply it.

We voluntarily arranged for ratings agency oekom-research to audit our commitment to social responsibility and the environment. The audit resulted in a "Prime Standard" (C+) verdict, which puts us among the front-runners in our industry.

ENVIRONMENTAL DATA LÜBECK

		2009	2010	2011	2012	2013	2014
Consumption Lübeck							
Purchased electricity	MWh	23,756	24,232	24,651	25,809	25,239	25,219
Purchased primary energy (heating, cogeneration unit, production gas and district heat)	MWh	44,037	50,589	45,908	50,039	48,675	42,554
Water / drainage	m³	73,436	83,660	72,425	67,083	63,236	72,728
Total waste	t	4,012	4,002	3,978	3,950	3,792	3,691
Net sales	EUR thousand	1,017,639	1,236,013	1,227,695	1,315,000	1,363,914	1,334,851
Consumption per net sales							
Purchased electricity	MWh / EUR thousand	0.023	0.020	0.020	0.020	0.019	0.019
Purchased primary energy (heating, cogeneration unit, production gas and district heat)	MWh / EUR thousand	0.043	0.041	0.037	0.038	0.036	0.032
Water / drainage	m³ / EUR thousand	0.072	0.068	0.059	0.051	0.046	0.054
Total waste	t / EUR thousand	0.0039	0.0032	0.0032	0.0030	0.0028	0.0028
Net sales							
Net sales Dräger Medical GmbH							855,157,934
Net sales Dräger Safety AG & Co. KGaA							479,692,874
Volume of waste Lübeck							
Volume of waste for recycling:							3,591
Volume of waste for removal:							100
Total volume of waste:						3,790	3,691
Year-on-year change in total volume							– 2.6 %
Recycling rate:							97.3 %

We have also anchored our principles of quality, environmental protection and occupational health and safety in our processes by means of an integrated management system. By doing so, we ensure that we not only comply with legal requirements, but that we also systematically identify and act on potential for improvement. In 2014, TÜV Nord once again validated the effectiveness of our environmental and occupational health and safety management system. A total of 37 Dräger companies are currently ISO 14001 certified and 33 are OHSAS 18001 certified. For smaller, non-certified units, we have also defined corresponding global minimum standards.

PRODUCT-RELATED ENVIRONMENTAL PROTECTION

Dräger products are subject to the strict regulatory requirements applicable to medical and safety products. Our customers expect long periods of use and low operating costs from our devices. That is why Dräger products are designed to save on energy and resources without impairing safety and functionality.

All across the globe, Dräger Service ensures professional maintenance and repair in addition to long-term supply of replacement parts and software updates so that our customers can make full use of their Dräger devices' long service life. Dräger pursues a policy of safe recycling and disposal of used devices through specific recycling passports and certified product takeback by a waste management company.

Starting on July 22, 2014, all electrical and electronic medical devices in the European Union must comply with the restrictions of the RoHS II Directive[1] (2011/65/EU). We implemented these requirements within the given time frame. By contrast, the majority of electronic safety devices have to comply with the regulations stipulated in the RoHS II Directive at the earliest by July 22, 2017. All new developments and changes are designed to meet RoHS II requirements, securing the long-term availability of devices. Existing devices are currently being assessed in cooperation with our suppliers and, if necessary, will be revised.

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

ENVIRONMENTAL PROTECTION IN PRODUCTION, SALES AND SERVICE

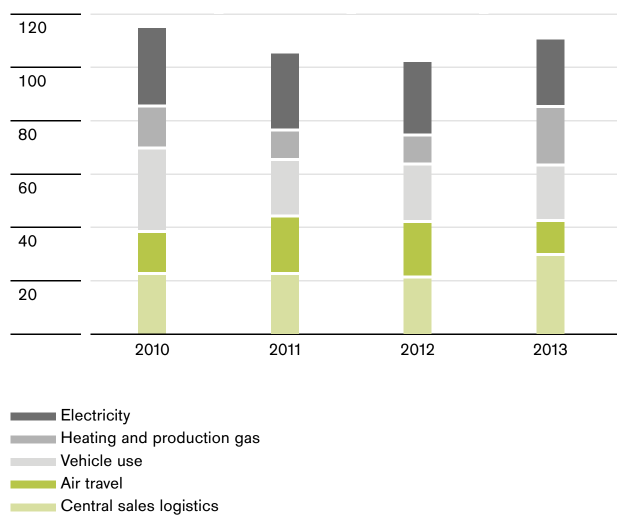
The Dräger production processes are classified as having a low impact on the environment.

ENERGY

Direct CO_2 emissions occur predominantly in the generation of heat and power. At our central production site in Lübeck, we operate a highly efficient gas-powered combined heat and power plant and use district heat generated from landfill gas and biogas. Dräger's strategic "Energy 20+" program aims to save 20 percent of the power and thermal

GLOBAL CO_2 EMISSIONS[1]

(in '000 t CO_2)



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

energy used at the ten main Dräger sites around the world over the coming years. To meet this goal, Dräger has analyzed the buildings and their technology from every angle. According to the analysis, we can even reduce current energy requirements by roughly 77 million kWh/year, or 23 percent, (equating to approximately 6,500 t of CO_2). At the Shanghai site, we have already laid the foundations for these energy savings by finalizing an expansion and revitalization project. Here, energy consumption will be cut by 20 percent moving forward. Furthermore, the energy saving measures identified over the course of renovation and replacement investment projects in Lübeck are also being implemented. In accordance with the step-by-step schedule, these measures are indicating a combination of energy saving and process optimization. In Lübeck, we have cut energy consumption by 10 percent compared to 2012. In

[1] EU Directive "Restrictions on the use of certain hazardous substances in electrical and electronic equipment"

2015, we will implement a number of scheduled measures that will lead to another reduction in energy consumption.

Dräger will be investing EUR 70 million from now until 2016 in the construction of a new “plant of the future” in Lübeck, which will have a number of environmental benefits: The new buildings exceed statutory energy standards by 20 percent. A heat recovery plant reduces exhaust losses by some 75 percent, while a photovoltaic plant provides up to 250 kWp of renewable power. Buildings are fitted with LED lighting, which can be controlled depending on the time of day and occupancy of rooms. In addition, there will be no need for any transportation between separate production sites. Another important measure in 2014 was the construction of a new administration building in Lübeck, which is significantly more energy efficient than the former building.

We determine and evaluate CO_2 emissions Company-wide for our most important production, service and sales processes and once again took part in the voluntary “Carbon Disclosure Project” [2] in 2014.

↗ Please refer to chart “Global CO_2 Emissions”

WATER

We mainly use water for sanitary purposes. Larger quantities of process water are used regularly in only a handful of production areas (e.g. for manufacturing soda lime, particle filters and filter fleece). Despite the rising headcount and increased production activities, we have succeeded in cutting water consumption considerably over the past few years by implementing measures to boost efficiency.

WASTE

Waste from our production processes and other activities is predominantly considered harmless and can be recycled. The main waste categories are metals, soda lime and typical household or office rubbish.

We regularly review our waste disposal processes in internal and external audits to ensure compliance with the law. Qualified waste collection agencies either recycle or dispose of all waste locally. Dräger Abfallwirtschaftsverband w.V., a certified waste collection company, is tasked with this job at our most important production site in Lübeck. In 2014, a total of 3,691 tons of waste (100 tons or 3 percent less than the prior year) was produced in Lübeck; the recycling rate was increased to 97.3 percent.

AIR EMISSIONS

Air emissions from Dräger sites are primarily the result of the power supply. Dräger does not produce hazardous air emissions that have to be recorded in the European Pollutant Emission Register (EPER). The installation and service work carried out in most areas of production does not release any hazardous emissions into the air. At some production sites, cleaning agents, adhesives and coatings containing solvents are used.

Dräger fire helmets and compressed gas containers are painted at the Blyth and Chomutov sites. Paint robots are installed at these locations, which significantly reduce paint consumption and therefore lower solvent emissions. Dräger employs highly efficient technology to scrub the exhaust air from soda lime and activated carbon production in Lübeck. Residual emissions (non-carbon pollutants) here are well below one ton per year, meaning that concentration levels are 95 percent below the statutory maximum limit.

Corporate Social Responsibility

Fiscal year 2014 was again overshadowed by crises and epidemics. As a result, our humanitarian activities were once again focused on the provision of Dräger medical and safety technology devices.

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

Dräger responded to calls from the German government to donate medical resources to help treat people affected by Ebola in Liberia. In October, we sent a total of 100 protective suits, protective goggles and particle-filtering half masks, together with other resources, to the affected areas. The next comprehensive delivery of protective equipment to the German Federal Agency for Technical Relief took place in December.

We also donated medical devices to two hospitals in Tanzania, two hospitals in Uganda and one in Botswana. We also equipped the Toase Medical Centre in Ghana with a variety of different devices, including anesthesia and ventilation devices, monitors and operating room lights. Since opening in 2001, this hospital has become one of the leading healthcare centers in the region with a population of around 200,000. In Ukraine, we supported medical staff at a children's hospital in Lutsk by supplying them with two respiratory care devices. We also donated respiratory care devices to crisis-hit Syria at the start of the year. Besides medical equipment, we also donated respiratory protection systems and mobile gas detection devices to international aid organizations such as "@fire Internationaler Katastrophenschutz Deutschland e.V." and the "International Search and Rescue Organisation (I.S.A.R.)".

The "Woche der Wiederbelebung" ("resuscitation week") from September 22 to 26, 2014 marked a week of lifesaving events across Germany. With financial support from Dräger, the University Hospital Münster (UKM) held resuscitation training events for ordinary members of the public at a variety of locations in Münster. In Lübeck, we supported the initiative of the „Deutsche Gesellschaft für Anästhesiologie und Intensivmedizin e.V.".

As a Lübeck-based company with a long tradition, we are aware of our responsibility for the local community and support a number of local establishments and organizations by donating materials for school first-aid kits or water rescue equipment, for example.

Subsequent events

DISTRIBUTIONS

The general partner and the Supervisory Board of Drägerwerk AG & Co. KGaA, Lübeck, plan to propose to distribute out of the net earnings of Drägerwerk AG & Co. KGaA of EUR 459.1 million for fiscal year 2014 a cash dividend of EUR 1.33 per common share and EUR 1.39 per preferred share. Distribution would therefore amount to a total of EUR 23.4 million. The remaining amount of net profit will be carried forward to new account. The preferred share dividend also governs the dividend for participation certificates, which will amount to EUR 13.90 each – ten times the preferred share dividend.

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

RISK AND OPPORTUNITY MANAGEMENT

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

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

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

IDENTIFYING AND CONSIDERING RISKS

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

Please refer to page 59 et seq.

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

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

DEFINITION AND ELEMENTS

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

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

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

USE OF IT SYSTEMS

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

Please refer to Note 52 in the notes

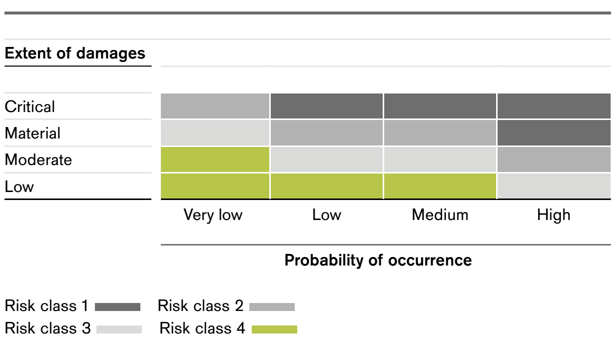
ESSENTIAL REGULATORY MEASURES AND CONTROLS

With our internal control system, we check whether amounts reported in the balance sheet, income statement and the statement of comprehensive income are recognized in the correct period and fully assigned, and whether the record contains reliable and traceable documentation regarding the business transactions. To do this, we clearly allocate responsibilities and control mechanisms, provide transparent accounting and reporting guidelines, and use highly reliable IT accounting systems in the Group companies. The monthly Group financial statements contain comprehensive system validations. They are also checked by Controlling and compared with the plans and the latest financial forecast. The Dräger accounting policies are applied throughout the Group to ensure that all German and foreign subsidiaries consolidated in the Group financial statements use the same standard. These apply to general accounting policies, balance sheet, income statement, consolidated statement of comprehensive income and notes. The accounting policies are regularly updated to comply with current EU legislation.

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

In our accounting systems we have separated administrative, executive and authorization functions by issuing different access profiles. This allows us to reduce the potential for fraudulent acts against the Company by employees. Group accounting determines the scope of consolidation and the reporting packages prepared by Group companies. The Group companies and local auditors, who examine and comment on compliance with Dräger accounting policies, are provided with additional information, schedules and deadlines for the financial statements at the latest by October of the reporting year. This ensures that the Group financial statements can be prepared in good time and in accordance with all applicable reporting standards and laws.

RISK MATRIX



KEY TO PROBABILITY OF OCCURRENCE

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

KEY TO EXTENT OF DAMAGES

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

Our subsidiaries enter their local financial statements into the SAP SEM-BCS consolidation system, where validation rules guarantee a high degree of data quality. Subsidiaries send other reporting packages in electronic form to Group Accounting in Lübeck, where the data is reviewed on the basis of internal checklists and passed on to the auditor of the Group financial statements for final approval.

RISK ASSESSMENT

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

For the purposes of risk classification in the risk matrix, both the probability of occurrence and the potential extent of damages are taken into consideration.

↗ Please refer to chart “Risk Matrix” as well as tables “Key to Probability of Occurrence” and “Key to Extent of Damages”

The due date for reported risks is December 31, 2014, whereby the risk assessment is based on the update of the internal risk report. While the earnings forecast period is one year, Dräger assesses quantitative risk over a period of two years.

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

RISK CATEGORIES

MATERIAL RISKS

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

POLITICAL, FINANCIAL AND SOCIAL DEVELOPMENT

As in the prior year, the global economy only experienced moderate growth of 3.3 percent. The rate of growth was somewhat higher in emerging economies than in industrialized economies, but this difference was not as great as it has been in the past. In 2015, the International Monetary Fund (IMF) expects year-on-year growth to rise to 3.5 percent. The rate of growth is set to rise year on year in industrialized economies, but fall slightly short of the prior-year figure in emerging economies.

The ongoing problematic financial situation in a number of different European countries, the unstable political situation in the Middle East and tensions between Russia and the West put Dräger at risk of not achieving its planned growth. Furthermore, a lack of financing options in certain emerging markets, the reduced purchasing power of oil-exporting countries on account of the fall in the price of oil and continued strong competition could negatively impact the net sales and margin of the Company.

Please refer to the overall economic outlook on page 116 et seq.

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

China has played a pivotal role over the past few years in the continuous rise in the share of net sales generated in emerging economies. However, a number of developments in China mean that we will not be able to achieve the planned net sales growth there. It is a possibility that momentum will be lost on the Chinese market and demand will stagnate. The current fight against corruption in China may also lead to decisions on public sector orders being postponed or orders being divided up between different suppliers. What's more, local competition is also increasing. Chinese suppliers may therefore be given preferential treatment when it comes to order placement.

Dräger operates in future-oriented industries with strong growth in which it can expect further consolidation processes that are likely to affect the structure and intensity of competition: Hospitals and other relevant customer groups are being consolidated or form purchasing cooperatives, thereby pooling purchasing volumes and gaining increased market power. Large, diversified conglomerates among other primary competitors are well positioned in certain segments and regions with a wide range of products and services. New competitors, particularly from Asia, are also a factor; the quality of their products has increased significantly over the past few years, meaning that they are now competing with Dräger in the lower and middle performance and price segment. Dräger must enhance its product portfolio, sales channels, and service offering in order to remain successful in these customer segments over the long term. There is a certain amount of risk that, in doing so, Dräger will jeopardize products from higher performance segments. (Risk class 1)

INFORMATION SECURITY AND IT RISKS

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

That's why Dräger business processes require reliable IT systems. A breakdown of IT systems caused by factors such as overload or external hazards (such as a virus attack) could compromise critical business processes and lead to temporary production shutdown, for instance.

To enable access to IT systems and system availability, Dräger requires a standardized infrastructure for its day-to-day business. Devices not managed centrally or subject to regular maintenance can cause security vulnerabilities. As a result, a number of measures have been implemented to improve the efficiency and security of business processes, including network segmentation, the use of standardized software worldwide and the use of a standardized installation base for notebooks and desktop PCs.

Database security is also important in minimizing IT risks. Read and write authorizations are essential for the security of data relating to customers, production, and suppliers. To guarantee this, processes were defined back in 2011, installed in central systems and, where necessary, improved by the implementation of electronic systems. These systems are being standardized and rolled out across all sites on a gradual basis.

The risk class was increased because it now also takes risk in relation to information security into account that arise from the non-IT-supported processing of information. (Risk class 1)

PROCUREMENT

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

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

RESEARCH AND DEVELOPMENT

It is important for the profitability of the Company that the product portfolios of both divisions are kept up to date. Experience has shown that new products are more profitable than products in a later phase of the product lifecycle. This is why Dräger continuously invests in research and development in order to keep the proportion of new products as high as possible. This means that Dräger must develop top technological solutions and also products that appeal to the requirements of a large section of the market. Dräger optimizes its operating processes, from development, sales and order fulfillment through to maintenance of the product portfolio. This way, the Company can produce a high-quality product portfolio. Risks may therefore arise from factors such as the unexpectedly high complexity of development projects, delayed product launches, and changes in market requirements. (Risk class 2)

REGULATORY AND LEGAL RISKS

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

Please refer to the corporate governance report on page 36 et seq.

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

Additional regulatory requirements and rising local standards result in greater expenses for product licensing. Further risks in relation to this arise from the ongoing renewal of necessary, but time-limited licensing certificates and national adjustments. Furthermore, there is also the possibility that, despite extensive quality management processes, licensing authorities auditing our products or processes do not consider the licensing requirements to have been met. In this case, it is possible for licensing authorities to revoke the license, impose import bans on certain products or product areas or order installed devices to be changed. Dräger combats risks that arise in line with licensing requirements by adapting the respective organizational structures and processes in the product and quality management areas. (Risk class 2)

CURRENCY RISK

Dräger conducts its business in a variety of currencies whose exchange rates to the euro vary greatly. As a result, Dräger's payment flows are exposed to corresponding currency risks. In addition, changes in exchange rates when converting earnings not generated in euros into the Group's operating currency (euro) can have a major impact on Group earnings. One particular source of risk is the fact that the manufacture and sale of products in different currencies is not uniform. Over half of costs at Dräger are incurred in euros, while a large share of sales is generated in other currencies. The devaluation of the euro in 2010 and 2012 had a positive impact on earnings, while the sustained increase in the euro's value in 2013 had a negative effect. In 2014, there was no clear trend. Negative pressure in the first half of the year was countered by positive factors towards the end of the year. All in all, the effect in fiscal year 2014 was negative.

↗ Please refer to charts "Net sales and costs by currencies (2014)" and "Development of the sales-weighted currency basket"

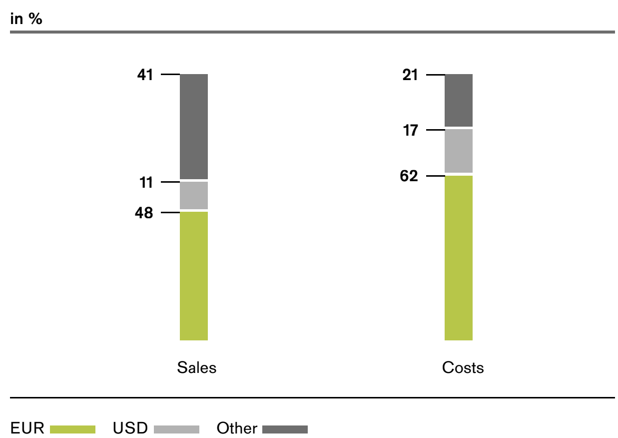
Currency risks are hedged at Group level, some of which through currency hedges. The hedging strategy is redefined on an annual basis. Planned net foreign currency liquidity flows from legal units at the start of a fiscal year are hedged by a maximum of 75 percent. (Risk class 1)

RISKS FROM FINANCIAL INSTRUMENTS

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

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

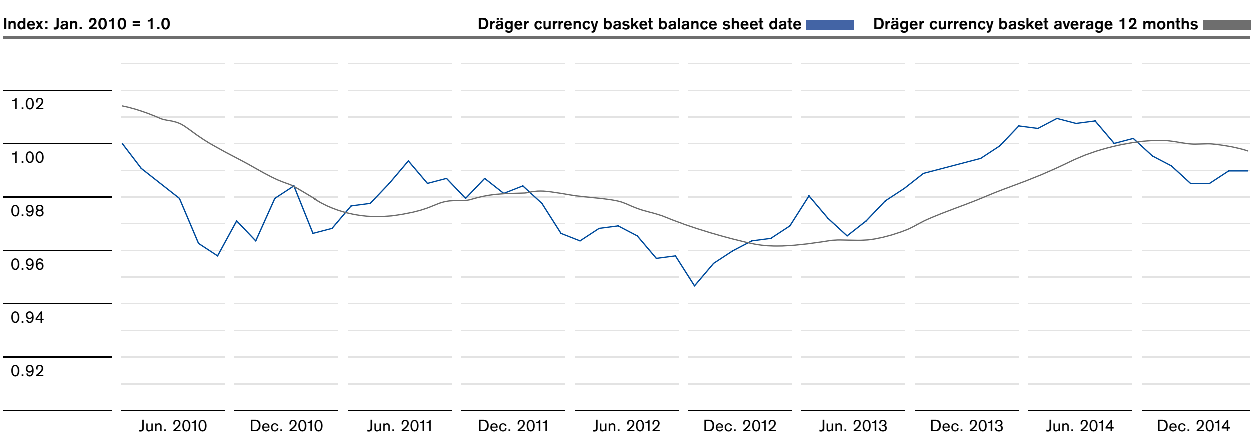
NET SALES AND COSTS BY CURRENCIES (2014)



The Dräger Group uses note loans with various residual terms of up to five years in order to reduce liquidity risk. Total repayments are less than the usually expected free cash flow. This reduces the risk of not being able to arrange for follow-up financing. Furthermore, we have also agreed on bilateral credit lines of EUR 315.0 million due on October 30, 2018 to secure liquidity. The framework agreement for the bilateral credit lines stipulates target values based on certain financial covenants. Should Dräger not comply with these, the banks are entitled to terminate the bilateral credit lines. The values have been specified so that Dräger would only run the risk of being unable to meet them if the Company's financial position was to deteriorate drastically. It is also possible for Dräger to obtain the banks' approval to exceed or undercut these key figures at an early stage. We continuously monitor key financial performance figures.

Dräger is also exposed to interest rate risk, primarily in the eurozone. The Company combats these risks through a combination of fixed- and variable-rate liabilities. It also hedges against part of the variable interest rates through standard interest hedging products. Dräger only invests

DEVELOPMENT OF THE SALES-WEIGHTED CURRENCY BASKET



cash and cash equivalents over the short-term at commercial banks with high credit ratings.

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

Please refer to Note 43 of the notes for more information on the management of financial risks.

RISKS OF RECEIVABLE LOSSES

Dräger is exposed to a very minor risk of financial crises, political upheaval or other events leading to large-scale receivable losses or defaults on payments. This kind of risk currently exists in relation to the increased volume of receivables from projects in Saudi Arabia. (Risk class 2)

OTHER RISKS

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

Recognizing opportunities

Dräger identifies opportunities within the scope of its strategic planning process and separately from risks and risk management. During this process, Dräger identifies trends, determines strategic focuses, and defines measures. Dräger makes use of its so-called sales funnel, an overview of all potential orders, for the purpose of pursuing medium-and short-term market opportunities and turning as many of them as possible into customer orders. The careful assessment and potential utilization of these opportunities also flows into our Financial Rolling Forecast.

Please refer to the section “Control System” on page 59 et seq.

ACTIVITIES IN GROWTH MARKETS

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

Please refer to the section “Trends with an influence on business performance” on page 62 et seq.

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

HIGH MARKET ENTRY BARRIERS FOR COMPETITORS

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

LEADING MARKET POSITIONS

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

EXPANSION OF THE SERVICE AND ACCESSORIES BUSINESS

Dräger strives to increase the share of net sales it generates in the stable and attractive service and accessories business. The Company continues to improve customer support following equipment sales with service and product offerings in the accessories and consumables business in order to achieve this goal. Here, both divisions of Dräger benefit from the large number of Dräger devices already in use around the world.

PROJECT BUSINESS

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

As a global project player in the industrial business, Dräger has the opportunity to become involved in major oil and gas, chemical, and mining projects as well as those in the food and advanced technology industries. Private and public investments running into the billions of euros are planned in 2015 in the mining and oil and gas industries, particularly in the Middle East. This is likely to boost demand for safety products.

CHANGES TO THE PRODUCT PORTFOLIO

Changes to the product portfolio come with both risks and rewards. Dräger wants to increase the number of new products in its product portfolio and thus increase the Company's profitability. At the same time, Dräger is working towards the optimization of its product portfolio in order to meet demand from emerging countries.

SYNERGY EFFECTS AND PLATFORM STRATEGY

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

Dräger is also striving to reduce material costs even further through its platform strategy, which is the use of common components in different models. Dräger takes subsequent manufacturing costs into account as early as the product development phase.

Last year, Dräger made further headway with its Company-wide customer relationship management concept with the introduction of a standardized CRM system that is now available to a total of 2,800 users in 24 different countries. As a result, a supplementary process and system platform has been further developed on a global scale to increase the quality of comprehensive customer service across national and functional borders.

DEVELOPMENT OF THE MACROECONOMIC SITUATION AND EXCHANGE RATES

Macroeconomic development and fluctuating exchange rates can bring both risks and rewards. Related risks were described in the previous section. The positive development of the described factors can also result in opportunities.

OVERALL ASSESSMENT OF RISKS AND OPPORTUNITIES

Overall, we mitigate these risks through the regional diversification of business as well as the diversification of our range of products and services. Risks linked with information security have also increased steadily over the years. We also limit performance risks from the completion of orders through good diversification strategies.

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

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

Disclosures pursuant to Secs. 289 (4) and 315 (4) of the German Commercial Code (HGB) and explanations of the general partner

The following disclosures reflect circumstances on the balance sheet date.

COMPOSITION OF CAPITAL STOCK

The subscribed capital of Drägerwerk AG & Co. KGaA amounts to EUR 44,185,600. It consists of 10,160,000 voting bearer common shares and 7,100,000 non-voting bearer preferred shares, each with a EUR 2.56 share in capital stock. Shares of the same type carry the same rights and obligations. The rights and obligations of the shareholders are laid down in the German Stock Corporation Act, in particular in Secs. 12, 53a et seq., 118 et seq. and 186 AktG, as well as in the articles of association of the Company. As compensation for the lack of voting rights, an advance dividend of EUR 0.13 per preferred share is distributed from net earnings. If sufficient profits are available, a dividend of EUR 0.13 per common share is then paid. Any profit in excess of this amount, if distributed, is allocated so that preferred shareholders receive EUR 0.06 more than common shareholders. If the profit is not sufficient to distribute the advance dividend for preferred shares in one or more years, the amounts are paid from the profit of subsequent fiscal years before a dividend is paid on common shares. If amounts in arrears are not paid in the next year along with the full preferred dividend for that year, the preferred shareholders have voting rights until the arrears have been paid. In the event of liquidation, the preferred shareholders receive 25 percent of net liquidation proceeds in advance. The remaining liquidation proceeds are distributed evenly among all shares.

RESTRICTIONS RELATING TO VOTING RIGHTS OR THE TRANSFER OF SHARES

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

DIRECT OR INDIRECT SHAREHOLDINGS EXCEEDING 10 PERCENT

67.19 percent of the common shares of Drägerwerk AG & Co. KGaA, equivalent to 6,826,000 common shares or 39.55 percent of the total capital stock, belong to Dr. Heinrich Dräger GmbH, Lübeck. Its shares are mainly owned by members and companies of the Dräger family, so that the voting rights associated with the common shares are held by the Dräger family. 58.73 percent of Dr. Heinrich Dräger GmbH, Lübeck, is held by Stefan Dräger GmbH. Stefan Dräger GmbH is wholly owned by Stefan Dräger, Lübeck. The voting rights of Stefan Dräger GmbH are to be allocated to its partner, Stefan Dräger, pursuant to Sec. 22 of the German Securities Trading Act (WpHG). Through Stefan Dräger GmbH, Stefan Dräger also holds all shares in Drägerwerk Verwaltungs AG, Lübeck, the general partner of Drägerwerk AG & Co. KGaA. This means that Stefan Dräger is a shareholder for the general partner as well as common shareholder of Drägerwerk AG & Co. KGaA. In cases covered by Sec. 285 (1) Sentence 2 AktG, he would therefore not be entitled to vote. The legal structure of Dr. Heinrich Dräger GmbH ensures that, for such resolutions, Stefan Dräger cannot exert any influence on the exercise of the voting rights of common shares held by Dr. Heinrich Dräger GmbH.

SWOT ANALYSIS – DRÄGER GROUP

Company-specific

Strengths

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

Weaknesses

- Strong reliance on the European market; some market-leading positions in markets where growth is slow
- Niche provider status in some segments
- High complexity through broad product portfolio
- High cost base in euro
- Some reliance on distribution partners in order to cover large markets such as the USA or China

Market / sector-specific

Opportunities

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

Risks

- Economic risks as a result of financial and sovereign debt crisis in Europe
- Falling rates of economic growth in Asia and increase in tensions between Russia and the West.
- Increasing complexity and requirements of local licensing and ongoing certification of products
- Central purchasing strategy and increased purchasing power of global companies as well as limitations in public spending policies
- Some reliance on key suppliers
- Information security and IT risks
- Foreign currency losses due to exchange rate fluctuations

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

SHARES WITH SPECIAL RIGHTS CONFERRING CONTROL

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

NATURE OF CONTROL OVER VOTING RIGHTS BY EMPLOYEE SHAREHOLDERS WHO DO NOT DIRECTLY EXERCISE THEIR CONTROL RIGHTS

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

APPOINTMENT AND REMOVAL OF MANAGEMENT AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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

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

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

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

POWER OF THE GENERAL PARTNER TO ISSUE OR BUY BACK SHARES

By resolution of May 7, 2010, the annual shareholders' meeting conditionally increased the Company's capital stock by up to EUR 3,200,000 with the aim of issuing up to 1,250,000 new no-par preferred bearer shares (no-par shares) in return for cash and / or contributions in kind (conditional capital, Article 6 (5) of the articles of association). The capital stock will only be conditionally increased to the extent that applicable option rights are exercised. Dräger issued warrant bonds with option rights guaranteed in the form of warrants on account of the resolution on the authorization and instruction passed by the annual shareholders' meeting on May 7, 2010 regarding agenda point 7a. In the fiscal year, eleven options were exercised, after which 550,000 new no-par preferred shares (no-par shares) were issued from authorized capital. A total of ten options remain unexercised from the initial 25 options.

In accordance with the resolution agreed upon at the annual shareholders' meeting on May 6, 2011, the general partner is entitled to increase the Company's capital until May 5, 2016, with the approval of the Supervisory Board, by up to EUR 21,132,800.00 (approved capital) by issuing new bearer common and / or preferred shares (no-par value shares) in return for cash and / or contributions in kind, in either one or several tranches. The authorization includes the approval to issue new common shares and / or preferred shares, which carry the same status as the previously issued preferred shares with regard to the distribution of profits and / or Company assets. The statutory maximum as stipulated in Sec. 139 (2) AktG is to be taken into account: No more than half of the capital stock may be issued as preferred shares. Shareholders are principally given a subscription right in the case of a capital increase – provided that the Company has not excluded subscription rights with the approval of the Supervisory Board. In the case of common and preferred shares being issued together, the right of holders of one share type to subscribe to the other type of shares ("crossed exclusion of subscription rights") can be excluded.

The authorization of the general partner to increase the capital stock by May 7, 2014 issued on May 8, 2009 was lifted to the extent that it had not yet been used.

In accordance with the resolution agreed upon at the annual shareholders' meeting on May 4, 2012, the general partner is entitled, until May 3, 2017 and upon consent of the Supervisory Board, to acquire up to 10 percent in own shares of both types (common and / or preferred shares) and to use them for all legally permissible purposes.

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

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

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

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

IMF – JANUARY 2015 GROSS DOMESTIC PRODUCT (GDP) GROWTH FORECAST

in %	2014	2015	2016
Global economy	3.3	3.5	3.7
USA	2.4	3.6	3.3
Eurozone	0.8	1.2	1.4
Germany	1.5	1.3	1.5
China	7.4	6.8	6.3

Source: International Monetary Fund (IMF)

Outlook

FUTURE MARKET ENVIRONMENT

Global economic growth remained subdued in 2014. At 3.3 percent, growth was moderate and failed to match original forecasts at the start of 2014. In mid-January, the International Monetary Fund (IMF) reduced its forecast for economic growth in 2015. After it originally anticipated growth of 3.8 percent in October 2014, the IMF now expects growth to stand at just 3.5 percent, which constitutes minimal recovery compared to the previous year.

The US is the only major economy for which the IMF has increased its forecast. For the eurozone, expectations were toned down for 2015 given the weak investment environment in the region. Growth is set to fall short of expectations in Japan, too. The growth dynamic in emerging economies remains sluggish. In China, the IMF expects the rate of growth to decline once again. This trend also reflects the decision of China's ruling government to re-orient the economy away from the real estate industry and more towards domestic consumption. One drastic correction by the IMF came in the case of Russia: Due to the sharp decline in the price of oil and geopolitical tensions surrounding the conflict in Ukraine, a significant decline in Russian economic output of 3 percent is expected in 2015.

Overall, the IMF believes that this sharp decline in the price of oil will stimulate the global economy. However, this positive effect will be more than compensated by negative factors such as the continued lack of investment and the adjustment to lower medium-term growth prospects. According to the Managing Director of the IMF, Christine Lagarde, global economic growth is still too low, too fragile and too one-sided.

As the IMF highlights, there remain considerable economic risks. Divergent monetary policies in the world's largest economies, with interest rates being raised in the US, could have negative implications on emerging economies and the stability of the global financial sector. Weaker economies could also suffer at the hands of a strong US dollar and lower oil price. Geopolitical crises, including those in the Middle East and in Ukraine, represent a further risk for economic development.

In the eyes of Deutsche Bundesbank, economic growth in Germany will likely only improve gradually moving forward. That being said, the German economy remains in remarkably good shape. The Bundesbank anticipates growth of 1.0 percent in 2015 and 1.6 percent in 2016. The significant decline in the price of oil also opens up a number of positive opportunities. In return, consumer prices in Germany are only likely to rise by a small margin in 2015.

FUTURE SITUATION OF THE MEDICAL TECHNOLOGY INDUSTRY

We anticipate an overall positive trend in medical markets in 2015. Prospects are also favorable in terms of demand in the US. Even though pressure to cut costs in the healthcare industry will remain high in 2015, rising demand on account of long-term trends such as an increasing and ageing population and the spread of "lifestyle diseases" will overcompensate this factor. We consider prospects for Europe to be conservative. The European economy remains in recovery mode and the budgetary consolidation – particularly in Southern European countries – will mean that investment will not be a priority. In emerging economies, we anticipate a moderate rise in sales. Here, medical markets are still playing catch-up and investments are planned in public healthcare. In Latin America and the Middle East, we believe that the prospects are good for medical markets and anticipate moderate growth.

FUTURE SITUATION OF THE SAFETY TECHNOLOGY INDUSTRY

We expect to see overall stable development in the safety technology industry in 2015. In our opinion, sales opportunities in the US are moderate. The chemical industry is currently on the up; the American Chemistry Council (ACC) anticipates production volume to increase by 3.4 percent in 2015. Oil production and processing continues to rise consistently, reaching its highest level in the US for over 28 years in October 2014 according to the US Energy Information Administration (EIA). Growth momentum could fall somewhat over the short to medium term due to the sharp decline in the price of oil since the summer, as investments are not being made as a result. Nevertheless, the long-term business prospects remain good. The outlook for the safety technology industry in 2015 remains subdued in Europe. Efforts to consolidate will be top priority in Southern European countries and mean that the investment climate will be restrained. In emerging markets, we expect investment in safety technology products to continue to grow. The pace of economic growth may slow somewhat compared to prior years, but demand for safety technology products will remain high due to stricter health and safety requirements. In the Middle East, we anticipate that the market will be supported by investment in the production and processing of raw materials and experience moderate growth. In Latin America, we anticipate extremely low growth in 2015.

FUTURE SITUATION OF THE COMPANY

The following table contains an overview of our expectations in relation to the development of various forecast figures. Our forecast period is one financial year, unless otherwise stated.

↗ Please refer to table “Expectations for fiscal year 2015”

For fiscal year 2015, we expect net sales to experience growth of between 2 percent and 5 percent (net of currency effects). In key markets such as the US and China, we experienced a certain degree of reticence in the medical division in 2014. This situation is set to improve in 2015 for the US at least. In emerging economies, we only anticipate subdued growth. In Southern European eurozone countries, we expect growth momentum to fall compared to the end of 2014.

Based on exchange rates at the beginning of the fiscal year, we anticipate a Group EBIT margin of between 6.0 percent and 8.0 percent in fiscal year 2015.

Given these expectations, we anticipate a moderate year-on-year rise in DVA in fiscal year 2015.

We expect the devaluation of the euro compared to a series of other currencies over the past few months to have a positive impact on our gross margin overall, although this is likely to be compensated by negative margin effects from the country mix.

We will continue to invest in the future sustainability of our Company in 2015. For instance, we again plan to spend more on research and development. In total, we plan to launch a total of 13 new products or upgrades in the medical division and 17 new products or upgrades in the safety division. Against this backdrop, Dräger expects the percentage of new and improved products in net sales to rise.

Our interest expenses are likely to come in slightly under the prior-year level – assuming that interest rates remain stable. We expect a tax rate of between 30 percent and 33 percent for fiscal year 2015.

EXPECTATIONS FOR FISCAL YEAR 2015

	Results achieved in 2014	Forecast 2015
Net sales	Growth of 4.0 % (net of currency effects)	Growth between 2 to 5 % (net of currency effects)
EBIT margin	7.3 %	6.0 – 8.0 % [1]
DVA	EUR 81.6 million	Moderate improvement
Other forecast figures:		
Gross margin	46.7 %	On a par with prior year
Research and development costs	EUR 212.0 million	EUR 220 million to EUR 230 million
Interest result	EUR – 25.0 Mio. million	Slight improvement
Effective tax rate	31.8 %	30 – 33 %
Operating cash flow	105 % of EBIT	> 70 % of EBIT
Investment volume	EUR 124.7 million	EUR 110 – 130 million [2]
Equity ratio	40.1 %	over 40 %
Net financial debt	EUR 10.7 million	Slight improvement

[1] Based on exchange rates at the start of the year
[2] Excluding goodwill

Against the backdrop of the forecasted earnings trend and a further optimization of net financial current assets, we anticipate cash inflow from operating activities of over 70 percent of EBIT in fiscal year 2015.

Our capital investments will also increase even further due to the realization of our “factory of the future” in Lübeck. In total, investment volume will far exceed depreciation and amortization and stand at roughly EUR 110 million to 130 million.

On the basis of the expected earnings development, coupled with the only marginal rise in total assets, we anticipate that our equity ratio will remain over 40 percent as of the end of the year.

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

These expectations are based on the assumption of a stabilizing economy in Europe – particularly in South Europe – and North America, sustained market growth in emerging countries and stable exchange rates.

“FIT FOR GROWTH” EFFICIENCY PROGRAM

As part of our “Fit for Growth” efficiency program, we launched a large number of measures in 2014 with which we intend to achieve our goals of increasing competitiveness and efficiency in the coming years.

Our efficiency program encompasses three key areas:

- SHAPE: Functional processes and structures within sales, marketing and administration
- FIT!: Innovation / time to market
- Global Footprint: Optimization of production and R&D sites

In the SHAPE program, we intend to scrutinize and improve all structures and processes worldwide within sales, marketing and administration, focussing clearly on our customers. In our sales organization, there are still separate structures for the medical divisions and safety divisions in many countries, which is why consolidating these structures opens up potential to cut sales, marketing and administrative costs. Reviewing Company structures in these countries as well as streamlining, standardizing and pooling central, regional and local tasks and processes are important measures in the systematic implementation of the functional "One Dräger" organization. Furthermore, the focus in sales logistics is on process improvements and cost savings. Effective cost management with the aim of limiting cost growth and improving working capital even further are also important elements of our SHAPE program.

Dynamic markets and increasing regulation with ever stricter requirements increase the complexity of our development processes. The top priority of our FIT! program is to take the customer benefit to market more quickly. The program covers all phases of the product lifecycle, from the product idea or customer request, through development to the successful market launch – known as "time to market". The aim is to shorten this period of time by a significant margin. Various areas of action have been identified as control levers to accelerate the speed of innovation. These span the safeguarding of internal competencies and the optimization of strategic technology management to system- and platform-based development and global standardization.

Our global footprint is defined by a range of sites and locations that has grown over time and in some cases developed redundant structures and service profiles. Furthermore, the flow of materials at our largest production site in Lübeck is far from optimal due to a lack of space. The aim of this program is to optimize the site structure to accelerate the flow of materials and therefore increase our supply capability while reducing production costs. At our Lübeck site, we are investing in a more efficient production and logistics structure within the scope of our "factory of the future" project. In addition, we are continuing with the transfer of labor-intensive production processes to our site in Chomutov in the Czech Republic. In the US, we want to streamline our site structure in this extremely important market for us and cut site costs. At the moment, site and Company structures that have grown over time are currently under review. Concrete measures will be defined on the basis of this review later on this year.

DRÄGER MANAGEMENT ESTIMATE

The global economy should only experience moderate growth in 2015. The growth trend will be carried by economic performance in the US, whereas the eurozone economy will only experience extremely subdued growth. The contribution from emerging economies to global economic growth will also be less significant than in prior years. Indications of divergent fiscal policies in the US and in Europe and Japan are likely to see the euro and the yen come under further pressure in 2015. For the medical and safety markets, we anticipate a slight growth trend also in 2015 with regional differences.

Against this backdrop, we expect sales growth of 2 percent to 5 percent (net of currency effects). Our EBIT margin will stand at between 6.0 percent and 8.0 percent according to our forecast.

Through our "Fit for Growth" efficiency program we aim to increase our competitiveness and efficiency even further moving forward.

Business performance of Drägerwerk AG & Co. KGaA

In fiscal year 2014, Drägerwerk AG & Co. KGaA's business performance and net profit of EUR 86.1 million (2013: EUR 168.2 million), based on the financial statements prepared in accordance with the German Commercial Code (Handelsgesetzbuch – HGB), have been especially influenced by:

EARNINGS EFFECTS FROM OPERATING ACTIVITIES

In fiscal year 2014, Drägerwerk AG & Co. KGaA's result from the operating activities – excluding earnings from profit and loss transfer agreements, interest result and taxes – fell by EUR 9.5 million year on year.

The result was largely affected by high negative currency effects, lower IT costs and higher personnel expenses. The year-on-year rise in personnel expenses was mainly due to the increase in the headcount and pay raises, including raises in accordance with wage agreements in the metal and electrical industries in Germany. The primary reason for the rise in the Dräger headcount was the hiring of new employees. Pension expenses rose considerably due to the reduction in the interest rate from 4.90 percent in 2013 to 4.55 percent in 2014 in the calculation of pension provisions pursuant to the German Commercial Code (HGB).

Since the change of the Company's legal form, the Executive Board of Drägerwerk Verwaltungs AG receives its remuneration from the general partner, while their pension obligations are handled by Drägerwerk AG & Co. KGaA.

LOWER RESULTS OF GROUP COMPANIES

Earnings from profit and loss transfer agreements (including intra-group tax allocations) came to EUR 157.1 million in fiscal year 2014 (2013: EUR 255.2 million). The profit (including intra-group tax allocations) transferred by Dräger Safety AG & Co. KGaA in fiscal year 2014 was down by EUR 37.8 million, while the profit (including intra-group tax allocations) transferred by Dräger Medical GmbH fell by EUR 60.1 million on the previous year.

DISTRIBUTION FOR PARTICIPATION CAPITAL

Based on the proposed dividend for preferred shares of EUR 1.39, the distribution for participation capital for fiscal year 2014 increases to EUR 13.90 per participation certificate; in 2013, a dividend for participation certificates of EUR 8.30 was paid.

INVESTMENTS

In fiscal year 2014, the Company invested EUR 16.8 million (2013: EUR 7.5 million) in software and intangible assets. Investments in property, plant and equipment came to EUR 25.1 million (2013: EUR 22.4 million). Investments were focused on the construction of the new reception building and the "factory of the future" as well as on IT hardware. The latter investments were mainly related to replacements.

NET ASSETS AND FINANCIAL POSITION

As a result of its function within the Dräger Group, Drägerwerk AG & Co. KGaA's balance sheet is characterized by high financial assets and liabilities from group financing as well as inter-company receivables and liabilities. After deducting cash and cash equivalents, net financial liabilities to banks as of December 31, 2014 amounted to EUR 41.3 million (2013: EUR 143.3 million); Group financing of Group companies came to EUR 126.7 million (2013: EUR 150.0 million).

Drägerwerk AG & Co. KGaA's net profit came to EUR 938.0 million and increased by a total of EUR 107.7 million as a result of the year-on-year improvement of EUR 72.8 million in net earnings and the increase in both capital stock and capital reserves of EUR 34.9 million as a result of exercising eleven share options comprising 50,000 shares each.

Drägerwerk AG & Co. KGaA's equity ratio as of the reporting date therefore came to 68.9 percent (2013: 64.9 percent).

COMPARISON OF FORECAST FIGURES AND ACTUAL FIGURES

As expected, Drägerwerk AG & Co. KGaA's results in 2014 were principally impacted by income from services, investments and profit and loss transfers. As announced in 2013, dividends in the amount of EUR 20.2 million were paid on common and preferred shares and participation certificates. The slight improvement in net financial debt forecast in the 2013 Drägerwerk AG & Co. KGaA report was exceeded by a considerable margin: Net financial debt fell from EUR 143.3 million in fiscal year 2013 to EUR 41.3 million in fiscal year 2014. The equity ratio increased from 64.9 percent in 2013 to 68.9 percent in 2014 as forecasted.

FUTURE SITUATION OF DRÄGERWERK AG & CO. KGAA

In fiscal year 2015, Drägerwerk AG & Co. KGaA will continue to provide services to its Group companies. The Company's 2015 earnings will principally be impacted by income from services, investments and profit and loss transfers.

In addition to the planned repayment of two note loans totaling EUR 86.5 million, the dividend distribution on common and preferred shares and participation certificates of EUR 34.9 million (including minimum dividend, before taxes) will have the most significant effect on the development of cash and cash equivalents.

All in all, we anticipate a slight year-on-year improvement in net financial debt (2014: EUR 41.3 million) and a rising equity ratio, assuming increased profit and loss transfers from subsidiaries.

DECLARATION OF CORPORATE GOVERNANCE

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

The financial statements were prepared in accordance with the German Commercial Code (Handelsgesetzbuch – HGB).

The Executive Board has implemented effective internal control systems and relevant employee training measures to ensure that the Group's financial reporting system is correct and complies with legal requirements. The Company's principles are based on integrity and social responsibility in all areas such as environmental protection, quality, product and process safety, and compliance with local laws and regulations. The Internal Audit department continuously monitors the implementation of these principles as well as the reliability and functionality of the control systems. The Executive Board of Drägerwerk Verwaltungs AG governs the Group in the interest of its shareholders and is aware of its responsibility to employees, society and the environment. We have made it our goal to use the resources entrusted to us for in a manner that increases the value of the Dräger Group. According to the resolution passed by the annual shareholders' meeting on May 9, 2014, the Supervisory Board appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as the independent auditor of the single entity financial statements of Drägerwerk AG & Co. KGaA.

The auditing firm also examined the existing risk management system with regard to the Control and Transparency in Business Act (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich – KonTraG). Representatives of the statutory auditor will attend the Audit Committee's meeting as well as the Supervisory Board's meeting to discuss the financial statements, during which the combined management report and auditor's report will be deliberated on. The Supervisory Board has issued a separate report on this subject in the report of the Supervisory Board in the annual report 2014.

FORWARD-LOOKING STATEMENTS

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

Lübeck, February 17, 2015

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Anton Schrofner

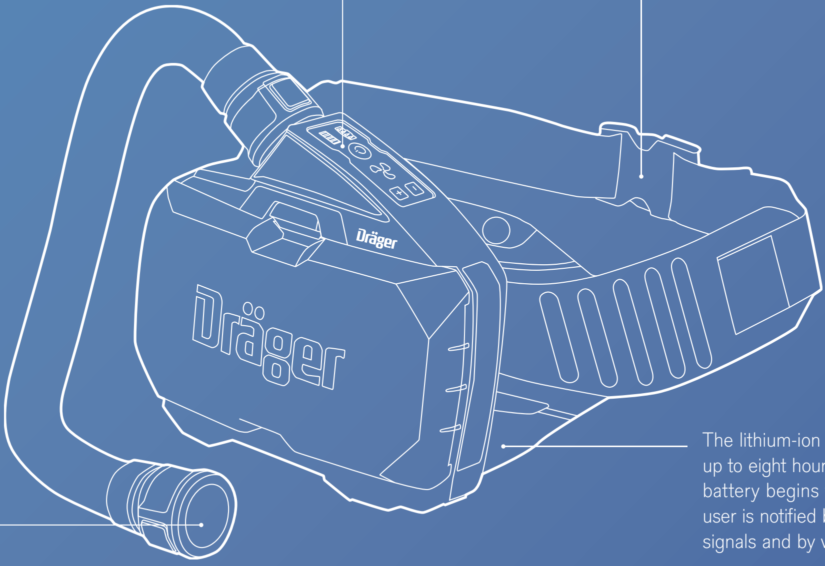
125

ANNUAL FINANCIAL STATEMENTS

X-Plore 8000

Uniform color-coded control elements and simple three-button controls makes using the X-Plore 8000 an intuitive experience.

The convenient carrying system distributes weight perfectly and does not distract the user from their work.



The lithium-ion battery provides up to eight hours of power. Once the battery begins to run low, the user is notified by visual and audible signals and by vibration.

Thanks to its integrated sensors, the device recognizes the respiratory connector in use and automatically configures the correct minimum air flow.

X-PLORE 8000: The air-purifying respirator cleans polluted air. It combines ease of use with intelligent electronics to guarantee absolute safety. This allows users to concentrate fully at the task at hand, such as transferring liquids in the chemicals industry.

Annual Financial Statements 2014 of the Dräger Group

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

€ thousand	Note	2014	2013
Net sales	9	2,434,656	2,374,164
Cost of sales	10	–1,296,634	–1,226,599
Gross profit		**1,138,022**	**1,147,565**
Research and development costs	11	–212,020	–201,530
Marketing and selling expenses	12	–625,203	–618,463
General administrative costs	13	–123,972	–119,972
Other operating income	14	7,332	6,040
Other operating expenses	14	–13,895	–8,254
		–967,758	**–942,179**
		170,264	**205,386**
Profit from investments in associates		229	288
Profit from other investments		297	91
Other financial result		7,807	–4,942
Financial result (before interest result)	**15**	**8,333**	**–4,563**
EBIT		**178,597**	**200,822**
Interest result	15	–25,035	–23,451
Earnings before income taxes		**153,562**	**177,371**
Income taxes	16	–48,896	–57,476
Net profit		**104,666**	**119,895**

Net profit		**104,666**	**119,895**
Non-controlling interests in net profit		–105	563
Earnings attributable to participation certificates (excluding minimum dividend, after taxes)		8,174	4,780
Earnings attributable to shareholders		96,598	114,553
Undiluted earnings per share [1]	**19**		
per preferred share (in €)		5.73	6.94
per common share (in €)		5.67	6.88
Diluted earnings per share [1]	**19**		
per preferred share (in €)		5.77	6.78
per common share (in €)		5.71	6.72
Undiluted earnings per share on full distribution [2]	**19**		
per preferred share (in €)		4.58	5.30
per common share (in €)		4.52	5.24
Diluted earnings per share on full distribution [2]	**19**		
per preferred share (in €)		4.59	5.23
per common share (in €)		4.53	5.17

[1] Based on the proposed dividend ↗ see Note 19

[2] Based on an imputed actual full distribution of earnings attributable to shareholders ↗ see Note 19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

€ thousand	2014	2013
Net profit	**104,666**	**119,895**
Items that cannot be reclassified into the income statement		
Remeasurements of defined benefit pension plans	–82,375	10,869
Deferred taxes on remeasurements of defined benefit pension plans	25,495	–3,265
Items that may be reclassified into the income statement in the future		
Currency translation adjustment for foreign subsidiaries	20,458	–25,539
Change in the fair value of financial assets designated as available for sale recognized directly in equity	44	8
Deferred taxes on changes in the fair value of financial assets designated as available for sale recognized directly in equity	–3	–11
Change in the fair value of derivative financial instruments recognized directly in equity	–1,325	915
Deferred taxes on changes in the fair value of derivative financial instruments recognized directly in equity	515	–283
Other comprehensive income (after taxes)	**–37,191**	**–17,305**
Total comprehensive income	**67,476**	**102,590**
of which earnings attributable to non-controlling investments	**–68**	**–616**
of which earnings attributable to participation certificates (excluding minimum dividend, after taxes)	**8,174**	**4,780**
of which earnings attributable to shareholders	**59,370**	**98,427**

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

€ thousand	Note	December 31, 2014	December 31, 2013
Assets			
Intangible assets	20	294,242	283,002
Property, plant and equipment	21	349,936	310,768
Investments in associates	22	277	298
Other non-current financial assets	23	14,523	8,627
Deferred tax assets	24	119,528	111,904
Other non-current assets	25	2,959	2,593
Non-current assets		**781,465**	**717,191**
Inventories	26	388,497	372,297
Trade receivables and receivables from construction contracts	27	657,394	640,810
Other current financial assets	28	33,843	33,124
Cash and cash equivalents	29	296,855	232,131
Current tax refund claims		23,797	16,908
Other current assets	30	52,260	52,550
Current assets		**1,452,645**	**1,347,820**
Total assets		**2,234,110**	**2,065,011**
Equity and liabilities			
Capital stock		44,186	42,778
Capital reserves		203,760	170,280
Reserves retained from earnings, incl. Group result		622,342	591,926
Participation capital	33	29,497	29,497
Other comprehensive income		–5,325	–22,556
Non-controlling interests	32	2,146	4,042
Equity	**31**	**896,606**	**815,967**
Liabilities from participation certificates	33	20,872	20,016
Provisions for pensions and similar obligations	34	297,009	217,182
Other non-current provisions	35	55,619	53,801
Non-current interest-bearing loans	36	168,563	252,288
Other non-current financial liabilities	37	27,653	12,956
Non-current income tax liabilities		10,286	12,816
Deferred tax liabilities	39	1,540	1,660
Other non-current liabilities	38	5,830	926
Non-current liabilities		**587,373**	**571,646**
Other current provisions	35	189,278	186,403
Current interest-bearing loans and liabilities to banks	40	127,686	80,492
Trade payables	41	201,340	172,371
Other current financial liabilities	41	30,166	28,711
Current income tax liabilities		25,854	34,122
Other current liabilities	42	175,808	175,301
Current liabilities		**750,132**	**677,399**
Total equity and liabilities		**2,234,110**	**2,065,011**

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

	€ thousand	2014	2013
	Operating activities		
	Group net profit	104,666	119,895
+	Write-down / write-up of non-current assets	76,980	69,039
–	Decrease in provisions	–3,290	–43,556
+	Other non-cash expenses / income	7,932	44,649
+	Loss from the disposal of non-current assets	1,173	309
–	Increase in inventories	–1,153	–26,413
–	Increase in leased equipment	–11,454	–10,105
+ / –	Decrease / increase in trade receivables	1,602	–69,489
+ / –	Decrease / increase in other assets	–10,203	–12,882
+ / –	Decrease / increase in trade payables	25,193	6,404
+ / –	Decrease / increase in other liabilities	–3,464	–9,509
	Cash inflow from operating activities	**187,982**	**68,341**
	Investing activities		
–	Cash outflow for investments in intangible assets	–17,004	–9,873
+	Cash inflow from the disposal of intangible assets	1,201	589
–	Cash outflow for investments in property, plant and equipment	–88,874	–81,521
+	Cash inflow from disposals of property, plant and equipment	4,274	2,821
–	Cash outflow for investments in non-current financial assets	–93	–275
+	Cash inflow from the disposal of non-current financial assets	634	1,762
–	Cash outflow from the acquisition of subsidiaries	–2,748	–
	Cash outflow from investing activities	**–102,610**	**–86,498**
	Financing activities		
–	Distribution of dividends (including dividends for participation certificates)	–19,820	–21,889
+	Cash inflow from the exercise of option rights to preferred shares	34,888	12,695
–	Cash outflow from the acquisition of treasury shares for the employee share program	–	–674
+	Cash provided by raising loans	8,927	25,147
–	Cash used to redeem loans	–56,252	–82,747
+ / –	Net balance of other liabilities to banks	7,539	7,243
–	Net balance of finance lease liabilities repaid / incurred	–1,591	–1,688
–	Cash outflow from the change in shareholdings in subsidiaries without a change in the method of accounting	–	–8,736
–	Profit distributed to non-controlling interests	–28	–132
	Cash outflow from financing activities	**–26,337**	**–70,782**
	Change in cash and cash equivalents in the fiscal year	**59,035**	**–88,939**
+ / –	Effect of exchange rates on cash and cash equivalents	5,689	–11,320
+	Cash and cash equivalents at the beginning of the fiscal year	232,131	332,390
	Cash and cash equivalents as of December 31 of the fiscal year	**296,855**	**232,131**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

						Other comprehensive income						
€ thousand	Capital stock	Capital reserves	Reserves retained from earnings incl. Group result	Participation capital	Treasury shares	Currency translation differences	Derivative financial instruments	Available-for-sale financial assets	Total other comprehensive income	Total equity of shareholder Drägerwerk AG & Co. KGaA	Non-controlling interests	Equity
January 1, 2013	**42,266**	**158,098**	**491,891**	**29,497**	**–**	**3,390**	**–2,228**	**12**	**1,175**	**722,925**	**6,736**	**729,661**
Net profit	–	–	119,332	–	–	–	–	–	–	119,332	563	119,895
Other comprehensive income	–	–	7,604	–	–	–24,360	632	–2	–23,730	–16,126	–1,179	–17,305
Total comprehensive income	**–**	**–**	**126,937**	**–**	**–**	**–24,360**	**632**	**–2**	**–23,730**	**103,207**	**–616**	**102,590**
Distributions	–	–	–21,889	–	–	–	–	–	–	–21,889	–132	–22,021
Acquisition of treasury shares	–	–	–	–	–674	–	–	–	–	–674	–	–674
Employee share program	–	–	–	–	674	–	–	–	–	674	–	674
Exercise of option rights to preferred shares	512	12,183	–	–	–	–	–	–	–	12,695	–	12,695
Change in the shares in subsidiaries, excluding loss of control	–	–	–6,790	–	–	–	–	–	–	–6,790	–1,946	–8,736
Miscellaneous	–	–	1,777	–	–	–	–	–	–	1,777	–	1,777
December 31, 2013/ January 1, 2014	**42,778**	**170,280**	**591,926**	**29,497**	**0**	**–20,970**	**–1,596**	**10**	**–22,556**	**811,925**	**4,042**	**815,967**
Net profit	–	–	104,771	–	–	–	–	–	–	104,771	–105	104,666
Other comprehensive income	–	–	–56,881	–	–	20,422	–809	41	19,653	–37,227	37	–37,191
Total comprehensive income	**–**	**–**	**47,891**	**–**	**–**	**20,422**	**–809**	**41**	**19,653**	**67,544**	**–68**	**67,476**
Distributions	–	–	–19,820	–	–	–	–	–	–	–19,820	–28	–19,848
Exercise of option rights to preferred shares	1,408	33,480	–	–	–	–	–	–	–	34,888	–	34,888
Change in the shares in subsidiaries, excluding loss of control	–	–	–697	–	–	–2,422	–	–	–2,422	–3,119	–2,675	–5,793
Change in the scope of consolidation	–	–	–	–	–	–	–	–	–	0	875	875
Miscellaneous	–	–	3,042	–	–	–	–	–	–	3,042	–	3,042
December 31, 2014	**44,186**	**203,760**	**622,342**	**29,497**	**0**	**–2,969**	**–2,405**	**51**	**–5,324**	**894,460**	**2,146**	**896,607**

Notes of the Dräger Group for 2014

1 GENERAL

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

On March 11, 2015, the Executive Board is approving the publication of the Group financial statements of Drägerwerk AG & Co. KGaA for fiscal year 2014. The Group financial statements are published in electronic form in the Federal Gazette.

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

2 BASIS OF PREPARATION OF THE GROUP FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA prepared its Group financial statements for fiscal year 2014 in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Boards (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). Drägerwerk AG & Co. KGaA applied all the IFRSs adopted by the IASB as of December 31, 2014 to its 2014 Group financial statements, provided that these standards were endorsed by the European Commission and published in the Official Journal of the European Union by the date of publication of the Group financial statements and that application of such standards is mandatory for fiscal year 2014.

Dräger has applied the following revised and new standards issued by the IASB for the first time in fiscal year 2014:

- The amendments to IAS 32 "Financial Instruments – Presentation (issued December 2011)" pertain to the regulations covering the netting of financial assets and liabilities. This does not have a material impact on Dräger's Group financial statements.
- IFRS 10 "Consolidated financial statements (issued May 2011)" focuses on the introduction of a standardized consolidation model for all companies, which is based on the parent company controlling the subsidiary. The amendment also includes special purpose entities, the consolidation of which had previously been governed by SIC-12. The change to IFRS 10 has not made it necessary to make changes.
- The new IFRS 11 "Joint Arrangements (issued May 2011)" states that a company must disclose the contractual rights and obligations arising from the joint agreement. According to the amended definitions, there are now two types of joint arrangements: joint activities and joint ventures. Joint ventures are no longer permitted to choose whether to apply proportionate consolidation; equity method must be used at all times. This does not have a material impact on Dräger's Group financial statements.
- IFRS 12 "Disclosures of Interests in other Entities (issued May 2011)" combines the disclosure obligations of IAS 27 / IFRS 10, IAS 31 / IFRS 11 and IAS 28. The disclosures in the notes to the financial statement necessary for Dräger were supplemented.

- IAS 27 “Separate Financial Statements (issued May 2011)” includes the remaining rules on the recognition of investments in individual financial statements, keeping in mind the consolidation guidelines for group financial statements that have been defined in the new IFRS 10.
- In June 2012, amendments to IFRS 10, IFRS 11 and IFRS 12 came into effect. They clearly stipulate the transitioning rules in IFRS 10 and the requirement to adapt comparative information pursuant to IFRS 10, IFRS 11 and IFRS 12 to the most recent comparable period. In addition, comparative information on unconsolidated structured units in periods prior to the first-time application of IFRS 12 does not need to be provided. This does not have a material impact on Dräger’s Group financial statements.
- Additional amendments to IFRS 10, IFRS 12 and IAS 27 were published in October 2012 and redefine the consolidation provisions for investment companies. As a result, investment companies are classed as an independent company type that may be exempted from the consolidation provisions stipulated under IFRS 10 “Consolidated Financial Statements.” Instead, investment companies are required to measure their investments at fair value. This does not have a material impact on Dräger’s Group financial statements.
- IAS 28 “Associates and Joint Ventures (issued May 2011)” explains how to recognize the equity of joint ventures and associates using the equity method, which must be applied in the future. This does not impact Dräger’s Group financial statements.
- The amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting (issued June 2013)” pertain to limited amendments to IAS 39 to enable entities to continue existing hedging relationships in the event that a novation of OTC derivatives is designated as a hedging instrument to a central counterparty due to statutory or regulatory clearing obligations. The amendments only apply to novations conducted due to statutory or regulatory requirements or that are implemented if the original parties to the agreement agree to replace the counterparty and this does not result in any modifications to the original agreement (excluding necessary clearing modifications). This does not impact Dräger’s Group financial statements.
- The “Annual Improvements to IFRSs 2010–2012 Cycle (issued December 2013)” resulted in slight adjustments or corrections to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.
- The “Annual Improvements to IFRSs 2011–2013 Cycle (issued December 2013)” resulted in slight adjustments or corrections to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

The following interpretation has already been adopted into European law by the EU and applies to fiscal years beginning on or after June 17, 2014. Dräger did not voluntarily apply this interpretation prematurely:

- IFRIC 21 “Levies (issued May 2013)” stipulates when the accounting for outflows (must be) imposed on entities by governments and their bodies in accordance with laws and / or regulations. This interpretation applies both to levies where the timing and amount is certain as well as to provisions, contingent liabilities and contingent assets.

Further standards were published and existing standards amended, which become effective for fiscal years starting on or after July 1, 2014 and which had not yet been endorsed by the balance sheet date:

- The amendments to IAS 19 "Defined Benefit Plans: Employee Contributions (issued November 2013)" pertain to the amendments to IAS 19.93 to the effect that an employee's contributions to defined benefit plans that are related to the services rendered by that employee (such as deferred compensation) reduce the service costs for that period, insofar as the contributions and the employee's services apply to the same period. Consequently, these contributions may not be attributed to years of service as a negative benefit. This does not impact Dräger's Group financial statements.
- The "Annual Improvements to IFRSs 2012 – 2014 Cycle (issued September 2014)" resulted in slight adjustments or corrections to IFRS 5, IFRS 7, IAS 19 and IAS 34.
- IFRS 9 "Financial Instruments (issued November 2009, amended December 2011)" deals with the classification, recognition and measurement of financial assets and liabilities. This standard replaces the sections of IAS 39 that describe the classification and measurement of financial instruments. According to IFRS 9, financial assets are now only classified into two measurement categories: at fair value and at amortized cost. Most of the regulations regarding financial assets in IAS 39 still apply. The application of IFRS 9 can result in changes to the classification of financial assets in Dräger's Group financial statements. The management is evaluating the effects of these amendments on Dräger's Group financial statements.
- IAS 39 "Hedge Accounting" was revised and then added to IFRS 9 as a separate chapter relating to hedge accounting within the scope of IFRS 9 "Financial Instruments – Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39 (issued November 2013)". Thus far, Dräger has only made use of hedge accounting to a limited extent. As a result, this does not have a material impact on Dräger's Group financial statements.
- IFRS 9 "Financial Instruments (issued July 2014)" completes the IASB's financial instruments project. IFRS 9 was published as a complete standard, bringing together all previously published regulations and the new regulations on the recognition of impairment and limited amendments to the classification and measurement of financial assets. This is not expected to have a material impact on Dräger's Group financial statements, although this is still being assessed by management.
- New IFRS 14 "Regulatory Deferral Accounts (issued January 2014)" is intended to allow entities that are first-time adopters of IFRS, and that currently recognize regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS. The standard is intended to be a short-term, interim solution while the longer-term rate-regulated activities project is undertaken by the IASB. This does not impact Dräger's Group financial statements.
- IFRS 15 "Revenue from Contracts with Customers (issued May 2014)" specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard replaces IAS 18 "Revenue", IAS 11 "Construction Contracts" and revenue-related interpretations IFRIC 13, 15, 18 and SIC 31. Revenue realization and, in particular the revenue recognition processes, are currently being analyzed on behalf of management.
- The amendments to the requirements of IAS 28 and IFRS 10 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued September 2014)" address a conflict between these requirements and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. This does not have a material impact on Dräger's Group financial statements.

- The amendments to IAS 27 “Equity Method in Separate Financial Statements (issued August 2014)” will again allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The option to apply the equity method had been removed during the 2003 revision of IAS 27 Consolidated and Separate Financial Statements pursuant to IFRS. This does not impact Dräger’s Group financial statements.
- The amendments “Clarification of Acceptable Methods of Depreciation and Amortization (issued May 2014)” adjust IAS 16 and IAS 38 to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate as the revenue reflects the generation of economic benefits, rather than its consumption. This does not impact Dräger’s Group financial statements.
- The amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations (issued May 2014)” means that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. This does not impact Dräger’s Group financial statements.
- The amendments to the requirements of IAS 16 and IAS 41 “Bearer Plants (issued June 2014)” bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. This does not impact Dräger’s Group financial statements.
- The amendments to IFRS 10, IFRS 12 and IAS 28 (issued December 2014) govern the application of the consolidation exception for investment companies. This does not impact Dräger’s Group financial statements.

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

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

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

3 EXERCISING OPTION RIGHTS

Within the scope of the acquisition of the 25 percent share in Dräger Medical GmbH from Siemens in fiscal year 2009, Dräger issued warrant bonds with option rights guaranteed in the form of warrants to the total nominal value of EUR 1.25 million to Siemens on August 30, 2010. The option rights entitle their holders to acquire a total of 1.25 million preferred shares. They are divided into 25 individual options, entitling holders to acquire 50,000 preferred shares each. The option rights expire on April 30, 2015.

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

The following option rights were exercised in fiscal year 2014.

EXERCISING OPTION RIGHTS

Exercise date	Number	Exercise price (EUR)	Total value (€ thousand)
February 2014	2 option rights = 100,000 preferred shares	63.51	6,351
November 2014	8 option rights = 400,000 preferred shares	63.43	25,372
December 2014	1 option right = 50,000 preferred shares	63.43	3,172
			34,895

Equity, less transaction fees (EUR 7 thousand), increased by a total of EUR 34,888 thousand (of which capital stock in the amount of EUR 1,408 thousand).

A total of four option rights (200,000 preferred shares) had been exercised in fiscal year 2013. A total of 10 option rights have yet to be exercised on the balance sheet date from the initial 25 option rights.

4 SCOPE OF CONSOLIDATION

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

SCOPE OF CONSOLIDATION

	Germany	Abroad	Total
Drägerwerk AG & Co. KGaA and fully consolidated companies			
January 1, 2014	25	93	118
Acquisition	–	1	1
Mergers	–	3	3
December 31, 2014	**25**	**91**	**116**
Associates			
January 1 / December 31, 2014	1	–	1
Total	**26**	**91**	**117**

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

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

The consolidated group includes seven real estate companies and a further special purpose entity as structured companies. The activities of these companies are limited, because they were each only founded for a specific purpose. Dräger controls these structured companies not exclusively through voting rights or comparable rights, but partially only through other contractual agreements (please refer to our comments on the use of assumptions and estimated in Note 8). Dräger does not provide these companies with any financing or guarantees, nor does it intend to do so.

↗ Note 8

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

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

Dräger leases land and buildings from two companies, whose only purpose is leasing these properties while Dräger does not hold any interests in or have any influence over these companies by means of other contracts. These companies are not included in Dräger's consolidated group, as Dräger does not exercise any control over these companies within the meaning of IFRS 10 on account of the firm contractual commitments. The companies do not receive any financing or guarantees from Dräger, nor does Dräger plan any such support. Provisions for potential losses are recognized, as Dräger does not fully use these properties (please refer to our comments in Note 35).

↗ Note 35

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

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

Joint ventures, on the other hand, occur when the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Dräger is currently contractually involved in four joint ventures in the form of working groups accounted for using the equity method. These companies are not presented in the notes, as their business in and of itself is not material, their shares have no costs, and these companies, as in the prior year, do not generated any earnings of their own. Drägerwerk AG & Co. KGaA directly and indirectly exerts a significant influence on an associate. In compliance with IAS 28, associates are accounted for according to the equity method.

The consolidated companies of the Dräger Group as of December 31, 2014 are listed under Note 52.

↗ Note 52

5 EFFECTS OF THE CHANGES IN THE SCOPE OF CONSOLIDATION

As Dräger, in compliance with IFRS 10, controls the company's activities by means of its majority of voting rights and can therefore influence the company's variable returns, Dräger Safety AG & Co. KGaA acquired 51 percent of the shares in Dräger-Simsa S.A., Santiago / Chile; they were added to the scope of consolidation effective August 1, 2014.

Dräger has a purchase option for the remaining shares. However, this is not a substantive option within the meaning of IFRS 10. Please also see our comments in Note 32.

↗ Note 32

Dräger-Simsa S.A. develops, manufactures and sells mining and tunneling escape chambers. Dräger plans to use the purchase of shares to obtain access to the attractive American market for refuge chambers.

The purchase price of the shares in Dräger-Simsa S.A. amounted to EUR 3,570 thousand and EUR 3,051 thousand was paid in cash. The payment of the remaining sum of EUR 519 thousand is subject to a condition precedent. On the date of acquisition, Dräger-Simsa S.A. was exposed to a tax risk on account of a pending tax audit; this risk did not need to be recognized on the balance sheet and also did not need to be recognized within the scope of the purchase price allocation as this was nothing more than a possible obligation. The shareholders came to a contractual agreement that, in the event of a tax obligation of Dräger-Simsa S.A., each shareholder would inject capital into Dräger-Simsa S.A. in the amount of their share of the tax obligation after the conclusion of the tax audit. Dräger's share of the maximum tax risk is consistent with the amount retained for payment. Following the conclusion of the tax audit, the difference between the outstanding purchase price and the capital injected by Dräger will then be paid to the seller. This means that the contingent amount of EUR 519 thousand will be paid in full in any event. There are no other contingent liabilities.

The current net outflow of funds in the Group financial statements totaled EUR 2,748 thousand on account of the simultaneous takeover of cash in the amount of EUR 304 thousand. The additional payment of the suspending contingent amount of EUR 519 thousand has not yet been paid.

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

EFFECT OF ACQUISITION ON THE CONSOLIDATED BALANCE SHEET

€ thousand	
Goodwill	2,658
Other non-current assets	254
Other non-current assets	12
Inventories	1,063
Other current assets	736
Cash and cash equivalents	304
Total assets acquired	**5,027**
Non-controlling interests	875
Non-current liabilities	64
Current liabilities and provisions	518
Total non-controlling interests and liabilities assumed	**1,457**

The goodwill remaining after the purchase price allocation relates to expected synergy effects that cannot be capitalized as well as to the expertise of the newly acquired employees. The goodwill is calculated from the purchase price, less the acquired assets and assumed liabilities. Goodwill is not deductible for tax purposes.

The fair value of the acquired trade receivables corresponds to a gross amount of EUR 509 thousand. There is no doubt as to the recoverability of these receivables.

On the date of acquisition, the non-controlling interests in Dräger-Simsa S.A. were recognized at their share of the net identifiable assets at EUR 875 thousand.

Since joining the scope of consolidation, the net sales of Dräger-Simsa S.A. of EUR 1,408 thousand as well as a corresponding loss after income taxes of EUR 48 thousand are included in the consolidated income statement of the Dräger Group. Had Dräger-Simsa S.A. joined the scope of consolidation effective January 1, 2014, net sales of EUR 2,570 thousand as well as corresponding earnings after income taxes of EUR 24 thousand would have been included in the consolidated income statement of the Dräger Group.

A capital increase was implemented for Draeger Medikal Ticaret ve Servis Limited Sirketi in fiscal year 2014. The non-controlling shareholder waived all rights to participate in the capital increase, meaning that the shareholder's interest in the company declined from 33.0 percent to 11.25 percent.

Dräger Safety Schweiz AG, Dietlikon / Switzerland, was merged with Dräger Schweiz AG, Liebefeld-Bern / Switzerland, effective April 30, 2014.

Furthermore, Dräger Safety Austria GmbH, Vienna was merged with Dräger Medical Austria GmbH, Vienna effective December 30, 2014.

Danisevsky spol. s.r.o., Policka was merged with Dräger Medical s.r.o., Prague effective December 23, 2014.

These mergers had no effect on Dräger's Group financial statements.

There were no other changes to the scope of consolidation or changes in investments in subsidiaries in fiscal year 2014.

6 CONSOLIDATION PRINCIPLES

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

Successively acquired shares that do not affect the controlled status of an entity are treated as transactions between providers of equity capital ("entity concept"). The carrying amounts of assets and liabilities remain the same. The value shift between Dräger and the non-controlling interests is recorded directly in equity. Any non-controlling interests in equity are shown in the consolidated balance sheet as such (see also Note 32).

↗ Note 32

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

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

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

7 CURRENCY TRANSLATION

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

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

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

The financial statements and comparative figures of economically independent foreign entities operating in a hyperinflationary environment and reporting in a currency of a hyperinflationary economy shall be restated in terms of the measuring unit current on the balance sheet date using a general price index for the country in question. As in the prior year, one operating subsidiary in Venezuela had its registered office in a hyperinflationary economy in the year under review. The effects of inflation were not recognized as the subsidiary is of only minor importance to the Group.

The exchange gains / losses on operating foreign currency items included in cost of sales and in functional costs gave rise to total income of EUR 627 thousand (2013: costs of EUR 14,195 thousand).

The exchange gains / losses on foreign currency items disclosed in the financial result led to total income of EUR 7,841 thousand (2013: costs of EUR 4,839 thousand).

Currency translation for foreign subsidiaries gave rise to an increase in other comprehensive income of EUR 20,422 thousand as of the balance sheet date (2013: decrease of EUR 24,360 thousand).

The major group currencies and their exchange rates developed as follows:

CURRENCIES / EXCHANGE RATES

			Closing rate		Average rate
	1 € =	Dec. 31, 2014	Dec. 31, 2013	2014	2013
USA	USD	1.21	1.38	1.32	1.33
UK	GBP	0.78	0.83	0.80	0.85
Japan	JPY	145.23	144.72	140.54	130.18
People's Republic of China	CNY	7.54	8.35	8.16	8.17

8 ACCOUNTING POLICIES

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

General

The Group financial statements have been prepared on a historical cost basis. Dräger does not utilize the option of remeasuring intangible assets and property, plant and equipment. The historical cost basis does not apply for derivative financial instruments and financial investments available for sale, which are measured at fair value.

The historical costs are determined on the basis of the fair value of the consideration transferred on the date of acquisition.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. This means of determining fair value does not apply to the following at Dräger:

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

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

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

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

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

Net sales recognition

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

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

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

Net sales are reduced by sales deductions, if any.

In accordance with IAS 11, construction contracts are recognized using the stage of completion method. The stage of completion which has to be established to this end in the case of fixed price contracts is determined using the cost-to-cost method (input-based method). This method determines the stage of completion based on the costs incurred as of the balance sheet date in relation to the estimated total cost. If the outcome of a construction contract can be estimated reliably, the revenues are recorded at the amount of contract costs incurred plus a profit margin. The contracts are recognized under receivables from construction contracts or, if a loss is expected, under liabilities from construction contracts. Partial payments received are deducted from the receivable. If the partial payments received exceed the receivable, the balance is recognized under liabilities.

Intangible assets

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

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

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

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

Costs incurred for changing existing software systems (e.g. new versions) are recognized as expenses.

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

Internal development costs for products, including their software, as well as software for internal use are capitalized if it is sufficiently probable that the assets will result in future cash inflows that will cover the development costs.

However, due to strict legal and safety requirements for Dräger Group products, this means that the product must have already been approved for sale in the major markets. Until all criteria for capitalization are met, internal development costs for products, including their software, are expensed as incurred (just like research costs).

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

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

Property, plant and equipment

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

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

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

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

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

Land is not depreciated.

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

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

Assets under construction are stated at cost.

Investment allowances

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

Impairment losses on intangible assets and property, plant and equipment

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

An impairment test is performed annually on goodwill and intangible assets with indeterminable useful lives. The impairment test for goodwill is performed on the basis of the cash-generating unit to which the asset belongs; this is expected to benefit from the underlying business combination.

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

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

Financial instruments

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

The Dräger Group holds the following financial assets:

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

The Dräger Group reports the following financial liabilities:

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

Financial assets

Financial assets are divided into the following categories:

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

Financial assets are initially recognized at fair value. Incidental purchase costs (transaction fees), such as commission, agents' costs, notary costs or taxes and fees, are only to be allocated to financial assets or liabilities whose changes in value are not recognized in profit or loss.

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

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

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

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

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

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

In subsequent measurements, financial assets are subject to an impairment test. As part of a two-stage method, the first step is to examine whether there is substantial evidence of impairment following the initial recognition (i.e. it is highly probable that the borrower will become insolvent or the obligor is in considerable financial difficulties). The second step is to determine the extent of the impairment on the basis of expected future cash flows. The carrying values of loans and receivables are generally adjusted through the use of allowance accounts.

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

A financial asset shall be removed from the seller's balance sheet when the rights to cash flows from the asset have expired or the rights to cash flows and significant opportunities and risks have been transferred and the seller no longer has any control over the asset.

Financial liabilities

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

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

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

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

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

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

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

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

Derivative financial instruments

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

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

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

Derivative financial instruments that are not designated as effective hedging instruments in accordance with IAS 39 are classified as held for trading and recognized at fair value. The fair value of listed derivatives is the positive or negative market value. In the absence of a market value, the fair value is determined according to recognized methods of financial mathematics such as the discounting of expected future cash flows.

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

↗ Note 43

We refer to Note 43 for details of the nature and scope of the Dräger Group's existing financial instruments.

Inventories

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances, including short-term deposits.

Participation capital

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

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

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

↗ Note 33

The components recognized as debt are measured at amortized cost using the effective interest method (present value of repayment obligation). Please refer to Note 33 for further information on the individual Dräger participation certificate series.

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

Dividends

Dividends are recognized in the balance sheet as distributions once a legal right exists to receive payment.

Provisions for pensions and similar obligations

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

Remeasurements due to changes in demographic and / or financial assumptions and experience adjustments are immediately recognized directly under other earnings. These are not subsequently recognized in Group profit or loss.

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

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

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

Other provisions

A provision is recognized when the entity has a present obligation (legal or constructive) to a third party as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are stated at the amount expected to be required to settle the obligation. This settlement amount also includes cost increases that have to be taken into account on the balance sheet date. Non-current provisions are discounted to the balance sheet date using appropriate pre-tax market rates. These interest rates are determined taking into account the risk and the term of the provision, if the risk had not already been recognized when determining future payments. Provisions are not offset against rights of recourse.

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

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

Income taxes

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

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

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

Deferred tax assets are only recognized if it is sufficiently probable that they will be realized. Deferred tax assets and liabilities are only netted if they relate to the same taxation authority.

Deferred tax liabilities resulting from the temporal difference in connection with investments in subsidiaries are stated unless the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future due to this effect.

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

Share-based payment

Dräger offered all German Dräger employees share-based compensation in the form of an employee share program for the first time in fiscal year 2013. The program was not continued in fiscal year 2014. The Executive Board reviews the respective circumstances and makes a decision on the implementation of the program every fiscal year. The program allows employees who acquire Dräger preferred shares within a specified period of time within the fiscal year to receive one preferred share as a bonus for every three Dräger preferred shares purchased (matching model). These Dräger preferred shares are subject to a two-year holding period. The employee does not need to remain at Dräger during this period. The bonus preferred shares are not new shares but treasury preferred shares repurchased by Dräger on the capital market and transferred to the employee's securities account.

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

Leases

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

A) FINANCE LEASES

Dräger Group as lessee

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

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

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

Dräger Group as lessor

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

B) OPERATING LEASES

Dräger Group as lessee

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

Dräger Group as lessor

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

Use of estimates and assumptions

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

The estimates pertain to the following areas in particular:
Beside Dräger's voting rights, other matters and circumstances need to be taken into account when determining whether a special purpose entity or a company is controlled to such an extent that it should be included as a subsidiary in the Group financial statements. Assumptions need to be taken into account in particular in those cases in which other contractual rights or constructive circumstances exist so as to determine whether Dräger can use its power over the company to influence the company's variable returns. Changes to contractual agreements or facts or circumstances are monitored with regard to their potential impact on the assumptions made.

In the case of two real estate companies, many corporate measures are predetermined on account of their narrow business purposes, meaning that they do not need to be consolidated on the basis of voting rights. However, Dräger has contractual purchasing options for these properties, which are integrated in Dräger's premises. As a result, by managing the residual value of these properties Dräger exercises control over the variable returns of these companies and therefore over the own returns from the investments. As in the prior year, these real estate companies therefore need to be included in Dräger's scope of consolidation as subsidiaries. Rational expectations as to the development of real estate prices were used when assessing the management of the residual values.

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

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

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

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

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

The used discount factors are calculated on the basis of the effective market return on high-quality corporate bonds. Deviations of actuarial assumptions from actual developments could have serious implications for the measurement of defined pension plans and similar obligations. The results of sensitivity analyses for the discount rate, future increases in pensions and life expectancy as stated in Note 34 provide an indication of these effects.

↗ Note 34

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

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

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

Notes to the income statement

9 NET SALES

For the breakdown of net sales by business segment and geographical segment, please see the tables below. A detailed segment report is provided in Note 46.

↗ Note 46

NET SALES – DIVISIONS

Breakdown by divisions in € million	2014	2013	Change in %
Medical division	1,585.4	1,544.7	2.6
Safety division	890.9	864.4	3.1
Drägerwerk AG & Co. KGaA/other companies	13.4	15.5	– 13.5
Segment net sales	**2,489.7**	**2,424.6**	**2.7**
Intersegment net sales	– 55.1	– 50.4	9.3
Net sales	**2,434.7**	**2,374.2**	**2.5**

NET SALES – REGIONS

Breakdown by region in € million (sales areas)	2014	2013	Change in %
Europe	1,360.4	1,330.8	2.2
thereof Germany	486.6	472.8	2.9
Americas	470.7	459.7	2.4
Asia / Pacific	402.4	392.2	2.6
Middle East, Africa & Others	201.1	191.4	5.1
Net sales	**2,434.7**	**2,374.2**	**2.5**

Net sales include EUR 79.5 million (2013: EUR 70.4 million) from construction contracts in accordance with IAS 11. This amount is disclosed in the net sales from the following regions: Germany EUR 42.6 million (2013: EUR 38.4 million), Rest of Europe EUR 20.5 million (2013: EUR 18.5 million), Asia / Pacific EUR 3.5 million (2013: EUR 3.9 million), Americas EUR 3.3 million (2013: EUR 4.9 million), and the Middle East, Africa and Other Countries EUR 9.6 million (2013: EUR 4.7 million).

10 COST OF SALES

Cost of sales include the following:

COST OF SALES

€ thousand	2014	2013
Direct materials	672,667	649,547
Direct labor	264,569	224,937
Direct costs	**937,236**	**874,483**
Material overheads	71,254	61,819
Production overheads	232,762	230,226
Other indirect costs	55,382	60,071
Indirect costs	**359,398**	**352,116**
Cost of sales	**1,296,634**	**1,226,599**

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

Cost of warranties and inventory allowances, among others, are recognized in other indirect costs.

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

↗ Note 7

Please refer to our comments in Note 7 for information on the effects from currency translation included in the cost of sales.

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

11 RESEARCH AND DEVELOPMENT COSTS

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

12 MARKETING AND SELLING EXPENSES

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

13 GENERAL ADMINISTRATIVE EXPENSES

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

14 OTHER OPERATING INCOME / EXPENSES

OTHER OPERATING INCOME / EXPENSES

€ thousand	2014	2013
Reversal of bad debt allowances	4,144	3,498
Rental income	1,647	1,750
Gains on the disposal of non-current assets	655	556
Income from the derecognition of liabilities	885	237
Other operating income	**7,332**	**6,040**
Allocations to bad debt allowances and write-downs on receivables	11,497	6,751
Expenses for leased assets	587	629
Losses on the disposal of non-current assets	1,811	874
Other operating expenses	**13,895**	**8,254**

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

15 FINANCIAL RESULT

FINANCIAL RESULT (BEFORE INTEREST RESULT)

€ thousand	2014	2013
Income from investments in associates	250	270
Write-downs of investments in associates	– 21	–
Write-ups on investments in associates	–	17
Profit from investments in associates	**229**	**288**
Losses on the disposal of subsidiaries	–	– 9
Income from other investments	297	100
Profit from other investments	**297**	**91**
Net result from foreign exchange transactions	7,841	– 4,839
Earnings from the disposal of other financial assets and securities	– 19	19
Write-downs on other financial assets	0	– 3
Write-ups on other financial assets	4	2
Other financial income	114	65
Other financial expenses	– 133	– 185
Other financial result	**7,807**	**– 4,942**
Financial result (before interest result)	**8,333**	**– 4,563**

INTEREST RESULT

€ thousand	2014	2013
Income from other securities and loans	151	164
Interest income from bank balances	1,059	1,903
Interest contained in lease payments	218	523
Other interest and similar income	1,948	1,540
Interest and similar income	**3,379**	**4,130**
Interest expenses from bank liabilities	–14,014	–15,515
Other interest and similar expenses	–5,096	–3,129
Expenses from interest hedges	–551	–561
Interest contained in lease payments	–526	–238
Interest portion contained in pension provisions	–7,026	–6,985
Distribution for participation certificates	–345	–345
Compounding of participation certificates	–856	–808
Interest and similar expenses	**–28,414**	**–27,581**
Interest result	**–25,035**	**–23,451**

↗ Note 35

Other interest and similar expenses include expenses incurred from the compounding of provisions (see also Note 35).

16 INCOME TAXES

COMPOSITION OF TAX EXPENSE

€ thousand	2014	2013
Germany	**4,172**	**–13,000**
Abroad	**–32,924**	**–27,802**
Current tax expense	**–28,752**	**–40,802**
Germany		
Deferred tax expense from temporary differences	–7,567	–4,570
Deferred tax expense from loss carryforwards	–8,836	–15,269
Deferred tax expense (Germany)	**–16,403**	**–19,839**
Abroad		
Deferred tax income / expense from temporary differences	–3,222	1,004
Deferred tax expense / income from loss carryforwards	–519	2,161
Deferred tax expense / income (abroad)	**–3,741**	**3,165**
Deferred tax expense	**–20,144**	**–16,674**
Income taxes	**–48,896**	**–57,476**

Deferred tax expenses include tax expense of EUR 295 thousand (2013: tax income of EUR 67 thousand) from the change in tax rates.

A deferred tax liability of EUR 3,308 thousand (2013: EUR 3,354 thousand) was recognized for temporary differences in connection with retained profits of foreign subsidiaries. No deferred tax liability was recognized for temporary differences in connection with proportional values of subsidiaries to the amount of EUR 12,802 thousand (2013: EUR 12,873 thousand) as the sale of these companies or a distribution of retained profits is unlikely in the foreseeable future.

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

RECONCILIATION OF EXPECTED INCOME TAX EXPENSE TO RECOGNIZED INCOME TAX EXPENSE

€ thousand	2014	2013
Earnings before income taxes	**153,562**	**177,371**
Expected income tax expenses (tax rate: 30.92 %; 2013: 30.92 %)	**–47,481**	**–54,843**
Reconciliation:		
Effects from other periods	4,447	1,216
Effect from change in tax rates	–295	67
Effect from different tax rates	4,425	3,713
Tax effect of non-deductible expenses and tax-free income	–11,113	–8,118
Recognition and measurement of deferred tax assets	1,090	426
Other tax effects	31	63
Recognized income tax expenses	**–48,896**	**–57,476**
Tax rate (%) overall	31.8	32.4

The parent company's tax rate of 30.92 percent (2013: 30.92 percent) was used as the expected tax rate. The expected tax rate is composed of a corporate income tax component of 15.83 percent, including the 5.5 percent solidarity surcharge (2013: 15.83 percent), and a trade tax component of 15.09 percent (2013: 15.09 percent).

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

DEFERRED TAX ASSETS / DEFERRED TAX LIABILITIES

	Deferred tax assets		Deferred tax liabilities	
€ thousand	2014	2013	2014	2013
Intangible assets	7,258	8,087	5,463	4,516
Property, plant and equipment	4,624	3,854	12,255	11,957
Other non-current financial assets	–	4	901	371
Other non-current assets	14,463	23,248	–	–
Non-current assets	**26,345**	**35,193**	**18,619**	**16,844**
Inventories	25,459	17,495	4,209	891
Trade receivables and receivables from construction contracts	6,215	2,965	17,197	6,576
Other current financial assets	1,387	875	9,636	1,888
Other current assets	633	630	2,332	1,622
Current assets	**33,694**	**21,965**	**33,374**	**10,977**
Liabilities from participation certificates	–	–	7,399	7,447
Provisions for pensions and similar obligations	58,770	31,009	14,594	23,710
Other non-current provisions	8,038	6,563	128	84
Non-current interest-bearing loans	982	1,199	52	99
Other non-current financial liabilities	3,454	3,209	1	129
Other non-current liabilities	1,776	364	–	341
Non-current liabilities	**73,020**	**42,344**	**22,174**	**31,810**
Other current provisions	13,159	12,500	2,419	2,097
Current loans and liabilities to banks	217	207	7	1
Trade payables	567	104	29	97
Liabilities from construction contracts	–	–	–	–
Other current financial liabilities	7,688	6,465	3,495	280
Other current liabilities	7,973	5,656	5,099	5,149
Current liabilities	**29,604**	**24,932**	**11,049**	**7,624**
Capitalized tax loss carryforwards	15,005	8,044	–	–
Capitalized interest carryforwards	–	16,069	–	–
Gross amount	**177,668**	**148,547**	**85,216**	**67,255**
Netting	– 109,265	– 73,735	– 109,265	– 73,735
Deferred taxes from consolidation entries	51,125	37,092	25,589	8,140
Carrying amount	**119,528**	**111,904**	**1,540**	**1,660**

The recoverable amount of the recognized deferred tax assets on recognized tax loss carryforwards and temporary differences at the consolidated companies is tested for impairment and written down where necessary once a year on the basis of the future taxable profit, which in 2014 was determined on the basis of a five-year operating plan. Deductible temporary differences of EUR 3,254 thousand (2013: EUR 5,288 thousand) are not accounted for as these are not expected to be utilized during the planning period.

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

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

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

CAPITALIZED TAX LOSS CARRYFORWARDS

€ thousand	2014	2013
Corporate income tax	31,752	14,545
Trade tax + state tax USA	102,930	57,367
Interest carryforwards	–	59,192
Total	**134,682**	**131,104**

NON-CAPITALIZED TAX LOSS CARRYFORWARDS

€ thousand	2014	2013
Corporate income tax	44,480	45,237
of which will expire in the next 12 months	30	3
of which will expire after more than 12 months	1,107	1,242
of which does not expire	43,343	43,992
Trade tax + state tax USA	14,013	16,736
of which does not expire	14,013	16,736
Total	**58,493**	**61,973**

Deferred taxes were recognized on loss carryforwards of EUR 52,184 thousand (2013: EUR 34,252 thousand) of the US companies which are subject to an average state tax of between 2.20 percent and 2.94 percent (2013: between 1.77 percent and 3.24 percent).

Theoretically, deferred taxes of EUR 11,166 thousand (2013: EUR 11,689 thousand) might have been recognized for unrecognized corporate income and trade tax losses.

Despite losses in the current and/or prior year, deferred tax assets of EUR 2,923 thousand (2013: EUR 5,428 thousand) were recognized for loss carryforwards and temporary differences, as the companies in question are expected to generate taxable profits in the future.

Income from the valuation adjustment on deferred tax assets amounted to EUR 379 thousand (2013: EUR 1,399 thousand). The income from the reversal of a previous valuation adjustment on deferred tax assets came to EUR 1,469 thousand in fiscal year 2014 (2013: EUR 1,825 thousand).

Current income taxes of EUR 3,046 thousand (2013: EUR 1,781 thousand) were recognized directly in equity and primarily related to the share of the dividend for participation certificates relating to the equity component.

The deferred tax assets recognized in other earnings increased by EUR 26,007 thousand (2013: decreased by EUR 3,559 thousand) during the period and mainly concerned the recognition of the effects from the remeasurements of pension plans directly in equity. The increase in 2014 resulted from higher remeasurement effects of pension plans due to the significant fall in interest rates.

17 PERSONNEL EXPENSES / HEADCOUNT

PERSONNEL EXPENSES

€ thousand	2014	2013
Wages and salaries	764,723	719,181
Social security	137,019	129,365
Pension expenses and related employee benefits	20,751	20,831
	922,492	**869,377**

Personnel expenses include the remuneration of the members of the Executive Board of the general partner Drägerwerk Verwaltungs AG, Lübeck. Please refer to our comments in the remuneration report (Note 48).

↗ Note 48

HEADCOUNT AS OF THE BALANCE SHEET DATE

	2014	2013
Germany	6,324	6,175
Abroad	7,413	7,159
Total headcount	**13,737**	**13,334**
Production: manufacturing, service, exterior fitting	5,642	5,604
Other	8,095	7,730
Total headcount	**13,737**	**13,334**

HEADCOUNT (AVERAGE)

	2014	2013
Germany	6,278	6,039
Abroad	7,299	6,928
Total headcount	**13,576**	**12,967**
Production: manufacturing, service, exterior fitting	5,527	5,512
Other	8,049	7,455
Total headcount	**13,576**	**12,967**

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

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

Amortization of intangible assets and depreciation of property, plant and equipment of EUR 77,008 thousand (2013: EUR 69,509 thousand) were incurred in the following functional areas:

DISTRIBUTION OF DEPRECIATION / AMORTIZATION ON THE FUNCTIONAL AREAS

€ thousand	2014	2013
Cost of sales	32,614	32,279
Research and development costs	3,197	3,329
Marketing and selling expenses	12,977	10,985
General administrative expenses	28,219	22,916
	77,008	**69,509**

Impairment losses of EUR 2,989 thousand were charged on intangible assets or property, plant and equipment in fiscal year 2014 (2013: EUR 0 thousand). EUR 1,372 thousand of the impairment losses relate to software that is no longer used. The remaining EUR 1,617 thousand relates mainly to buildings that are no longer used and will be – partially – demolished in the near future.

19 EARNINGS / DIVIDEND PER SHARE

Dräger has determined and illustrated the earnings per share as well as the earnings per share in the case of a full dividend distribution to provide its shareholders with comprehensive information. The calculation of earnings per share is based on Dräger's current dividend policies and takes into account the actual proposed distribution as well as a fictitious full distribution of the remaining earnings to common and preferred shareholders. The method used for calculating earnings per share in the case of a full distribution assumes an actual full distribution of net profit less the share in net profit of non-controlling interests to common and preferred shareholders as well as to holders of participation certificates.

EARNINGS / DIVIDEND PER SHARE

	2014	2013
Net profit (in € thousand)	104,666	119,895
Earnings attributable to non-controlling interests (in € thousand)	105	–563
Earnings attributable to participation certificates (excluding minimum dividend, after taxes) (in € thousand)	–8,174	–4,780
Earnings attributable to shareholders	**96,598**	**114,553**
Weighted average of outstanding preferred shares	6,695,833	6,425,000
Potentially dilutive preferred shares	107,993	349,841
Weighted average of outstanding preferred shares on dilution	**6,803,826**	**6,774,841**
Weighted average of outstanding common shares	10,160,000	10,160,000
Potentially dilutive common shares	–	–
Weighted average of outstanding common shares on dilution	**10,160,000**	**10,160,000**
Undiluted earnings per common share (in €)	**5.67**	**6.88**
Preference per preferred share (in €)	0.06	0.06
Undiluted earnings per preferred share (in €)	**5.73**	**6.94**
Diluted earnings per common share (in €)	**5.71**	**6.72**
Preference per preferred share (in €)	0.06	0.06
Diluted earnings per preferred share (in €)	**5.77**	**6.78**

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

CALCULATION OF PROPOSED DISTRIBUTION

	Number of shares	Dividend per share in €	Dividends in €	less taxes and minimum dividends	Total in €
Common shares	10,160,000	1.33	13,512,800.00		13,512,800.00
Preferred shares	7,100,000	1.39	9,869,000.00		9,869,000.00
Participation certificates	831,951	13.90	11,564,118.90	–3,390,471.06	8,173,647.84
					31,555,447.84

The proposed distribution corresponds to 30.12 percent (2013: 15.12 percent) of Group net profit less the share in net profit of non-controlling interests.

The method used for calculating earnings per share in the case of a full distribution assumes an actual full distribution of net profit less the share in net profit of non-controlling interests to common and preferred shareholders as well as to holders of participation certificates. If an actual full distribution of net profit is assumed, earnings per share are calculated as follows in the case of a full distribution due to the effects on earnings attributable to participation certificates with an unchanged average number of shares outstanding:

EARNINGS / DIVIDEND PER SHARE ON FULL DISTRIBUTION

	2014	2013
Net profit (in € thousand)	104,666	119,895
Earnings attributable to non-controlling interests (in € thousand)	105	–563
Earnings attributable to participation certificates (excluding minimum dividend, after taxes) (in € thousand) [1]	–27,686	–31,917
Earnings attributable to shareholders [1]	**77,085**	**87,415**
Undiluted earnings per common share (in €) [1]	**4.52**	**5.24**
Preference per preferred share (in €)	0.06	0.06
Undiluted earnings per preferred share (in €) [1]	**4.58**	**5.30**
Diluted earnings per common share (in €) [1]	**4.53**	**5.17**
Preference per preferred share (in €)	0.06	0.06
Diluted earnings per preferred share (in €) [1]	**4.59**	**5.23**

[1] On an imputed actual full distribution

In March 2012, Drägerwerk AG & Co. KGaA bought back 581,474 participation certificates; the number of issued participation certificates as of December 31, 2014 totaled 831,951. In accordance with the terms and conditions of participation certificates, Drägerwerk AG & Co. KGaA will grant the holders either ten common or preferred shares per certificate or ten times the current stock market price of preferred shares upon termination. The factor 10 is used due to the share split, which did not apply to the participation certificates (please refer to the information on participation certificates provided in Note 33).

↗ Note 33

Within the scope of the acquisition of the 25 percent share in Dräger Medical GmbH from Siemens in fiscal year 2009, Dräger issued warrant bonds with option rights guaranteed in the form of warrants with a total nominal value of EUR 1.25 million to Siemens on August 30, 2010. The option rights entitle their holders to acquire a total of 1.25 million preferred shares. They are divided into 25 individual options, entitling holders to acquire 50,000 preferred shares per option. The option rights expire on April 30, 2015.

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

↗ Note 3

Please see our comments in Note 3 for details on the exercising of options.

A total of 10 options have yet to be exercised from the initial 25 options. The non-exercised option rights caused dilution as of the balance sheet date, as the average market price of EUR 80.90 for preferred shares exceeded the exercise price of option rights of EUR 63.43 (2013: EUR 63.51) on December 31, 2014. The resulting 107,993 potentially diluted preferred shares (2013: 349,841) were consequently taken into consideration in the calculation of diluted earnings per share.

A further dilution of earnings per share does not have to be calculated, as the owners of the participation certificates do not have the right to exchange their participation certificates against shares and Drägerwerk AG & Co. KGaA irrevocably relinquished its right to exchange its participation certificates against shares in favor of the holders of participation certificates and their legal successors by way of Executive Board resolution.

Likewise, the possibility of acquiring treasury shares cannot lead to dilution due to the provisions governing the use of such shares.

Notes to the consolidated balance sheet

20 INTANGIBLE ASSETS

INTANGIBLE ASSETS AS OF DECEMBER 31, 2014

€ thousand	Goodwill	Patents, trademarks and licenses	Purchased software	Internally generated intangible assets	Leased assets (finance lease)	Payments made	2014 Total
Cost							
January 1, 2014	263,811	16,264	95,744	17,542	–	5,143	398,505
Additions	2,659	158	12,577	–	2,585	3,790	21,769
Disposals	–	– 684	– 3,366	–	–	– 1,027	– 5,077
Reclassifications	–	– 37	5,052	– 1	–	– 5,014	0
Currency translation effects	1,700	2,162	1,033	92	–	509	5,496
December 31, 2014	**268,170**	**17,864**	**111,040**	**17,632**	**2,585**	**3,400**	**420,691**
Accumulated amortization and impairment losses							
January 1, 2014	4,940	15,098	77,941	17,523	–	–	115,503
Additions (amortization)	–	329	10,655	19	129	–	11,132
Disposals	–	– 684	– 2,617	–	–	–	– 3,302
Reclassifications	–	– 36	38	– 1	–	–	0
Currency translation effects	36	2,016	973	91	–	–	3,116
December 31, 2014	**4,976**	**16,722**	**86,990**	**17,632**	**129**	**0**	**126,449**
Net carrying value	**263,194**	**1,142**	**24,050**	**0**	**2,456**	**3,400**	**294,242**

INTANGIBLE ASSETS AS OF DECEMBER 31, 2013

€ thousand	Goodwill	Patents, trade-marks and licenses	Purchased software	Internally generated intangible assets	Leased assets (finance lease)	Payments made	2013 Total
Cost							
January 1, 2013	264,531	17,710	88,473	17,573	–	5,033	393,320
Additions	–	88	5,800	–	–	3,900	9,788
Disposals	–	–710	–1,496	–	–	–329	–2,535
Reclassifications	–	35	3,910	–	–	–3,447	498
Currency translation effects	–720	–858	–943	–31	–	–14	–2,566
December 31, 2013	**263,811**	**16,264**	**95,744**	**17,542**	**0**	**5,143**	**398,505**
Accumulated amortization and impairment losses							
January 1, 2013	5,118	15,659	73,045	16,944	–	–	110,766
Additions (amortization)	–	713	6,986	609	–	–	8,308
Disposals	0	–543	–1,232	–	–	–	–1,775
Reclassifications	–	–	8	–	–	–	8
Currency translation effects	–179	–731	–865	–30	–	–	–1,805
December 31, 2013	**4,940**	**15,098**	**77,941**	**17,523**	**0**	**0**	**115,503**
Net carrying value	**258,871**	**1,166**	**17,803**	**19**	**0**	**5,143**	**283,002**

↗ Note 5

Goodwill mainly resulted from the transfer in fiscal year 2003 of the “Electromedical Systems” business unit of Siemens Medical Solutions to Dräger Medical GmbH. Goodwill increased further on account of the buyback of Siemens’ 35 percent share in Dräger Medical GmbH in fiscal years 2007 and 2009. Please see our comments in Note 5 for details on additions to goodwill.

In fiscal year 2014, Dräger also continued to invest in software within the scope of the worldwide standardization of IT infrastructure.

The amortization of intangible assets includes EUR 1,372 thousand in impairment losses related to software that is no longer used. Amortization is contained in the cost of sales and the other functional costs.

The discounted cash flow method is used for measuring the recoverable amount of goodwill by determining the net realizable value, based on the operational five-year plan for the business segments which, in the case of goodwill, represent the cash generating units. The determination is assigned to level 3 as there are unobservable input factors that significantly influence the measurement. A reconciliation of goodwill can be found in the statement of changes for intangible assets.

The main planning assumptions are market growth (which will be in excess of the expected rate of GDP growth), development of market shares (which will tend to stagnate in markets with high market shares and is otherwise expected to rise) and market price trends (as shown by the corresponding rate of inflation). Based on these assumptions, sales growth of 5.4 percent is expected for the medical division between 2015 and 2019 (2013 for 2014 – 2018: 4.3 percent) and growth of 3.9 percent expected in the same period for the safety division (2013 for 2014 – 2018: 4.4 percent), resulting in overall growth for the Group of 4.9 percent (2013: 4.3 percent). The calculation was also based on discounting rate assumptions.

In the current planning, a discount rate of 6.82 percent (2013: 8.72 percent) after taxes and a growth rate of 1 percent (2013: 1 percent) were taken into account for perpetual annuity of the medical division. In the planning, a discount rate of 7.95 percent (2013: 8.68 percent) after taxes and a growth rate of 1 percent (2013: 1 percent) were therefore taken into account for perpetual annuity of the safety division. These assumptions are backed up by external sources of information on market development. No impairment loss was required on the basis of this multi-year plan. Even if the perpetual annuity was to grow by 0 percent and the discount rate were to increase by another 2 percentage points, no impairment loss would have to be recognized.

As of December 31, 2014, goodwill was made up of EUR 259.0 million for the medical division (2013: EUR 257.5 million) and EUR 4.2 million for the safety division and Drägerwerk AG & Co. KGaA (2013: EUR 1.4 million).

21 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31, 2014

€ thousand	Land, equivalent, titles and buildings	Production plant and machinery construction	Other plant, factory and office equipment	Leased equipment	Leased assets (finance lease)	Prepayments made and assets under construction	2014 Total
Cost							
January 1, 2014	348,776	111,191	283,607	46,205	12,386	37,714	839,879
Additions	10,042	7,785	29,776	12,032	957	42,344	102,936
Disposals	–2,109	–2,950	–30,274	–2,197	–103	–2,174	–39,807
Reclassifications	18,171	1,134	6,751	–	–	–26,056	0
Reclassifications of rental and demo equipment	–	–	2,779	–135	–	–	2,644
Change in consolidated group	153	–	191	–	–	5	349
Currency translation effects	5,871	3,442	5,484	4,294	–64	818	19,846
December 31, 2014	**380,905**	**120,602**	**298,314**	**60,199**	**13,177**	**52,651**	**925,847**
Accumulated depreciation and impairment losses							
January 1, 2014	194,210	88,017	210,327	33,715	2,750	93	529,112
Additions (depreciation)	15,843	8,162	32,925	8,188	757	–	65,875
Write-ups	–	–	–44	–	–	–	–44
Disposals	–1,375	–2,709	–28,433	–1,563	–81	–	–34,161
Reclassifications	203	182	-386	–	–	–	0
Reclassifications of rental and demo equipment	–	–	2,238	–497	–	–	1,741
Change in consolidated group	43	–	47	–	–	–	90
Currency translation effects	3,115	2,780	4,147	3,284	–21	–7	13,298
December 31, 2014	**212,039**	**96,433**	**220,821**	**43,127**	**3,406**	**86**	**575,911**
Net carrying value	**168,866**	**24,169**	**77,492**	**17,072**	**9,771**	**52,565**	**349,936**

PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31, 2013

€ thousand	Land, equivalent, titles and buildings	Production plant and machinery construction	Other plant, factory and office equipment	Leased equipment	Leased assets (finance lease)	Prepayments made and assets under construction	2013 Total
Cost							
January 1, 2013	336,891	105,945	267,936	42,265	4,587	17,400	775,024
Additions	15,849	4,364	28,481	9,294	9,059	33,735	100,781
Disposals	–2,720	–1,856	–13,924	–2,903	–411	–335	–22,149
Reclassifications	2,264	5,190	5,251	325	–606	–12,922	–498
Reclassifications of rental and demo equipment	–	–	1,886	–809	–	–	1,077
Currency translation effects	–3,507	–2,451	–6,024	–1,967	–243	–164	–14,355
December 31, 2013	**348,776**	**111,191**	**283,607**	**46,205**	**12,386**	**37,714**	**839,879**
Accumulated depreciation and impairment losses							
January 1, 2013	184,154	83,733	195,599	30,614	2,480	74	496,654
Additions (depreciation)	13,384	7,659	31,766	7,579	793	20	61,202
Write-ups	–	–	–470	–	–	–	–470
Disposals	–1,087	–1,621	–12,925	–2,200	–294	–	–18,126
Reclassifications	–	148	–70	–	–86	–	–8
Reclassifications of rental and demo equipment	–	–	595	–633	–	–	–38
Currency translation effects	–2,242	–1,902	–4,168	–1,645	–143	–1	–10,101
December 31, 2013	**194,210**	**88,017**	**210,327**	**33,715**	**2,750**	**93**	**529,112**
Net carrying value	**154,566**	**23,174**	**73,280**	**12,490**	**9,636**	**37,621**	**310,768**

The additions to and reclassifications of the prepayments made and assets under construction mainly relate to the new reception and office building in Lübeck that is still under construction as well as the now-completed and reclassified production plant in China. The cost of the production plant in China was reduced by grants of EUR 1,261 thousand (2013: EUR 683 thousand). Further additions to buildings resulted from measures to modernize and remodel buildings.

Depreciation / amortization includes EUR 1,617 thousand for impairment losses, mainly for buildings that are no longer used and will be – partially – demolished in the near future.

The assets leased under finance leases comprise real estate as well as factory and office equipment (also see Note 44).

↗ Note 44

As in the prior year, no borrowing costs for additions for this new building were recognized in fiscal year 2014.

22 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

As in the prior year, the associate in question is MAPRA Assekuranzkontor GmbH, Lübeck, an insurance broker, in which Dräger holds 49 percent of the shares and over which Dräger exercises significant influence. MAPRA Assekuranzkontor GmbH is included in the Group financial statements and accounted for using the equity method.

As in prior years, the fiscal year for this company accounted for according to the equity method ends on December 31.

As its business in and of itself is not material, Dräger exercises the option to use the simplified consolidated method.

The following figures are based on the last annual financial statement of the company.

FINANCIAL INFORMATION ON ASSOCIATES

€ thousand	December 31, 2014	December 31, 2013
Carrying value of the Group shares of associates	277	298
Share in the profits from continued operations / total profits of the associates	250	270

In working groups (unlisted companies) together with other partners, Dräger offers fire training facilities for firefighters in Engineered Solutions. As of the balance sheet date, Dräger is involved in four working groups, which are accounted for as joint ventures using the equity method. The interests in these amount to between 51 percent and 73 percent. As these working groups do not generate any income of their own and their shares were not purchased, they are not reported separately in the consolidated balance sheet. As their business in and of itself is not material, Dräger exercises the option to use the simplified consolidated method. As these working groups do not generate any income of their own, no financial information need be presented.

There are no obligations to associates and joint ventures to provide financing or resources that are not accounted for; nor are there any contingent liabilities.

23 OTHER NON-CURRENT FINANCIAL ASSETS

OTHER NON-CURRENT FINANCIAL ASSETS

€ thousand	2014	2013
Trade receivables	4,534	3,974
Other loans	1,059	1,475
Finance lease receivables (lessor)	640	723
Positive fair values of derivatives	41	138
Sundry non-current financial assets	8,248	2,317
	14,523	**8,627**

The non-current receivables do not carry any discernible risks nor have they been impaired by any bad debt allowances.

The positive fair values of derivatives pertained exclusively to currency forwards and futures.

Sundry non-current financial assets include security deposits for warranties for projects and leased real estate of EUR 6,653 thousand (December 31, 2013: EUR 1,114 thousand) as well as investments and other non-current securities of EUR 1,041 thousand (2013: EUR 971 thousand).

↗ Note 44

For further details of finance lease liabilities, please refer to our comments on recognition of finance leases by the lessee (Note 44).

24 DEFERRED TAX ASSETS

Deferred tax assets are explained in Note 16.

25 OTHER NON-CURRENT ASSETS

OTHER NON-CURRENT ASSETS

€ thousand	2014	2013
Fund assets from pension plans	1	65
Receivables from investment allowances	–	88
Sundry non-current assets	2,958	2,440
	2,959	**2,593**

↗ Note 34

Fund assets relating to plan assets contain the available excess of plan assets (see also Note 34).

Sundry non-current assets include receivables through the other taxes of a foreign subsidiary of EUR 1,378 thousand (2013: EUR 0 thousand).

26 INVENTORIES

INVENTORIES

€ thousand	2014	2013
Finished goods and merchandise	209,576	189,771
Work in progress	51,057	63,970
Raw materials, consumables and supplies	126,291	116,887
Payments made	1,574	1,668
	388,497	**372,297**

The carrying value of inventories written down to their net realizable value as of December 31, 2014, is EUR 63,873 thousand (2013: EUR 60,850 thousand).

Impairment losses of EUR 13,377 thousand (2013: EUR 10,824 thousand) were charged on inventories in the fiscal year and recognized in cost of sales. However, EUR 5,905 thousand (2013: EUR 3,027 thousand) of impairments recognized in prior years were reversed.

Finished goods and merchandise comprise loan equipment and demo equipment lent to customers in the short term worth EUR 17,462 thousand (2013: EUR 29,513 thousand). Loan and demo equipment is taken over by the customers after a short period of time and is therefore disclosed in inventories. Appropriate allowances were made for wear and tear over the period of use.

During this period, inventories with a carrying value of EUR 809,403 thousand (2013: EUR 801,281 thousand) were recognized in cost of sales.

As in the prior year, no interest on debt was included in the measurement of inventories.

27 TRADE RECEIVABLES AND RECEIVABLES FROM CONSTRUCTION CONTRACTS

TRADE RECEIVABLES AND RECEIVABLES FROM CONSTRUCTION CONTRACTS

€ thousand	2014	2013
Trade receivables	623,359	608,554
Receivables from construction contracts	34,035	32,256
	657,394	**640,810**

The risks associated with trade receivables are adequately accounted for by bad debt allowances. Bad debt allowances developed as follows:

SPECIFIC BAD DEBT ALLOWANCES

€ thousand	2014	2013
January 1	28,786	36,844
Allocation	6,939	6,369
Utilization	–5,831	–9,445
Reversal	–4,144	–3,494
Currency translation effects	628	–1,487
December 31	**26,378**	**28,786**

The remaining credit risks from trade receivables after specific bad debt allowances are as follows, according to the age of the receivables:

AGING OF OVERDUE RECEIVABLES NOT SUBJECT TO BAD DEBT ALLOWANCES

€ thousand	2014	2013
Receivables neither impaired nor overdue	425,011	421,368
Receivables subject to bad debt allowances	15,175	5,185
Overdue receivables not subject to bad debt allowances		
– less than 30 days	86,168	77,654
– between 30 and 59 days	31,531	32,955
– between 60 and 89 days	17,676	14,979
– between 90 and 119 days	15,354	14,466
– more than 120 days	66,480	74,203
	217,208	214,257
Carrying amount	**657,394**	**640,810**

As of the reporting date, there were no signs of a credit risk for either impaired or overdue receivables.

In the case of current overdue receivables of approximately EUR 4,924 thousand (2013: around EUR 19 thousand), which are not subject to bad debt allowances, payment is expected after a period of more than 365 days.

In addition to costs incurred for the contracts, receivables from construction contracts include the corresponding profit and were offset against part payments received.

The cost incurred for the contracts in progress plus the corresponding profit according to the percentage of completion method amount to EUR 53,228 thousand (2013: EUR 44,102 thousand) as of the balance sheet date and were offset against part payments received of EUR 19,193 thousand (2013: EUR 11,845 thousand). This led to receivables from construction contracts of EUR 34,035 thousand (2013: EUR 32,256 thousand).

No specific bad debt allowances were recognized on receivables from construction contracts. There are no overdue trade receivables or receivables from construction contracts which require additional bad debt allowances.

28 OTHER CURRENT FINANCIAL ASSETS

OTHER CURRENT FINANCIAL ASSETS

€ thousand	2014	2013
Notes receivable	16,128	15,107
Receivables from commissioning agents	11,422	10,509
Receivables from employees	1,852	1,755
Creditors with debit balances	544	2,634
Positive fair values of derivatives	490	881
Finance lease receivables (lessor)	371	271
Receivables from associates	3	2
Sundry	3,033	1,965
	33,843	**33,124**

↗ Note 44

For details of finance lease liabilities, please refer to our comments on recognition of finance leases by the lessor (Note 44).

↗ Note 43

For the derivative financial instruments recognized as other financial assets, please refer to the table of derivative financial instruments in the Dräger Group (Note 43). Notes receivable chiefly stem from the Turkish, Chinese and Japanese subsidiaries where the bill of exchange is a common method of payment.

Sundry financial assets include security deposits for warranties for projects and leased real estate of EUR 1,608 thousand (December 31, 2013: EUR 577 thousand).

Of the receivables from commissioning agents, EUR 7,516 thousand (2013: EUR 6,968 thousand) are overdue by more than 120 days.

As in the prior year, no specific bad debt allowances were recognized on current financial assets. There are no overdue receivables which require bad debt allowances.

29 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and balances at various banks in different currencies. Cash and cash equivalents which were subject to restrictions as of the balance sheet date amount to EUR 8,376 thousand (2013: EUR 6,139 thousand).

30 OTHER CURRENT ASSETS

OTHER CURRENT ASSETS

€ thousand	2014	2013
Prepaid expenses	24,674	23,332
Other tax refund claims	20,830	23,073
Receivables from investment allowances	593	134
Other	6,163	6,011
	52,260	**52,550**

As in the prior year, no specific bad debt allowances were recognized on other current assets.

Other tax refund claims primarily result from VAT claims.

31 EQUITY

For the breakdown and changes in equity in fiscal years 2014 and 2013, please see the statement of changes in equity of the Dräger Group.

Capital stock

The capital stock of Drägerwerk AG & Co. KGaA amounts to EUR 44,186 thousand (2013: EUR 42,778 thousand).

Following the four options exercised in fiscal year 2013, February, November and December 2014 saw eleven more of the original 25 options that Dräger had issued in the form of warrants on August 30, 2010 being exercised (also see our comments in Note 3).

↗ Note 3

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

The nominal value of these 550,000 new preferred shares amounts to EUR 2.56 per share and increased the capital stock by a total of EUR 1,408 thousand.

This capital stock is divided into 10,160,000 limited no-par bearer common shares and 7,100,000 limited no-par preferred shares (2013: 6,550,000 limited no-par preferred shares). Please refer to Note 3 for our comments on the increase in preferred shares.

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

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

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

If sufficient profits are available, a dividend of EUR 0.13 per common share is then paid. Any profit in excess of this amount, if distributed, is allocated so that preferred shares receive EUR 0.06 more than common shares.

If the profit is not sufficient to distribute the advance dividend for preferred shares in one or more years, the amounts are paid from the profit of subsequent fiscal years before a dividend is paid on common shares.

If amounts in arrears are not paid in the next year along with the full preferred dividend for that year, the preferred shareholders have voting rights until the arrears have been paid.

In the event of liquidation, the preferred shareholders receive 25 percent of net liquidation proceeds in advance. The remaining liquidation proceeds are distributed evenly among all shares.

By resolution of the annual shareholders' meeting on May 6, 2011, the general partner was authorized to increase the capital stock of the Company, with the approval of the Supervisory Board, until May 5, 2016, by issuing new bearer common shares and / or preferred shares (no-par shares) in return for cash and / or contributions in kind by up to EUR 21,132,800.00 (authorized share capital) in one or several tranches. The authorization includes the entitlement to optionally issue new common shares and / or non-voting preferred shares up to the statutory maximum as stipulated in Sec. 139 (2) AktG, which carry the same status as the previously issued non-voting preferred shares with regard to the distribution of profits and / or Company assets.

In the case of common and preferred shares being issued at the same time while maintaining the ratio of both share types at the time of issuance, the general partner is authorized, subject to approval by the Supervisory Board, to exclude the right of the case of common and preferred shares to subscribe to the other type of shares ("crossed exclusion of subscription rights").

Reports regarding voting rights

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

The following table shows the reportable investments disclosed during the Company's fiscal year. Please note that the disclosures may since have changed.

DISCLOSED REPORTABLE INVESTMENTS

Reporter	Date that thresholds were reached, exceeded or undercut	Reporting threshold	Allocation pursuant to WpHG	Investment in %	Investment in voting rights
Oddo Asset Management, Paris, France	Jan. 17, 2014	Undercut by 3 %	Sec. 22 (1) No. 6	2.97 %	301,778
Oddo et Cie, Paris, France	Jan. 17, 2014	Undercut by 3 %	Sec. 22 (1) No. 6 in conjunction with Sec. 22 (1) Sentence 2	2.97 %	301,778
Lazard Freres Gestion S.A.S., Paris, France	Mar. 19, 2014	Exceeded by 3 %	Sec. 22 (1) Sentence 1 No. 6	3.04 %	308,900
Norges Bank, Oslo, Norway	Apr. 22, 2014	Undercut by 3 %	Sec. 21 (1) Sentence 1	2.87 %	292,046
Ministry of Finance, Oslo, Norway	Apr. 22, 2014	Undercut by 3 %	Sec. 22 (1) Sentence 1 No. 1	2.87 %	292,046
Norges Bank, Oslo, Norway	May 22, 2014	Exceeded by 3 %	Sec. 21 (1) Sentence 1	3.49 %	354,746
Ministry of Finance, Oslo, Norway	May 22, 2014	Exceeded by 3 %	Sec. 22 (1) Sentence 1 No. 1	3.49 %	354,746

Capital reserves

The portion of the exercise price that exceeds the nominal value following the exercising of the eleven options (EUR 33,487 thousand), less transaction fees of EUR 7 thousand, was added to the capital reserves (also see our comments in Note 3).

↗ Note 3

The capital reserves until the prior year originated from share premiums from Drägerwerk AG & Co. KGaA's establishment (transformation) in 1970 and from capital increases in 1979, 1981, 1991 and 2010.

Retained earnings

Retained earnings comprise the earnings generated until fiscal year 2014 by the companies included in the Group financial statements, where they were not attributed to non-controlling interests or paid as a dividend by Drägerwerk AG & Co. KGaA. Deferred taxes on participation capital recognized in equity are stated in this item. Effects from the remeasurements of the Company's pension provisions, including deferred taxes, are also included in retained earnings.

Total comprehensive income increased retained earnings.

Other effects, which reduced retained earnings, mainly comprise the distribution to shareholders and participation certificate holders (EUR 19,820 thousand); the prior-year amount also includes the effect from the successive acquisition of the shares of non-controlling shareholders in a subsidiary in China (EUR 6,790 thousand).

Reserves retained from earnings, including Group result, therefore changed as follows:

RESERVES RETAINED FROM EARNINGS, INCL. GROUP RESULT

€ thousand	2014	2013
Reserves retained from earnings, incl. Group result as of January 1	591,926	491,891
Changes from remeasurements of pension plans (after taxes)	–56,881	7,604
Net profit for the year (excluding non-controlling interests)	104,771	119,332
Other effects	–17,475	–26,902
Reserves retained from earnings, incl. Group result as of December 31	**622,342**	**591,926**

Own shares within the scope of the employee share program

In February 2013, the Executive Board resolved to enable Dräger employees in Germany to participate in the Company through an employee share program. This is designed to increase employees' identification with the Company and Dräger's attractiveness as an employer. The Executive Board decided not to offer the employee share program for fiscal year 2014.

In fiscal year 2013, one bonus share was issued for every three shares bought by the employee. The shares have a two-year holding period and may not be sold or otherwise transferred during this period. Employees do not have to continue their employment in the Group during the holding period.

The participation period, during which employees could acquire the share parcels, started on April 2, 2013 and ended on April 19, 2013. During this period, 6,847 bonus shares resulted from the shares acquired by employees, including Executive Board members. An account was opened with Deutsche Bank Privat- und Geschäftskunden AG, Frankfurt am Main, Germany (paying agent) for the entry and custody of bonus shares for participating employees.

The 6,847 bonus shares were acquired on the stock exchange on May 8 and 9, 2013 by the paying agent on a commission basis in the form of a share buyback at a total cost of EUR 674 thousand and transferred directly to the respective employee securities accounts, resulting in personnel expenses of EUR 674 thousand in fiscal year 2013. Aside from the price paid on the stock exchange of an average of EUR 98.428 per bonus share, no other expectations for future dividends or other characteristics were included in the fair value of the bonus shares.

The acquisition of own shares to pass on to participating employees in the form of bonus shares is covered by resolution of the annual shareholders' meeting on May 4, 2012, according to which the general partner was authorized to acquire until May 3, 2017, up to 10 percent in own shares of both types (common and / or preferred shares) of the Company's capital stock as of the date of resolution or – if this value is lower – as of the date on which the authorization is exercised. Together with all other shares held by the Company or attributable to it according to Secs. 71a et seq. AktG, shares purchased under this provision may at no time equal more than 10 percent of capital stock. The authorization may not be used for the purpose of trading in treasury shares.

The authorization may be exercised in whole or in part, on one or more occasions and for one or more purposes by the Company or by dependent Group companies or enterprises in which the Company has a majority shareholding, or by third parties for its or their account. The purchase may be limited in part or in full to a single class of shares by excluding, in part or in full, shareholders' right to sell the other class of share.

The purchase may, at the discretion of the general partner, be affected by the stock exchange, or by means of a public purchase offer to all holders of the respective type of share or by means of a public invitation to all holders of the respective type of share to submit offers for sale.

The general partner is authorized to use treasury shares acquired on the basis of this authorization for any lawful purposes.

The purchase of treasury shares by the general partner may be initiated only with the approval of the Supervisory Board.

Participation capital

↗ Note 33

Please refer to Note 33 for details on participation capital.

Other comprehensive income

OTHER COMPREHENSIVE INCOME

€ thousand	2014	2013
Currency translation adjustment	–2,970	–20,970
Derivative financial instruments	–3,686	–2,361
Fair value of financial instruments	127	83
Deferred taxes recognized directly in equity	1,204	692
	–5,325	**–22,556**

In fiscal year 2014, the fair values of derivative financial instruments to the amount of EUR 1,873 thousand (2013: EUR 1,476 thousand) were recognized directly in equity. In addition, EUR 548 thousand (2013: EUR 561 thousand) were reclassified from equity to the interest result due to interest hedging.

Capital management

One of Dräger's most important goals is to increase the business's value. The key function of capital management in this respect is to minimize the cost of capital while ensuring solvency at all times by coordinating the due dates of financial liabilities with the expected free cash flow and creating sufficient liquidity reserves.

Capital is monitored regularly using various key metrics, which include gearing and the equity ratio. Dräger's medium-term goal of a consolidated equity ratio of 40 percent was achieved for the first time in fiscal year 2014.

The Dräger Group's equity and liabilities were broke down as follows as of the balance sheet date:

EQUITY AND LIABILITIES

€ million	2014	2013
Equity interest held by shareholders of Drägerwerk AG & Co. KGaA	894.5	811.9
+ Non-controlling interests	2.1	4.0
Equity of the Dräger Group	896.6	816.0
Share of total equity and liabilities	40.1 %	39.5 %
Non-current liabilities	587.4	571.6
Current liabilities	750.1	677.4
Total liabilities	1,337.5	1,249.0
Share of total equity and liabilities	59.9 %	60.5 %
Total equity and liabilities	**2,234.1**	**2,065.0**

The Dräger Group's gearing had developed as follows as of the balance sheet date:

GEARING

€ million	2014	2013
Non-current interest-bearing loans	168.6	252.3
+ Current interest-bearing loans and liabilities to banks	127.7	80.5
+ Non-current and current liabilities from finance lease	11.3	9.3
– Cash and cash equivalents	– 296.9	– 232.1
Net financial debt	**10.7**	**110.0**
Equity	896.6	816.0
Gearing (= net financial debt / equity)	**0.01**	**0.13**

32 NON-CONTROLLING INTERESTS

The non-controlling interests mostly relate to the following subsidiaries:

NON-CONTROLLING INTERESTS

	Non-controlling interests		thereof net profit	
€ thousand	**2014**	**2013**	**2014**	**2013**
Dräger Medical South Africa	852	675	172	64
Draeger Medikal Ticaret ve Servis	68	–1,543	–316	101
Dräger-Simsa S.A.	887	0	–23	0
Draeger Arabia Co. Ltd.	0	4,648	0	233
Draeger Safety Korunma Teknolojileri Ltd. Sirketi	337	262	61	165
Dräger Finance Services GmbH & Co. KG	2	0	2	0
	2,146	**4,042**	**–105**	**563**

In the statement of changes in equity, other earnings from non-controlling interests of EUR –37 thousand (2013: EUR 1,179 thousand) only include exchange rate differences.

Amended agreements between Dräger and non-controlling shareholder Draeger Arabia Co. Ltd. came into force effective from February 2014 and stipulate that each shareholder has the unilateral right, after an agreed period of time, to demand the company's liquidation. The resulting payment obligation constitutes a financial liability. Consequently, the shares held by the non-controlling shareholder are puttable shares and are therefore accounted for as liability rather than equity. The liability was initially accounted for at fair value of the expected payment obligation for Dräger as of the date of termination (also see our comments in Note 37).

↗ Note 37

The initial consolidation of Dräger-Simsa S.A., Chile, resulted in a EUR 875 thousand rise in non-controlling interests. Please also see our information in Note 5.

↗ Note 5

A capital increase was implemented for Draeger Medikal Ticaret ve Servis Limited Sirketi in fiscal year 2014. The non-controlling shareholder waived all rights to participate in the capital increase, meaning that the shareholder's interest in the company declined from 33.0 percent to 11.25 percent.

33 PARTICIPATION CAPITAL / LIABILITIES FROM PARTICIPATION CERTIFICATES

PARTICIPATION CAPITAL / LIABILITIES FROM PARTICIPATION CERTIFICATES 2014

	Number	Par value	Premium	Payments received	thereof recognized as debt	thereof recognized in equity
		€	€	€	€	€
Series A until June 1991	195,245	4,990,462.20	7,642,509.00	12,632,971.20	4,230,928.03	8,402,043.17
Series K until June 27, 1997	69,887	1,786,311.72	1,168,305.27	2,954,616.99	1,765,413.90	1,189,203.09
Series D from June 28, 1997	566,819	14,487,893.64	14,023,388.96	28,511,282.60	5,262,183.29	23,249,099.31
	831,951	**21,264,667.56**	**22,834,203.23**	**44,098,870.79**	**11,258,525.22**	**32,840,345.57**

Accumulated interest effect until 2013 (for remaining participation certificates after buyback)	8,757,102.82	–
Compensation for participation certificate holders in 2010 (for remaining participation certificates after buyback)	–	–3,343,471.88
Compounding 2014	856,228.90	–
Recognition as of December 31, 2014	**20,871,856.94**	**29,496,873.69**

PARTICIPATION CAPITAL / LIABILITIES FROM PARTICIPATION CERTIFICATES 2013

	Number	Par value	Premium	Payments received	thereof recognized as debt	thereof recognized in equity
		€	€	€	€	€
Series A until June 1991	195,245	4,990,462.20	7,642,509.00	12,632,971.20	4,230,928.03	8,402,043.17
Series K until June 27, 1997	69,887	1,786,311.72	1,168,305.27	2,954,616.99	1,765,413.90	1,189,203.09
Series D from June 28, 1997	566,819	14,487,893.64	14,023,388.96	28,511,282.60	5,262,183.29	23,249,099.31
	831,951	**21,264,667.56**	**22,834,203.23**	**44,098,870.79**	**11,258,525.22**	**32,840,345.57**

Accumulated interest effect until 2012 (for remaining participation certificates after buyback)	7,949,339.71	–
Compensation for participation certificate holders in 2010 (for remaining participation certificates after buyback)	–	–3,343,471.88
Compounding 2013	807,763.11	–
Recognition as of December 31, 2013	**20,015,628.04**	**29,496,873.69**

FAIR VALUE

	2014			2013		
	Number	Price Dec. 31	Fair value	Number	Price Dec. 31	Fair value
		€	€		€	€
Series A until June 1991	195,245	369.00	72,045,405.00	195,245	410.00	80,050,450.00
Series K until June 27, 1997	69,887	380.00	26,557,060.00	69,887	431.00	30,121,297.00
Series D from June 28, 1997	566,819	364.00	206,322,116.00	566,819	415.00	235,229,885.00
	831,951		**304,924,581.00**	**831,951**		**345,401,632.00**

PARTICIPATION CAPITAL CONDITIONS

	Termination right of Drägerwerk AG & Co. KGaA	Termination right of participation certificate owner	Loss share	Minimum return	Dividend for participation certificates
				€	
Series A	yes	no	no	1.30	Dividend on preferred share x 10
Series K	yes	yes	no	1.30	Dividend on preferred share x 10
Series D	yes	yes	yes	–	Dividend on preferred share x 10

In fiscal year 2014 as well as in the prior year, no participation certificates were issued or bought back.

Drägerwerk AG & Co. KGaA does not intend to terminate the participation certificates. If the participation certificate holder exercises the calling right, the amount repayable shall equal the average mean rate of the last three months at the Hamburg Stock Exchange or a maximum of the weighted average issue price of the corresponding tranche. Series K may be terminated for the first time as of December 31, 2021, with five years' notice; the period of termination thereafter is again five years.

Series D may be terminated for the first time as of December 31, 2026. Series D participation certificates share in losses. The proportionate loss attributable to the participation capital is offset by future profits.

The cases in which the minimum return is not paid are the same as those in which the preferred dividend is not paid. As with the subsequent payment of preferred dividends, the dividend for participation certificates is paid in arrears.

The dividend for participation certificates is 10 times the preferred share dividend, as the par value of the securities was originally identical, but the arithmetic par value of the preferred share has since been reduced to one tenth of the original par value.

For details, please refer to the schedule with the terms and conditions of series A, K and D participation certificates.

34 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

As of December 31, 2014, the Dräger Group mainly had defined benefit pension plans and similar obligations in addition to a small number of defined contribution pension plans.

Defined benefit pension plans and similar obligations

Under the Group's defined benefit pension plans, provisions for pensions and similar obligations have been accrued for benefits payable in the form of old-age, disability and surviving dependents' pensions. The amount of the obligations is determined using the projected unit credit method. The obligations are partly funded by plan assets.

The defined benefit pension plans of the German companies account for some 92 percent (2013: 91 percent) of the provisions for pensions and similar obligations disclosed as of the balance sheet date. As of January 1, 2005, the new company pension plans "Rentenplan 2005" for almost all employees of the Dräger Group's German subsidiaries and "Führungskräfteversorgung 2005" for management came into effect, superseding the former "Versorgungsordnung '90" and "Ruhegeldordnung '90" schemes.

Under the old pension plan, employees received pensions based on their salaries and period of employment. As part of the transition to the new plan, employees were guaranteed a pension based on the old plan for their years of service prior to the transition. The new plan is now composed of the employer-funded basic level, the employee-funded top-up level (deferred compensation) and the employer-funded supplementary level.

The pension cost for the employer-funded basic level is based on the respective employee's income. The employee funded top-up level allows employees to increase their pension entitlement through deferred compensation.

The contribution made at the employer-funded supplementary level depends on the employee contribution through deferred compensation and on the Company's business performance (EBIT).

Since December 2007, these funds from the pension plan as well as the employee contributions from the respective fiscal year have been paid into a new fund (WKN [securities identification number] AOHG1B) and secured in favor of the employees via a contractual trust arrangement (CTA), meaning that they only serve to cover and finance the Company's direct pension obligations. The employees' pension accounts have a minimum guaranteed return of 2.75 percent. Hence, the assets of this fund fulfill the criteria of plan assets pursuant to IAS 19, the EUR 93,869 thousand (2013: EUR 75,541 thousand) in assets secured by the CTA were offset against the gross pension obligations in fiscal year 2014. Additions to the CTA of EUR 10,204 thousand are expected for fiscal year 2015 (in 2013 for fiscal year 2014: EUR 10,572 thousand).

The available excess of plan assets over the relevant pension obligations totaling EUR 1 thousand (2013: EUR 65 thousand) is disclosed under other non-current assets.

Under the Group's defined benefit pension plans, Dräger is exposed to the following risks.

- Due to the specific benefits, defined benefit pension plans are particularly long-term employee benefits, the measurement of which includes making long-term assumptions that are subject to an increased risk in view of actual realization.
- The underlying discount rate in the recognition of pension obligations reflects the effective market return on high-quality corporate bonds (calculated on the basis of modified Bloomberg indices) with the same term as the pension obligations as of the balance sheet date. If the actual return on plan assets is less than the calculated return, this creates a shortfall.

- Reducing the effective market return of high-quality corporate bonds leads to an increase in the projected benefit obligation. If the projected benefit obligation is counteracted by plan assets, some of this effect is compensated for.
- If benefit obligations are not covered by plan assets, Dräger has to generate pension payments within the course of its operating activities in the respective year.
- Due to the minimum guaranteed return of 2.75 percent, Dräger must compensate for the actual return of the plan assets should this fall below the minimum guaranteed return.
- According to Sec. 16 (1) of the German Act to Improve Occupational Pensions (BetrAVG), an employer that has guaranteed company pension plan obligations must consider adjusting these obligations in line with the rate of inflation every three years. The employer's decision must consider the needs of the pension recipient and, above all, the economic situation of the company.

The net obligation from defined benefit pension plans is recognized in the balance sheet as follows:

NET OBLIGATION FROM DEFINED BENEFIT PENSION PLANS

€ thousand	2014	2013
Carrying amount of benefit obligations with plan assets	199,643	136,873
Present value of plan assets	– 150,799	– 127,386
Underfunded pension plans	**48,844**	**9,487**
Carrying amount of benefit obligations without plan assets	248,164	207,630
Net obligation as of December 31	**297,008**	**217,118**
Available excess of plan assets	1	65
Provisions for pension obligations and similar obligations	**297,009**	**217,182**

Changes in the net obligation are as follows:

CHANGES IN THE PROJECTED BENEFIT OBLIGATIONS AND PLAN ASSETS

			2014			2013
€ thousand	Projected benefit obligation	Fair value of plan assets	Total	Projected benefit obligation	Fair value of plan assets	Total
January 1	344,503	–127,386	217,118	339,379	–109,188	230,191
Service costs	10,644	–	10,644	10,198	–	10,198
Interest income (-) / interest expense (+)	10,922	–3,896	7,026	10,131	–3,143	6,988
Past service costs	–520	–	–520	818	–	818
Other effect on profit or loss	–29	29	1	–	–	0
Changes recognized in profit or loss	**21,017**	**–3,867**	**17,150**	**21,147**	**–3,143**	**18,004**
Return on plan assets excluding amounts included in interest	–	–7,717	–7,717	–	–3,248	–3,248
Revaluations from changes to demographic assumptions	–1,678	–	–1,678	96	–	96
Revaluations from changes to financial assumptions	89,918	–	89,918	–11,006	–	–11,006
Revaluations from adjustment to empirical values	1,852	–	1,852	3,289	–	3,289
Changes in other earnings	**90,091**	**–7,717**	**82,374**	**–7,621**	**–3,248**	**–10,869**
Benefits paid	–13,597	2,061	–11,535	–12,845	1,780	–11,065
Employee contributions	3,741	–3,696	45	3,478	–3,459	18
Employer contributions	–	–8,194	–8,194	–	–10,870	–10,870
Changes due to deconsolidation	–	–	–	–	–	–
Transfer of obligations and other effects	945	–1,014	–69	1,915	–20	1,895
Currency changes	1,107	–987	119	–950	762	–188
Other changes	**–7,805**	**–11,829**	**–19,634**	**–8,401**	**–11,808**	**–20,209**
December 31	**447,807**	**–150,799**	**297,008**	**344,503**	**–127,386**	**217,118**
Other amounts stated in the balance sheet			0			0
Net obligation as of December 31			**297,008**			**217,118**

Service costs and past service costs are included under personnel expenses.

Plan assets are composed as follows:

COMPOSITION OF FUND ASSETS

			2014			2013
€ thousand	Active market	No active market	Total	Active market	No active market	Total
Cash and cash equivalents	14,954	16.8	14,971	8,467	–	8,467
Equity instruments	12,736	–	12,736	15,217	–	15,217
Securities	18,805	–	18,805	16,403	–	16,403
Debt instruments	92,193	–	92,193	57,135	–	57,135
Real estate	6,208	–	6,208	613	21,698	22,311
Other	4,010	1,877	5,887	6,514	1,339	7,853
			150,799			**127,386**

Plan assets do not contain Dräger shares or land used by Dräger itself.

For fiscal year 2015, additions to plan assets are expected to amount to EUR 11,926 thousand (2013: EUR 12,936 thousand for fiscal year 2014).

The following actuarial assumptions were made in measuring the projected benefit obligation (weighted averages):

ACTUARIAL ASSUMPTIONS

	2014		2013	
	Germany	Abroad	Germany	Abroad
Discount rate	2.00 %	1.49 %	3.50 %	2.12 %
Future wage and salary increases	3.00 %	1.70 %	3.58 %	1.30 %
Future pension increases	1.64 %	0.18 %	1.72 %	0.18 %
Average employee turnover	3.00 %	4.89 %	2.50 %	4.39 %

The weighted average term of the defined benefit obligation is 18 years (2013: 16 years).

For German companies, to which approximately 92 percent (2013: 91 percent) of pension obligations apply, the 2005 G Heubeck mortality tables have been used as a basis of calculation.

The effect of changes in fundamental assumptions on the projected benefit obligation is as follows:

EFFECT OF FUNDAMENTAL ASSUMPTIONS ON THE PROJECTED BENEFIT OBLIGATION

	2014			2013		
	Discount rate	Future pension increases	Life expectancy	Discount rate	Future pension increases	Life expectancy
Change in assumption	0.50 %	0.25 %	1 year	0.50 %	0.25 %	1 year
Effect if the assumption increases	8.2 % decrease	1.1 % increase	4.5 % increase	7.2 % decrease	1.1 % increase	3.9 % increase
Effect on the projected benefit obligation if the assumption decreases	9.5 % increase	1.1 % decrease	4.5 % decrease	8.2 % increase	1.0 % decrease	4.1 % decrease

The sensitivity analyses were performed using the same calculation methods; one assumption was changed in each analysis while all other assumptions remained constant (ceteris paribus).

The following pension payments are expected to be due:

EXPECTED PENSION PAYMENTS

€ thousand	2015	2016	2017 – 2019	> 2019	Total
Expected pension payments	14,353	15,100	45,655	588,115	663,223

In fiscal year 2014, additional benefits of EUR 1,447 thousand (2013: EUR 1,433 thousand) were paid out to pensioners.

Defined contribution plans

In addition to the defined benefit plans and similar obligations described above, Dräger pays voluntary and statutory contributions to government and private pension insurers (defined contribution plans).

The cost of other defined contribution plans came to EUR 9,179 thousand in fiscal year 2014 (2013: EUR 8,382 thousand). Dräger also paid statutory pension contributions in Germany of EUR 33,181 thousand (2013: EUR 31,405 thousand).

35 OTHER NON-CURRENT AND CURRENT PROVISIONS

OTHER PROVISIONS

€ thousand	Provisions for personnel and welfare obligations	Warranty provisions	Provisions for potential losses	Provisions for commissions	Provisions for other obligations in the normal course of business	2014 Total
January 1	112,059	25,032	8,047	10,756	84,310	240,204
Allocation	93,161	15,539	1,692	5,910	43,835	160,136
Unwinding of the discount	555	40	792	–	287	1,675
Utilization	–78,790	–12,071	–364	–6,761	–42,252	–140,239
Reversal	–3,586	–2,468	–1,813	–951	–15,486	–24,304
Change in consolidated group	1	11	–	–	16	28
Currency translation effects	4,048	1,046	–	523	1,780	7,396
December 31	**127,447**	**27,129**	**8,353**	**9,477**	**72,491**	**244,897**

Provisions for personnel and welfare obligations were mainly recognized to cover bonuses and sales compensation as well as phased retirement and long-service awards.

The warranty provisions were measured by reference to the warranty claims made in the past and specific known risks.

Provisions for potential losses mainly resulted from long-term leases of unused or not fully used business premises.

Provisions for commissions are recognized on the basis of contractual claims from sales.

Obligations in the normal course of business contained provisions for unpaid invoices for services received amounting to EUR 22,164 thousand (2013: EUR 22,048 thousand), the amount of which is not sufficiently certain. In addition, obligations for the audit of financial statements of EUR 2,396 thousand (2013: EUR 3,129 thousand) were covered, as were obligations for customer bonuses of EUR 4,130 thousand (2013: EUR 4,562 thousand). Obligations in the normal course of business also include obligations for litigation costs and risks, purchase guarantees and other taxes.

The expected utilization of other provisions is as follows:

MATURITIES

€ thousand	Up to 1 year	1 to 5 years	Over 5 years	Total
Provisions for personnel and welfare obligations	94,876	22,693	9,878	127,447
Warranty provisions	23,828	4,654	–	28,482
Provisions for potential losses	983	3,285	4,085	8,353
Provisions for commissions	9,477	–	–	9,477
Provisions for other obligations in the normal course of business	60,115	10,477	546	71,138
	189,278	**41,109**	**14,510**	**244,897**

36 NON-CURRENT INTEREST-BEARING LOANS

NON-CURRENT INTEREST-BEARING LOANS

			2014			2013
€ thousand	1 to 5 years	Over 5 years	Total	1 to 5 years	Over 5 years	Total
Non-current liabilities to banks	37,723	35,007	72,730	28,203	41,903	70,107
Note loans a) issued 2007	–	–	0	24,995	–	24,995
b) issued 2009	–	–	0	61,412	–	61,412
c) issued 2011	95,833	–	95,833	95,774	–	95,774
	133,556	**35,007**	**168,563**	**210,384**	**41,903**	**252,288**

The non-current note loans in place as of the balance sheet date are not subject to any contractually agreed termination options.

The terms and conditions and the interest on non-current interest-bearing loans are as follows:

TERMS AND CONDITIONS AND INTEREST RATES FOR NON-CURRENT INTEREST-BEARING LOANS

			2014			2013
Currency in € thousand	Interest conditions	Interest rate in %	Total	Interest conditions	Interest rate in %	Total
Liabilities to banks						
EUR	variable	1.54 – 1.75	13,892	variable	1.64 – 1.68	17,056
EUR	fixed	1.25 – 5.97	54,026	fixed	1.85 – 5.97	48,108
INR	fixed	10.15	4,436	fixed	10.0	3,994
Other	fixed	7.44 – 8.0	376	fixed	7.8 – 26.25	261
Other	variable		–	variable		688
			72,730			**70,107**
Note loans						
EUR	fixed	3.21 – 3.88	95,833	fixed	3.21 – 7.07	182,181
			95,833			**182,181**
			168,563			**252,288**

Variable interest rates are partly hedged. Please see our information on derivative financial instruments and interest rate risks (Note 43).

↗ Note 43

Liabilities to banks arising from the construction of the medical division's new office and laboratory building that was completed in fiscal year 2008 have been collateralized by a mortgage of EUR 55 million. The finance for the new production and logistics building for the Infrastructure Projects segment in Lübeck, which was completed in fiscal year 2011, has been secured with a mortgage of EUR 10.8 million. There are no other mortgages on land and buildings or assignments as security for recognized liabilities.

37 OTHER NON-CURRENT FINANCIAL LIABILITIES

OTHER NON-CURRENT FINANCIAL LIABILITIES

€ thousand	2014 1 to 5 years	2014 Over 5 years	2014 Total	2013 1 to 5 years	2013 Over 5 years	2013 Total
Finance lease liabilities (lessee)	3,929	5,778	9,707	1,761	6,028	7,790
Repayment obligation Draeger Arabia Co. Ltd.	–	11,542	11,542	–	–	0
Negative fair values of derivate financial instruments	74	3,686	3,760	38	2,515	2,553
Sundry non-current financial liabilities	2,127	517	2,644	1,900	713	2,613
	6,130	**21,523**	**27,653**	**3,699**	**9,257**	**12,956**

The repayment obligation to the non-controlling shareholder of Draeger Arabia Co. Ltd. results from the amended agreements that came into force effective from February 2014 and allow the shareholders to offer their shares to the other shareholder from January 1, 2024, or to bring about the company's liquidation in the event that the other shareholder does not consent to purchase the shares. The non-controlling shareholder's puttable shares were initially accounted for as a liability at fair value of the expected payment obligation for Dräger as of the date of termination. They are subsequently accounted for at amortized cost. The repayment obligation also includes cash provided by the non-controlling shareholder in fiscal year 2014 of EUR 3,689 thousand. Please also see our comments in Note 32.

↗ Note 32

For an explanation of finance lease liabilities, please refer to our comments on recognition of finance leases by the lessee (Note 44).

↗ Note 44

38 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities mainly include deferred income of EUR 5,360 thousand (2013: EUR 0 thousand).

39 DEFERRED TAX LIABILITIES

Deferred tax liabilities are explained in Note 16.

↗ Note 16

40 CURRENT INTEREST-BEARING LOANS AND LIABILITIES TO BANKS

CURRENT INTEREST-BEARING LOANS AND LIABILITIES TO BANKS

€ thousand	2014	2013
Liabilities to banks	41,209	30,495
Note loans	86,476	49,996
	127,686	**80,492**

In fiscal year 2014, note loans of EUR 50.0 million (2013: EUR 79.0 million) were paid and note loans of EUR 86.5 million (2013: EUR 50.0 million) were reclassified from non-current to current liabilities.

The terms and conditions and the interest on current loans and liabilities to banks are as follows:

TERMS AND CONDITIONS AND INTEREST RATES FOR CURRENT INTEREST-BEARING LOANS AND LIABILITIES TO BANKS

			2014			2013
Currency in € thousand	Interest conditions	Interest rate in %	Total	Interest conditions	Interest rate in %	Total
Liabilities to banks						
EUR	variable	1.54 – 1.75	407	variable	1.64 – 1.68	470
EUR	fixed	2.12 – 6.0	6,590	fixed	2.12 – 5.97	3,259
CNY	fixed	5.6 – 7.9	8,231		–	–
JPY	variable	1.35	7,334	variable	1.30 – 2.35	7,887
USD	fixed	1.53	7,001	fixed	1.51	8,117
INR	fixed	10.01	4,312	fixed	10.01	3,941
CLP	variable	0.60 – 1.50	4,185		–	–
PEN		–	–	fixed	6.1 – 7.30	2,388
Other	fixed	3.0 – 26.25	3,054	fixed	7.80 – 26.25	1,748
Other	variable	1.5 – 2.35	95	variable		2,685
			41,209			**30,496**
Note loans						
EUR	fixed	4.95 – 7.07	86,476	fixed	4.80	49,996
			86,476			49,996
			127,686			**80,492**

Variable interest rates are partly hedged. Please also see our information on derivative financial instruments (Note 43).

↗ Note 43

41 OTHER CURRENT FINANCIAL LIABILITIES

OTHER CURRENT FINANCIAL LIABILITIES

€ thousand	2014	2013
Trade payables to third parties	**201,340**	**172,371**
Other current financial liabilities		
Liabilities to employees	8,452	6,960
Liabilities from accrued loan interest	4,450	6,916
Negative fair values of derivate financial instruments	3,334	178
Liabilities to Drägerwerk Verwaltungs AG	2,665	2,904
Debtors with credit balances	2,199	1,565
Finance lease liabilities (lessee)	1,564	1,551
Distribution for participation capital	345	345
Liabilities to associates	87	–
Sundry financial liabilities	7,070	8,292
	30,166	**28,711**
	231,506	**201,082**

For the derivative financial instruments recognized as other financial liabilities, please refer to the table of derivative financial instruments in the Dräger Group presented in Note 43.

↗ Note 43

For an explanation of finance lease liabilities, please refer to our comments on recognition of finance leases by the lessee (Note 44).

↗ Note 44

42 OTHER CURRENT LIABILITIES

OTHER CURRENT LIABILITIES

€ thousand	2014	2013
Prepayments received	51,371	62,338
Deferred income	46,734	46,007
Other tax liabilities	42,467	31,553
Other liabilities to employees and for social security	33,191	34,059
Liabilities from construction contracts	388	1
Sundry current liabilities	1,656	1,343
	175,808	**175,301**

Prepayments received include prepayments on construction contracts of EUR 2,772 thousand (2013: EUR 4,024 thousand) in accordance with IAS 11 which exceeded the respective recognized value of the contract.

Deferred income primarily includes reported service contracts.

43 FINANCIAL INSTRUMENTS

Structure of financial instruments and their measurement

The structure of financial instruments in the Group and their categorization according to IFRS 7 as well as their reconciliation to the consolidated balance sheet, was as follows as of the balance sheet date:

FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2014 – ASSETS

				Measurement in accordance with IAS 39	Measurement in accordance with other IAS	Total
€ thousand	Fair value (held for trading)	Fair value (available for sale)	Amortized cost (loans and receivables)	Amortized cost (held to maturity)	Amortized cost in accordance with IAS 17	
Other non-current financial assets	41	923[1]	12,800	118	640	14,523
Trade receivables and construction contracts	–	–	657,394	–	–	657,394
Other current financial assets	490	–	32,982	–	371	33,843
Cash and cash equivalents	–	–	296,855	–	–	296,855
Total assets	**531**	**923**	**1,000,031**	**118**	**1,011**	**1,002,614**

[1] Including investments of EUR 250 thousand, which are measured at amortized cost as their fair value cannot be determined.

FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2014 – EQUITY AND LIABILITIES

		Measurement in accordance with IAS 39	Measurement in accordance with other IAS	Total
€ thousand	Fair value (held for trading)	Amortized cost (other liabilities)	(Amortized) cost	
Liabilities from participation certificates	–	20,872	–	20,872
Non-current interest-bearing loans	–	168,563	–	168,563
Other non-current financial liabilities	74	14,186	9,707	23,967
Current loans and liabilities to banks	–	127,686	–	127,686
Trade payables	–	201,340	–	201,340
Other current financial liabilities	3,334	25,268	1,564	30,166
Total equity and liabilities	**3,408**	**557,914**	**11,270**	**572,593**

FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2013 – ASSETS

				Measurement in accordance with IAS 39	Measurement in accordance with other IAS	Total
€ thousand	Fair value (held for trading)	Fair value (available for sale)	Amortized cost (loans and receivables)	Amortized cost (held to maturity)	Amortized cost in accordance with IAS 17	
Other non-current financial assets	138	853[1]	6,795	118	723	8,627
Trade receivables and construction contracts	–	–	640,810	–	–	640,810
Other current financial assets	881	–	31,972	–	271	33,124
Cash and cash equivalents	–	–	232,131	–	–	232,131
Total assets	**1,019**	**853**	**911,708**	**118**	**994**	**914,692**

[1] Including investments of EUR 225 thousand, which are measured at amortized cost as their fair value cannot be determined.

FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2013 – EQUITY AND LIABILITIES

		Measurement in accordance with IAS 39	Measurement in accordance with other IAS	Total
€ thousand	Fair value (held for trading)	Amortized cost (other liabilities)	(Amortized) cost	
Liabilities from participation certificates	–	20,016	–	20,016
Non-current interest-bearing loans	–	252,288	–	252,288
Other non-current financial liabilities	38	2,587	7,790	10,415
Current loans and liabilities to banks	–	80,492	–	80,492
Trade payables	–	172,371	–	172,371
Other current financial liabilities	178	20,022	1,551	21,750
Total equity and liabilities	**216**	**547,775**	**9,341**	**557,332**

↗ Note 8

The measurement categories are explained in our comments on the measurement of financial assets and liabilities in Note 8.

Other non-current financial assets include investments with a carrying value of EUR 250 thousand (2013: EUR 225 thousand). These investments are not quoted in any active market. Other methods for calculating an objective market value also rendered no reliable result. The investments are therefore carried at cost.

Regular fair value measurement of financial instruments

Financial instruments recognized at fair value were allocated to the following levels of the fair value hierarchy:

FAIR VALUE MEASUREMENT

€ thousand	Level	2014	2013
Assets measured at fair value			
Derivatives with positive fair value (non-current)	2	41	138
Derivatives with positive fair value (current)	2	490	881
Securities (non-current)	1	674	628
Liabilities measured at fair value			
Derivatives with negative fair value (non-current)	2	3,760	2,553
Derivatives with negative fair value (current)	2	3,334	178

Level 1:

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

Level 2:

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

Level 3:
Uses factors not based on observable market data for the measurement of financial assets and liabilities (unobservable input factors). These are classified as level 3 when there is an unobservable input factor present that significantly influences the measurement. The Dräger Group does not hold any level 3 financial instruments.

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

Fair value of financial instruments not regularly recognized at fair value

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

CARRYING VALUES AND FAIR VALUES OF FINANCIAL ASSETS / LIABILITIES

			2014		2013
€ thousand	Level	Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Finance lease receivables	2	1,011	984	994	1,029
Financial liabilities					
Loans and liabilities to banks	2	296,249	297,945	332,780	337,473
Finance lease liabilities	2	11,270	11,220	9,341	9,411

The fair value of level 2 financial assets and liabilities measured at amortized cost was determined using the discounted cash flow method by replacing the interest rates used in the initial calculation of non-current financial assets and liabilities with interest rates derived from current Company-related interest rate curves on the balance sheet date. These interest rates are between 2.51 percent for cash flows in 2015 and 3.12 percent for cash flows in 2019. An increase in the interest rates taken into account would result in a decrease in fair values. No adjustment was made to the interest rate of 8.28 percent for the leasehold agreement recognized in fiscal year 2013 (term into fiscal year 2103).

Trade receivables, the remaining other financial assets, trade payables and the remaining other financial liabilities are not listed, as the carrying amount is a reasonable approximation of fair value.

Investments are also not indicated, as there is no active market price for any identical equity instruments.

Net profit / loss from financial instruments

The net profit / loss from financial instruments recognized in profit or loss in fiscal year 2014 is summarized below (by measurement category):

NET PROFIT / LOSS BY MEASUREMENT CATEGORY

€ thousand	2014	2013
Financial assets and financial liabilities held for trading	– 4,665	5,236
Loans and receivables	– 3,785	– 5,298
Available-for-sale assets	– 16	–
Other liabilities	– 1,419	– 2,210
	– 9,886	**– 2,272**

The net profit / loss of the financial assets and liabilities in the held for trading category comprises profit and loss from changes in fair value as well as interest income / expenses for these assets and liabilities. The net profit / loss in the category loans and receivables contains losses from receivables of EUR 11,497 thousand (2013: EUR 6,751 thousand).

Interest income / expenses from financial instruments

In fiscal year 2014, interest income / expenses from financial instruments not measured at fair value through profit or loss was as follows:

INTEREST INCOME / EXPENSES FROM FINANCIAL INSTRUMENTS

€ thousand	2014	2013
Interest income		
Loans and receivables	1,402	2,568
Held-to-maturity investments	4	4
Available-for-sale assets	323	121
	1,729	**2,693**
Interest expenses		
Other liabilities	– 15,741	– 16,905
	– 14,012	**– 14,212**

Financial risk management

As an international company, the Dräger Group is especially exposed to exchange rate and interest rate risks, in addition to liquidity risks. The aim of financial risk management is to uncover and mitigate financial risks posed to the Dräger Group through ongoing operating and finance-oriented processes. A systematic recognition, control and monitoring of market risks is designed to counter developments that could jeopardize the existence of Dräger early on and ensure Dräger's continued existence in the long term. Derivative financial instruments are used to hedge the currency and interest exposure of current and forecast transactions. These derivatives are used exclusively as hedging instruments and are generally not concluded for speculative purposes. Derivatives are used to decrease credit risks and are only transacted with banks with an investment grade rating.

A committee, which is comprised of the CFO as well as the treasury, accounting and controlling departments, determines and monitors the basic features of Dräger's financial policies. The members of this committee meet at least once per quarter to decide on possible hedging strategies on the basis of current developments as well as the existing risk positions.

Financial risk management is based on the annually revised strategic plans of the Group and divisions and the resultant short and medium-term plans. The financial policies as well as financial risk management for liquidity, currency and interest rate risks are implemented centrally by the Group treasury department. Please see our comments in the management report for more general information on risk management.

Liquidity risk

Drägerwerk AG & Co. KGaA mitigates its liquidity risk by diversifying the maturity structure of its financing instruments so as to ensure the Dräger Group's solvency and financial flexibility at all times. These include in particular participation certificates and note loans due in one to five years. Drägerwerk AG & Co. KGaA also has various non-current and current liabilities to banks as well as a liquidity reserve comprising freely available credit facilities with numerous banks with which it has concluded bilateral agreements. Due to the maturity structure of these financing instruments, Drägerwerk AG & Co. KGaA has only a limited repricing risk.

The following analysis of the maturities of financial liabilities (contractually agreed, non-discounted payments) shows the influence on the Group's liquidity situation:

MATURITIES OF FINANCIAL LIABILITIES 2014

€ thousand	2015	2016	2017 to 2019	From 2020	Total
Derivative financial liabilities					
Foreign currency derivatives – cash outflow	115,183	6,077	6,654	–	127,914
Foreign currency derivatives – cash inflow	–111,475	–5,729	–6,732	–	–123,936
Interest rate swap (hedge accounting) – cash outflow	560	545	1,457	1,194	3,756
	4,268	**893**	**1,379**	**1,194**	**7,734**
Non-derivative financial liabilities					
Liabilities from participation certificates	345	345	1,035	35,878	37,603
Loans and liabilities to banks	131,234	69,482	76,799	46,250	323,765
Trade payables	201,340	–	–	–	201,340
Finance lease liabilities	2,198	2,092	3,940	26,847	35,078
Other financial liabilities	12,568	553	4,837	19,181	37,139
	347,686	72,472	86,611	128,156	634,925
	351,954	**73,365**	**87,990**	**129,350**	**642,659**

MATURITIES OF FINANCIAL LIABILITIES 2013

€ thousand	2014	2015	2016 to 2018	From 2019	Total
Derivative financial liabilities					
Foreign currency derivatives – cash outflow	25,929	742	–	–	26,671
Foreign currency derivatives – cash inflow	–25,756	–706	–	–	–26,462
Interest rate swap (hedge accounting) – cash outflow	213	195	383	97	888
	386	**231**	**383**	**97**	**1,097**
Non-derivative financial liabilities					
Liabilities from participation certificates	345	345	1,035	35,969	37,694
Loans and liabilities to banks	80,495	99,207	137,451	52,096	369,249
Trade payables	172,371	–	–	–	172,371
Finance lease liabilities	1,551	1,403	3,019	27,453	33,426
Other financial liabilities	19,788	225	14,230	731	34,974
	274,550	101,180	155,735	116,250	647,715
	274,936	**101,411**	**156,118**	**116,347**	**648,812**

Cash outflow from currency hedges of EUR 127.9 million (2013: EUR 26.7 million) faced cash inflow of EUR 123.9 million (2013: EUR 26.5 million) as of December 31, 2014.

Currency risk

The Group's currency risks within the meaning of IFRS 7 relate to the financial instruments used in connection with operating activities or investing and financing activities. Drägerwerk AG & Co. KGaA mainly counters this risk that remains after offsetting cash inflows and outflows in the same foreign currency by entering into derivatives. Currency management aims to limit the effect of exchange rate fluctuations on the Dräger Group's results of operations and net assets. Group treasury and controlling are responsible for determining and analyzing currency risk positions as well as developing and implementing the hedging strategy. As a general rule, only those currency risks that impact the Group's cash flows are hedged. However, risks resulting from the translation of statements of assets and liabilities of foreign subsidiaries into the Group's reporting currency are generally not hedged.

In order to better illustrate existing currency risks, the effects of hypothetical changes in relevant currencies on net profit and equity are discussed below on the basis of a currency sensitivity analysis. For this purpose, it was assumed that most monetary financial instruments are already denominated in the functional currency or have been converted into the functional currency using derivative financial instruments. Currency risks therefore lie in the remaining unhedged financial instruments in foreign currencies in respect of which currency fluctuations affect profit or loss. If the euro were up / down 10 percent against the US dollar, the main foreign currency in the Dräger Group, as of the balance sheet date, with all other variables remaining the same, earnings after taxes (pursuant to IFRS 7) would be EUR 3.9 million lower (2013: EUR 4.1 million lower) / EUR 4.8 million higher (2013: EUR 5.0 million higher).

Interest rate risk

As well as variable rate non-current receivables and liabilities from operations, variable rate non-current loan liabilities also give rise to an interest rate risk due to changes in market rates. The Group treasury department conducts monthly risk analyses to determine the risk potential. These analyses are based on the maturity and interest rate lock-down structure as well as liquidity planning. Drägerwerk AG & Co. KGaA counters interest rate risks with a combination of fixed and variable rate financial liabilities and by using normal market hedging instruments. Changes in the market interest rates for primary financial instruments with fixed interest only affect the Group's profit or loss if such instruments are recognized at fair value. Thus none of the fixed-interest financial instruments recognized at amortized cost poses an interest rate risk that would affect cash flows. In order to better illustrate existing interest rate risks, the effects of hypothetical changes in market interest rates on net profit and equity are discussed below on the basis of an interest rate sensitivity analysis. For this purpose, it was assumed that interest rate changes affect primary financial instruments measured at fair value and derivative financial instruments that are not part of a hedging relationship, whose changes in value are recognized in profit or loss. Derivative financial instruments that are part of a cash flow hedge are also affected by interest rate changes, with the changes in value recognized directly in equity.

A hypothetical increase / decrease of 100 basis points in market interest rates as of the balance sheet date, with all other variables remaining the same, would increase earnings after taxes by EUR 1.6 million (2013: EUR 1.4 million) / decrease earnings after taxes by EUR 0.2 million (2013: EUR 0.2 million) and increase equity by EUR 1.1 million (2013: EUR 1.1 million) / decrease equity by EUR 699 thousand (2013: EUR 1.2 million).

Credit risk

The maximum exposure to credit risk is represented by the carrying value of each financial asset, including financial derivatives, in the balance sheet. The Group does not expect any counterparties to derivatives to fail to meet their obligations as they consist exclusively of financial institutions with investment grade ratings. Consequently, the Group considers that its maximum exposure is reflected by the amount of trade receivables and other current assets, net of valuation adjustments recognized as of the balance sheet date.

Derivative financial instruments

Like the hedged items, derivative financial instruments are recognized at fair value, and resulting unrealized gains and losses are recognized in profit or loss as part of the cost of sales or the financial result providing the instruments are not part of a cash flow hedge. If a derivative financial instrument serves as a cash flow hedge, the unrealized gains and losses are recognized directly in equity.

The following positions were held as of the balance sheet date:

DERIVATIVE FINANCIAL INSTRUMENTS

€ thousand	Nominal volume	Fair value Positive	Fair value Negative
December 31, 2014			
Currency hedges	151,863	531	3,408
Interest rate swaps	13,907	–	3,686
	165,770	**531**	**7,094**
December 31, 2013			
Currency hedges	53,075	1,019	216
Interest rate swaps	14,198	–	2,515
	67,273	**1,019**	**2,731**

The positive fair values of the derivatives are disclosed as current and non-current financial assets, the negative fair values as current and non-current financial liabilities.

The currency hedges cover selected foreign currency cash flows from operating activities over the next four years (2013: three years). Currency hedging mainly relates to operations in US dollars and to a lesser extent to operations in pounds sterling, Australian dollars as well as dividends distributed in Swiss francs.

In order to offset the effects of future changes to interest rates on cash flows, the Group concluded interest rate swaps caps.

The interest rate swap has a remaining term of nine years. For the swap, the only contract for which the Group uses hedge accounting, the Group pays variable interest and in turn receives fixed interest. It is used for hedging variable interest rates from a real estate lease agreement. Interest rate swaps are recognized at fair value. The ineffective part of the changes in fair value is recognized in income if such exists as of the balance sheet date.

Netting of financial assets and liabilities

The following financial assets and liabilities are subject to netting due to contractually agreed offsetting procedures:

NETTING OF FINANCIAL ASSETS 2014

€ thousand	Gross amounts of financial assets	Amount of netted financial liabilities	Recognized net amount 2014	Unnetted amount of a netting agreement	Net amount 2014
Positive derivative financial instruments	531	–	531	–217	314
Cash and cash equivalents	296,855	–	296,855	–217	296,638
	297,385	**0**	**297,385**	**–434**	**296,952**

NETTING OF FINANCIAL LIABILITIES 2014

€ thousand	Gross amounts of financial liabilities	Amount of netted financial assets	Recognized net amount 2014	Unnetted amount of a netting agreement	Net amount 2014
Negative derivative financial instruments	7,094	–	7,094	–214	6,880
Liabilities to banks	113,939	–	113,939	–131	113,808
	121,033	**0**	**121,033**	**–345**	**120,688**

NETTING OF FINANCIAL ASSETS 2013

€ thousand	Gross amounts of financial assets	Amount of netted financial liabilities	Recognized net amount 2013	Unnetted amount of a netting agreement	Net amount 2013
Positive derivative financial instruments	1,019	–	1,019	–63	956
Cash and cash equivalents	232,131	–	232,131	–73	232,058
	233,150	**0**	**233,150**	**–136**	**233,014**

NETTING OF FINANCIAL LIABILITIES 2013

€ thousand	Gross amounts of financial liabilities	Amount of netted financial assets	Recognized net amount 2013	Unnetted amount of a netting agreement	Net amount 2013
Negative derivative financial instruments	2,731	–	2,731	–59	2,672
Liabilities to banks	100,602	–	100,602	–91	100,511
	103,333	**0**	**103,333**	**–150**	**103,183**

The netting capabilities result, on the one hand, from the general offsetting claims of the respective banks in the event of liquidity problems. Groups of banks also have offsetting claims within the scope of agreements regarding credit lines that were concluded with these banks. No netting has been applied so far as the necessary criteria have not been fulfilled.

No offsetting claims exist from operating activities within the scope of supply and service relationships. There are also no financial assets or liabilities that are covered by financial collateral (including cash collateral).

44 LEASING

The contracts recognized under IAS 17 and IFRIC 4 as leases are explained below.

Lessee – finance leases

Property leased by the Dräger Group primarily includes real estate as well as office equipment and machinery. The most significant obligations assumed under the lease terms, other than the rental payments themselves, are the upkeep of the facilities and equipment, insurance and taxes on capital. Lease terms generally range from one to five years with options to renew at varying conditions.

The Group had no finance leases with conditional payments in the fiscal year or the prior year.

↗ Note 21

For details of the development of assets used under finance leases, please see our explanations in connection with the statement of non-current assets in Note 21.

Minimum lease payments for the above finance leases are as follows:

MINIMUM LEASE PAYMENTS

€ thousand	2014	2013
During the first year	2,198	1,687
From the second to the fifth year	6,032	4,434
After five years	26,847	27,453
Minimum lease payments	**35,078**	**33,574**
During the first year	1,564	1,551
From the second to the fifth year	3,929	3,793
After five years	5,778	3,996
Present value of minimum lease payments	**11,270**	**9,341**
Interest portion contained in the minimum lease payments	**23,808**	**24,233**

As in the prior year, no future income from non-cancellable subleases was expected as of December 31, 2014.

Minimum lease payments include a leasehold agreement, which stipulates payments into fiscal year 2103.

Lessee – operating leases

Drägerwerk AG & Co. KGaA and its subsidiaries have various operating lease agreements for buildings, machinery, office equipment and other facilities and equipment. Most leases contain renewal options. Some of the leases contain escalation clauses and provide for contingent rents based on percentages of net sales derived from assets held under operating leases. Lease conditions do not contain restrictions concerning dividends, additional debt or further leasing.

Lease expenses comprise the following:

LEASING EXPENSES

€ thousand	2014	2013
Basic lease costs	51,747	52,653
Contingent costs	290	253
Income from subleases	–105	–98
	51,931	**52,808**

Future minimum lease payments outstanding under non-cancellable operating leases are as follows:

MINIMUM LEASE PAYMENTS

€ thousand	2014	2013
During the first year	38,627	40,235
From the second to the fifth year	53,907	51,256
After five years	24,504	23,673
Minimum lease payments	**117,039**	**115,163**

Total expected future minimum income from subleases under non-cancellable operating leases amounted to EUR 55 thousand as of December 31, 2014 (2013: EUR 32 thousand).

Lessor – finance leases

The Dräger Group's main finance leases relate to medical equipment of the medical division, and solutions and personal protection products of the safety division. A receivable was recognized equal to the present value of the minimum lease payments.

Receivables from future lease payments outstanding are shown below:

RECEIVABLES FROM FUTURE LEASE PAYMENTS OUTSTANDING

€ thousand	2014	2013
During the first year	402	315
From the second to the fifth year	674	697
After five years	–	90
Total gross investments in finance leases	**1,076**	**1,102**
During the first year	371	271
From the second to the fifth year	640	644
After five years	–	78
Present value of minimum lease payments outstanding as of the balance sheet date	**1,011**	**994**
Unearned finance income	**65**	**108**

As in the prior year, bad debt allowances for uncollectible minimum lease payments were not required as of December 31, 2014.

Lessor – operating leases

The Dräger Group's main operating leases relate to medical equipment of the medical division, and solutions and gas detection products of the safety division.

From the current fiscal year, Dräger reported equipment leased out under property, plant and equipment, rather than separately under other non-current assets. For information on assets leased under operating leases, we also refer to our comments in Note 21.

↗ Note 21

Future minimum lease payments outstanding under non-cancellable operating leases are as follows:

MINIMUM LEASE PAYMENTS

€ thousand	2014	2013
During the first year	13,035	13,821
From the second to the fifth year	17,531	26,609
After five years	1,923	–
	32,489	**40,431**

As in the prior year, no contingent rents were recognized in profit or loss in fiscal year 2014.

45 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

As in the prior year, the Dräger Group did not have any contingent liabilities.

Other financial obligations

As of December 31, 2014, other financial obligations amount to a total of EUR 190,371 thousand (2013: EUR 172,468 thousand) and are structured as follows:

a) Rental and lease agreements

↗ Note 44

For other financial obligations from rental and lease agreements of EUR 152,117 thousand (2013: EUR 148,737 thousand), please refer to our comments in Note 44 (lessee – operating leases).

b) Purchase obligations

In line with the usual requirements, Drägerwerk AG & Co. KGaA has also entered into purchase obligations with other service providers in order to guarantee the availability of IT services. Due to the centralization of IT activities at Drägerwerk AG & Co. KGaA, the Company assumed all existing long-term obligations to IT service providers of the medical and safety divisions. As a result of outstanding orders, the Group had obligations to purchase intangible assets of EUR 83 thousand (2013: EUR 386 thousand) and items of property, plant and equipment of EUR 28,112 thousand (2013: EUR 13,285 thousand) as of December 31, 2014.

c) Investment allowance for MOLVINA

Based on the decision of Investitionsbank Schleswig-Holstein on November 1, 2005, Dräger Medical GmbH and MOLVINA Vermietungsgesellschaft mbH & Co. Finkenstrasse KG, both jointly and severally liable, were granted an allowance for investment costs of EUR 7,829 thousand for the medical division's new building, which has been fully paid out. The grant can only be used for this specific purpose and is subject to the fulfillment of specific conditions, all of which relate to Dräger's use of the building. If these conditions are not fulfilled within the contractually stipulated period of seven years (ending 2015), the amount paid out must be repaid.

d) Investment allowance for DRENITA

Based on the decision of Investitionsbank Schleswig-Holstein on August 18, 2010, Dräger Medical GmbH and DRENITA Grundstücks-Vermietungsgesellschaft mbH & Co. KG, both jointly and severally liable, were granted an allowance for investment costs of a maximum of EUR 2,230 thousand for the new production and logistics building for the Infrastructure Projects business in Lübeck, which was completed in fiscal year 2011. EUR 1,780 thousand was paid out in 2013 and EUR 450 thousand in 2012. The grant can only be used for this specific purpose and is subject to the fulfillment of specific conditions, all of which relate to Dräger's use of the building. If these conditions are not fulfilled within the contractually stipulated period of five years (ending 2016), the amount paid out must be repaid.

e) Litigation

Companies of the Dräger Group were involved in litigation and claims for damages in connection with business activities as of December 31, 2014. The Executive Board of the general partner believes that the outcome of such litigation and claims will not have any further material adverse effect on the Company's net assets, financial position or results of operations over and above the provisions which have already been recognized.

It is not to be expected for these contingent liabilities to materialize into actual liabilities for which no provision has been recognized yet.

46 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Dräger medical division	
		2014	2013
Order intake	**€ million**	**1,576.2**	**1,558.6**
Orders on hand [1]	**€ million**	**307.9**	**309.8**
Net sales	**€ million**	**1,585.4**	**1,544.7**
thereof intersegment net sales	€ million	1.1	1.0
thereof third party net sales	€ million	1,584.3	1,543.7
EBITDA [2]	**€ million**	**157.2**	**179.4**
Depreciation / amortization	€ million	–28.3	–26.1
EBIT [3]	**€ million**	**128.9**	**153.3**
Interest result	€ million		
Income taxes	€ million		
Net profit	**€ million**		
thereof profit / loss from investments in associates	€ million		
Research and development expenses	**€ million**	**151.7**	**141.5**
Cash flow from operating activities	**€ million**	**132.7**	**25.6**
Capital employed [1, 4]	**€ million**	**679.5**	**681.2**
Assets	**€ million**	**1,109.4**	**1,071.3**
thereof investments in associates	€ million	–	–
Liabilities	**€ million**	**411.3**	**381.5**
Net financial debt [1]	**€ million**		
Investments	**€ million**	**39.4**	**36.1**
Non-cash expenses [5]	€ million	145.3	128.3
EBIT [3] / net sales	**%**	**8.1**	**9.9**
EBIT [3, 6] / capital employed [1, 4] (ROCE)	**%**	**19.0**	**22.5**
Net financial debt [1] / EBITDA [2, 6]	**Factor**		
Gearing factor [7]	**Factor**		
DVA [6, 8]	**€ million**	**69.2**	**97.5**
Headcount as of December 31		**7,458**	**7,319**

[1] Value as of December 31
[2] EBITDA = earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = Earnings before net interest result and income taxes
[4] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities

Drägerwerk AG & Co. KGaA reports on the medical and safety divisions. The Executive Board bases its business decisions on information provided by these two operating segments. Drägerwerk AG & Co. KGaA / other companies comprise all group companies that are not directly allocated to one of the two operating segments. These companies mainly deal with strategic cross segment controls or real estate management.

	Dräger safety division		Drägerwerk AG & Co. KGaA / other companies		Consolidation		Dräger Group	
	2014	2013	2014	2013	2014	2013	2014	2013
	883.7	859.8	13.4	15.5	–57.8	–49.3	2,415.5	2,384.6
	160.2	167.1	–	–	–4.5	–1.5	463.6	475.4
	890.9	864.4	13.4	15.5	–55.1	–50.5	2,434.7	2,374.2
	42.7	36.2	11.3	13.3	–55.1	–50.5	–	–
	848.2	828.2	2.2	2.2	–	–	2,434.7	2,374.2
	117.6	116.0	141.7	230.1	–160.9	–255.2	255.6	270.3
	–29.2	–26.7	–20.1	–16.6	0.6	–0.1	–77.0	–69.5
	88.4	89.2	121.6	213.5	–160.3	–255.2	178.6	200.8
							–25.0	–23.5
							–48.9	–57.5
							104.7	119.9
							0.2	0.3
	58.4	58.1	2.2	1.9	–0.3	–0.0	212.0	201.5
	65.8	57.1	107.8	173.1	–118.4	–187.4	188.0	68.3
	256.3	227.0	804.9	750.6	–633.5	–605.9	1,107.2	1,052.9
	431.4	391.2	870.2	850.4	–639.9	–634.3	1,771.0	1,678.5
	–	–	0.3	0.3	–	–	0.3	0.3
	163.3	156.2	76.7	77.9	–22.6	–32.2	628.7	583.4
							10.7	110.0
	43.7	35.9	42.1	38.6	–0.4	–	124.7	110.6
	65.6	75.9	24.1	32.7	–0.1	–8.4	234.8	228.5
	9.9	10.3					7.3	8.5
	34.5	39.3					16.1	19.1
							0.04	0.41
							0.01	0.13
	66.1	69.3					81.6	113.9
	5,360	5,131	919	884	–	–	13,737	13,334

[5] The prior-year non-cash expenses figures were adjusted for tax provisions.
[6] Value of the last twelve months
[7] Gearing = Ratio of net financial debt to equity
[8] Dräger Value Added = EBIT less "cost of capital"

The medical division develops, produces and markets system solutions, equipment and services for the optimization of processes at the acute point of care. These include emergency care, perioperative care (in connection with the operation), critical care and also perinatal care (in connection with childbirth). The safety division develops, produces and markets products, system solutions and services for personal protection, gas detection technology and integrated hazard management. Its customers come from industry, mining and public sectors such as fire departments, police and disaster protection.

Consolidation amounts essentially relate to elimination of order intake and net sales between segments, the elimination of income from investments and, in the case of assets, the effects of consolidation of investments.

The segment reports were prepared in accordance with IFRS as applied in the Group financial statements.

The key figures from the segment report are as follows:

EBIT / EBITDA

€ million	2014	2013
Net profit	104.7	119.9
+ Interest result	25.0	23.5
+ Income taxes	48.9	57.5
EBIT	**178.6**	**200.8**
+ Depreciation / amortization	77.0	69.5
EBITDA	**255.6**	**270.3**

CAPITAL EMPLOYED

€ million	2014	2013
Total assets	2,234.1	2,065.0
– Deferred tax assets	– 119.5	– 111.9
– Cash and cash equivalents	– 296.9	– 232.1
– Non-interest-bearing liabilities	– 710.6	– 668.1
Capital employed	**1,107.2**	**1,052.9**

ASSETS

€ million	2014	2013
Total assets	2,234.1	2,065.0
– Other financial assets	– 2.1	– 2.4
– Deferred tax assets	– 119.5	– 111.9
– Tax refund claims (current and non-current)	– 44.6	– 40.0
– Cash and cash equivalents	– 296.9	– 232.1
Assets	**1,771.0**	**1,678.5**

LIABILITIES

€ million	2014	2013
Liabilities recognized in the balance sheet	1,337.5	1,249.0
– Provisions for pensions and similar obligations	–297.0	–217.2
– Tax liabilities and deferred tax liabilities	–83.4	–86.3
– Interest-bearing liabilities	–328.4	–362.1
Liabilities	**628.7**	**583.4**

NET FINANCIAL DEBT

€ million	2014	2013
Non-current interest-bearing loans	168.6	252.3
+ Current loans and liabilities to banks	127.7	80.5
+ Non-current and current liabilities from finance lease	11.3	9.3
– Cash and cash equivalents	–296.9	–232.1
Net financial debt	**10.7**	**110.0**

NON-CASH EXPENSES

€ million	2014	2013
Write-downs on inventories	31.1	26.8
+ Losses from bad debt allowances	11.5	6.8
+ Allocations to provisions	192.3	195.0
Non-cash expenses	**234.8**	**228.5**

DVA

€ million	2014	2013
EBIT	178.6	200.8
– Cost of capital	–97.0	–87.1
DVA	**81.6**	**113.8**

The business performance of the individual segments is detailed in the management report. Services rendered between the divisions follow the arm's length principle.

SEGMENT PERFORMANCE BY REGION

		Dräger medical division	
		2014	2013
Net sales by region	**€ million**	**1,585.4**	**1,544.7**
Europe	€ million	824.7	809.1
thereof Germany	€ million	315.1	305.4
Americas	€ million	335.5	325.2
Asia / Pacific	€ million	275.2	260.9
Middle East, Africa & Others	€ million	150.0	149.5
Assets by region	**€ million**	**1,109.4**	**1,071.3**
Europe	€ million	689.6	711.2
thereof Germany	€ million	484.0	484.2
Americas	€ million	209.2	194.9
Asia / Pacific	€ million	125.5	105.4
Middle East, Africa & Others	€ million	85.0	59.8
Investments by region [1, 2]	**€ million**	**39.4**	**36.1**
Europe	€ million	17.4	15.2
thereof Germany	€ million	12.0	11.4
Americas	€ million	6.1	7.1
Asia / Pacific	€ million	13.7	11.8
Middle East, Africa & Others	€ million	2.3	2.0

[1] Excluding other financial assets, tax refund claims and non-interest-bearing assets
[2] Intangible assets and property, plant and equipment

	Dräger safety division		Drägerwerk AG & Co. KGaA / other companies		Consolidation		Dräger Group	
	2014	2013	2014	2013	2014	2013	2014	2013
	890.9	**864.4**	**13.4**	**15.5**	**–55.1**	**–50.4**	**2,434.7**	**2,374.2**
	575.2	555.5	13.4	15.5	–53.0	–49.3	1,360.4	1,330.8
	206.0	198.8	13.4	15.5	–47.9	–47.0	486.6	472.8
	138.1	134.8			–2.9	–0.2	470.7	459.7
	128.0	132.0			–0.8	–0.6	402.4	392.2
	49.6	42.1			1.6	–0.2	201.1	191.4
	431.4	**391.2**	**870.2**	**850.4**	**–639.9**	**–634.3**	**1,771.0**	**1,678.5**
	302.7	290.2	870.2	848.9	–634.5	–624.9	1,228.0	1,225.3
	159.1	151.6	870.2	848.9	–637.9	–732.1	875.4	752.6
	68.6	52.7	–	1.5	–4.0	–8.4	273.8	240.6
	53.6	45.0	–	–	–1.0	–0.9	178.1	149.5
	6.6	3.4	–	–	–0.4	–0.1	91.2	63.2
	43.7	**35.9**	**42.1**	**38.6**	**–0.4**	**–**	**124.7**	**110.6**
	29.7	25.3	42.0	38.2	–0.4	–	88.7	78.7
	14.6	14.0	42.0	38.2	–0.4	–	68.3	63.6
	10.7	6.9	0.0	0.4	–0.0	–	16.8	14.4
	2.4	3.5	–	–	–0.0	–	16.1	15.3
	0.8	0.1	–	–	–0.0	–	3.1	2.2

47 NOTES TO THE CASH FLOW STATEMENT

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

In fiscal year 2014, Dräger Group's cash inflow from operating activities amounted to EUR 188.0 million compared to cash inflow of EUR 68.3 million in the prior-year period. The drop in trade receivables of EUR 1.6 million as part of receivables management (2013: increase of EUR 69.5 million) was the main contributor to this development. At the same time, trade payables increased by EUR 25.2 million (2013: EUR 6.4 million). In addition, at EUR 1.1 million, the value of inventories only increased slightly, which also had a positive effect on the cash inflow from operating activities (2013: EUR 26.4 million). The decline in earnings after income taxes – adjusted for write-downs, changes to cash neutral provisions as well as other non-cash earnings / expenses – decreased from EUR 190.0 million to EUR 186.3 million compensate for this effect.

The cash inflow from operating activities includes EUR 43.3 million in income taxes paid (2013: EUR 48.5 million), EUR 3.4 million in interest received (2013: EUR 4.1 million) and EUR 21.2 million in interest paid (2013: EUR 20.4 million).

At EUR 102.6 million, cash outflow from investing activities increased (2013: EUR 86.5 million). Of the investments in property, plant and equipment, EUR 45.5 million was invested in the Lübeck site for one new building and as a consequence of measures to modernize and remodel buildings. Further investments of EUR 7.4 million and EUR 3.7 million were made in production sites in China and the Czech Republic respectively. EUR 3.5 million was also invested as part of the moving of the merged Swiss subsidiaries to a single facility. The cash outflow from the acquisition of subsidiaries of EUR 2.7 million resulted exclusively from the acquisition of shares in Dräger-Simsa S.A. (please refer to our comments in Notes 5).

↗ Note 5

Cash outflow from financing activities of EUR 26.3 million was primarily impacted by the repayment of a note loan in the amount of EUR 50.0 million. By contrast, the exercise of eleven share options on preferred shares brought in a total of EUR 34.9 million. In addition, dividends in the amount of EUR 19.8 million (2013: EUR 21.9 million) were paid to our shareholders.

Cash and cash equivalents as of December 31, 2014 exclusively comprised cash, of which EUR 8.4 million (December 31, 2013: EUR 6.1 million) was subject to restrictions.

Unused credit lines came to EUR 316.9 million as of December 31, 2014 (2013: EUR 334.0 million) and are subject to restrictions applicable in the market.

48 REMUNERATION OF THE EXECUTIVE AND SUPERVISORY BOARDS

Executive Board remuneration

Total remuneration for Executive Board members amounted to EUR 2,742,455 in fiscal year 2014 (2013: EUR 2,894,840). This amount is made up of non-performance related payments of EUR 1,891,104 (2013: EUR 1,845,612), performance related short-term payments of EUR 851,351 (2013: EUR 1,046,576) as well as share-based remuneration with long-term incentives in the amount of EUR 0 (2013: EUR 2,652).

The provision for the bonus reserve for members of the Executive Board – as a long-term, performance-related component – was terminated in 2014 due to DVA developments (provision for 2013: EUR 271 thousand).

If Executive Board remuneration is paid by Drägerwerk Verwaltungs AG, pursuant to Sec. 11 (1) and (3) of the articles of association of Drägerwerk AG & Co. KGaA it is entitled to claim reimbursement from Drägerwerk AG & Co. KGaA monthly. Pursuant to Sec. 11 (4) of the Company's articles of association, the general partner receives a fee, independent of profit and loss, of 6 percent of the equity disclosed in its financial statements, payable one week after the general partner prepares its financial statements, for the management of the Company and the assumption of personal liability. For fiscal year 2014, this remuneration amounts to EUR 83,498 (2013: EUR 80,167) plus potentially incurred VAT.

Obligations to Executive Board members under pension plans are stated in the financial statements 2014 at EUR 4,460,629 (2013: EUR 2,601,391).

In fiscal year 2014, the Company made pension provisions contributions of EUR 1,859,238 for members of the Executive Board (2013: EUR 446,159).

EUR 3,304,846 was paid to former members of the Executive Board and their surviving dependents (2013: EUR 3,227,995). Pension commitments to former members of the Executive Board and their surviving dependents amounted to EUR 48,674,558 (2013: EUR 42,655,573).

If an Executive Board member dies during his or her active service on the Board, the surviving spouse is entitled to Dräger widow's pension and any remaining children have claim to Dräger orphan's pension. The annual Dräger widow's and widower's pension amounts to 55 percent of the Dräger pension received by or which would have been received by the deceased executive if said executive would have been unable to work when they died (notional invalidity pension). The amount of Dräger orphan's pension is 10 percent of the fictitious reduction in earning capacity pension or the current Dräger pension of the deceased Executive Board member.

Supervisory Board remuneration

The annual shareholders' meeting of Drägerwerk AG & Co. KGaA has defined Supervisory Board remuneration in the articles of association since fiscal year 2011. Supervisory Board remuneration for fiscal year 2014 came to EUR 527,480 (2013: EUR 592,309).

In fiscal year 2014, the total remuneration of the six members of the Supervisory Board of the general partner, Drägerwerk Verwaltungs AG, amounted to EUR 135,000 (2013: EUR 135,041) as well as additional flat fees for out-of-pocket expenses totaling EUR 55,000 (2013: EUR 55,028). No remuneration was paid to Supervisory Board members of Group companies.

Further information on the itemized remuneration of the Executive Board and the Supervisory Board can be found in the remuneration report.

49 SHARES OWNED BY THE EXECUTIVE AND SUPERVISORY BOARDS

As of December 31, 2014, the members of the Executive Board of Drägerwerk Verwaltungs AG and their related parties directly held 6,108 preferred shares in Drägerwerk AG & Co. KGaA, equivalent to 0.04 percent of the Company's total shares, and 114,605 common shares, corresponding to 0.66 percent of the Company's total shares.

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

On December 31, 2014, the members of the Supervisory Board and their related parties directly or indirectly held a total of 244 preferred shares, equivalent to less than 0.01 percent of the Company's total shares, but did not hold only common shares (directly or indirectly).

50 RELATED PARTY TRANSACTIONS

Services were rendered for Stefan Dräger and companies related to him, the Dräger-Stiftung and the Dräger-Familienstiftung (Dräger Foundation and Dräger Family Foundation) totaling EUR 73 thousand (2013: EUR 279 thousand as well as for services rendered in 2012 of EUR 94 thousand) in fiscal year 2014. Receivables in this respect amounted to EUR 63 thousand on December 31, 2014 (2013: EUR 4 thousand). Stefan Dräger gifted Dräger Gebäude und Service GmbH an electric car in fiscal year 2014.

Drägerwerk AG & Co. KGaA rendered rental services and other services totaling EUR 122 thousand for associate MAPRA Assekuranzkontor GmbH in fiscal year 2014 (2013: EUR 100 thousand). Receivables in this respect amounted to EUR 3 thousand on December 31, 2014 (2013: EUR 2 thousand); there were no liabilities.

Claudia Dräger, Stefan Dräger's wife, has an employment contract with Drägerwerk AG & Co. KGaA, which was concluded at arm's length terms and conditions. The remuneration of the employee representatives on the Supervisory Board for work performed in addition to the Supervisory Board activities was also concluded at arm's length terms and conditions. Overall, remuneration is of immaterial importance for the Dräger Group.

Dräger Verwaltungs AG is the general partner of Drägerwerk AG & Co. KGaA and holds 0 percent of the capital. Only a few transactions are conducted with the general partner as it only exercises administrative functions. The general partner is entitled to compensation for all expenses incurred in association with the management of Drägerwerk AG & Co. KGaA, including the contractually agreed remuneration for its executive bodies. These expenses comprise the remuneration of the Executive Board, the remuneration of its Supervisory Board, liability remuneration, as well as other expenses. Liabilities to Drägerwerk Verwaltungs AG amounted to EUR 2.7 million as of December 31, 2014 (2013: EUR 2.9 million).

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

51 ADDITIONAL INFORMATION

Auditor's fee

The total fee charged by the auditor – PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft – in fiscal year 2014 for the audit of the Group financial statements amounted to EUR 1,018 thousand (2013: EUR 1,069 thousand) for the audit of the financial statements, EUR 377 thousand (2013: EUR 488 thousand) for other audit services, EUR 23 thousand (2013: EUR 0 thousand) for other services, and EUR 0 thousand (2013: EUR 179 thousand) for tax consultancy.

The audit report was signed by Dr. Peter Bartels and Dr. Andreas Focke from PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. The audit opinion for fiscal year 2014 was the sixth one that Dr. Andreas Focke has signed in a row. Dr. Peter Bartels signed his first audit report for the Dräger Group.

Corporate governance declaration

Drägerwerk AG & Co. KGaA's declaration of conformity under the terms of Sec. 161 AktG (Aktiengesetz – German Stock Corporation Act) has been issued and made permanently available to the shareholders in December 2014 at www.draeger.com.

For further Information
www.draeger.com

52 CONSOLIDATED COMPANIES OF THE DRÄGER GROUP

CONSOLIDATED COMPANIES

	Name and registered office	Capital stock in LCU thousand	Share-holding in %
Germany			
	Dräger Medical GmbH, Lübeck	200 EUR	100 [1]
	Dräger Safety AG & Co. KGaA, Lübeck	25,739 EUR	100 [1]
	Dräger Medical Deutschland GmbH, Lübeck	2,000 EUR	100 [1]
	Dräger Electronics GmbH, Lübeck	2,000 EUR	100
	Dräger Medizin System Technik GmbH, Lübeck	1,023 EUR	100
	Dräger Safety Verwaltungs AG, Lübeck	1,000 EUR	100 [1]
	Dräger TGM GmbH, Lübeck	767 EUR	100 [1]
	Dräger MSI GmbH, Hagen	1,000 EUR	100
	Dräger Medical ANSY GmbH, Lübeck	500 EUR	100 [1]
	Dräger Interservices GmbH, Lübeck	256 EUR	100 [1]
	Dräger Gebäude und Service GmbH, Lübeck	250 EUR	100 [1]
	Dräger Medical International GmbH, Lübeck	102 EUR	100 [1]
	MAPRA Assekuranzkontor GmbH, Lübeck	55 EUR	49 [2]
	Fachklinik für Anästhesie und Intensivmedizin Vahrenwald GmbH, Lübeck	26 EUR	100
	Dräger Energie GmbH, Lübeck	25 EUR	100
	FIMMUS Grundstücks-Vermietungs GmbH, Lübeck	25 EUR	100 [1,4]
	Dräger Finance Services GmbH & Co. KG, Bad Homburg v. d. Höhe	511 EUR	95 [4]
	OPTIO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Lübeck	26 EUR	100 [4]
	FIMMUS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Lübeck KG, Lübeck	10 EUR	100 [4]
	HAMUS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Lübeck KG, München	10 EUR	100 [3,4]
	MOLVINA Vermietungsgesellschaft mbH & Co. Objekt Finkenstraße KG, Düsseldorf	5 EUR	100 [4]
	DRENITA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Fertigung Dräger Medizintechnik KG, Düsseldorf	10 EUR	100 [4]
	Dräger Grundstücksverwaltungs GmbH, Lübeck	25 EUR	100
	Dräger Holding International GmbH, Lübeck	25 EUR	100
	FUNDUS Grundstücksverwaltungs-GmbH & Co. KG, Lübeck	3,985 EUR	100 [4]
Europe			
Belgium	Dräger Medical Belgium NV, Wemmel	1,503 EUR	100
	Dräger Safety Belgium NV, Wemmel	789 EUR	100
Bulgaria	Draeger Medical Bulgaria EOOD, Sofia	705 BGN	100
	Draeger Safety Bulgaria EOOD, Sofia	500 BGN	100

[1] Relief in accordance with Sec. 264 (3) HGB.
[2] This company was consolidated as special purpose entities pursuant to SIC 12 in conjunction with IAS 27.
[3] Relief in accordance with Sec. 264b HGB.
[4] Capital stock in local currency (not in LCU thousand)

CONSOLIDATED COMPANIES

	Name and registered office	Capital stock in LCU thousand	Share-holding in %
Europe (Fortsetzung)			
Denmark	Dräger Safety Danmark A/S, Herlev	5,000 DKK	100
	Dräger Medical Danmark A/S, Allerod	4,110 DKK	100
Finland	Dräger Suomi Oy, Helsinki	802 EUR	100
France	Dräger Médical SAS, Antony	8,000 EUR	100
	Draeger Safety France SAS, Strasbourg	1,470 EUR	100
	AEC SAS, Antony	70 EUR	100
Greece	Draeger Hellas A.E. for Products of Medical and Safety Technology, Athen	1,500 EUR	100
Great Britain	Draeger Safety UK Ltd., Blyth	7,589 GBP	100
	Draeger Medical UK Ltd., Hemel Hempstead	4,296 GBP	100
Ireland	Draeger Medical Ireland Ltd., Dublin	25 EUR	100
Italy	Draeger Medical Italia S.p.A., Corsico-Milano	7,400 EUR	100
	Draeger Safety Italia S.p.A., Corsico-Milano	1,033 EUR	100
Croatia	Dräger Medical Croatia d.o.o., Zagreb	4,182 HRK	100
	Dräger Safety d.o.o., Zagreb	2,300 HRK	100
Netherlands	Dräger Nederland B.V., Zoetermeer	10,819 EUR	100
	Dräger Medical Netherlands B.V., Zoetermeer	18 EUR	100
Norway	Dräger Safety Norge AS, Oslo	1,129 NOK	100
	Dräger Medical Norge AS, Drammen	16,371 NOK	100
Austria	Dräger Medical Austria GmbH, Wien	2,000 EUR	100
Poland	Dräger Polska sp.zo.o., Bydgoszcz	4,655 PLN	100
	Dräger Safety Polska sp.zo.o., Bytom	1,000 PLN	100
Portugal	Dräger Portugal, LDA, Lissabon	1,000 EUR	100
Romania	Dräger Medical Romania SRL, Bukarest	205 RON	100
	Dräger Safety Romania SRL, Bukarest	1,540 RON	100
Russia	Draeger OOO, Moscow	3,600 RUB	100
Sweden	Dräger Safety Sverige AB, Partille	6,000 SEK	100
	Dräger Medical Sverige AB, Kista	2,000 SEK	100
	ACE Protection AB, Svenljunga	100 SEK	100
Switzerland	Dräger Schweiz AG, Liebefeld-Bern	3,000 CHF	100
Serbia	Draeger Tehnika d.o.o., Beograd	21,385 RSD	100
Slovakia	Dräger Slovensko s.r.o., Piestany	597 EUR	100
Slovenia	Dräger Slovenija d.o.o., Ljubljana-Crnuce	344 EUR	100
Spain	Dräger Medical Hispania SA, Madrid	3,606 EUR	100
	Dräger Safety Hispania SA, Madrid	2,404 EUR	100
Czech Republic	Dräger Medical s.r.o., Prag	18,314 CZK	100
	Dräger Safety s.r.o., Prag	29,186 CZK	100
	Dräger Chomutov s.r.o., Chomutov	65,435 CZK	100
Turkey	Draeger Medikal Ticaret ve Servis Anonim Sirketi, Istanbul	1,270 TRY	88.75
	Draeger Safety Korunma Teknolojileri Limited Sirketi, Ankara	70 TRY	90

CONSOLIDATED COMPANIES

	Name and registered office	Capital stock in LCU thousand	Share-holding in %
Europe (Fortsetzung)			
Hungary	Dräger Safety Hungaria Kft., Budapest	66,300 HUF	100
	Dräger Medical Hungary Kft., Budapest	94,800 HUF	100
Africa			
Morocco	Draeger Maroc SARLAU, Casablanca	8,720 MAD	100
South Africa	Dräger South Africa (Pty.) Ltd., Bryanston	4,000 ZAR	100
	Dräger Medical South Africa (Pty.) Ltd., Johannesburg	200 ZAR	69 [5]
	Dräger Safety Zenith (Pty.) Ltd., King William's Town	5,000 ZAR	100
Americas			
Argentina	Dräger Argentina SA, Buenos Aires	18,206 ARS	100
Brazil	Dräger do Brasil Ltda., São Paulo	27,021 BRL	100
	Dräger Industria e Comércio Ltda., São Paulo	8,132 BRL	100
	Dräger Safety do Brasil Equipamentos de Segurança Ltda., São Paulo	18,660 BRL	100
Chile	Dräger Chile Ltda., Santiago	1,284,165 CLP	100
	Dräger-Simsa S.A., Santiago	573,633 CLP	51
Canada	Draeger Safety Canada Ltd., Mississauga / Ontario	2,280 CAD	100
	Draeger Medical Canada Inc., Richmond Hill / Ontario	2,000 CAD	100
Colombia	Draeger Colombia SA, Bogota D.C.	1,500,000 COP	100
Mexico	Draeger Safety S.A. de C.V., Querétaro	50 MXN	100
	Dräger Medical Mexico S.A. de C.V., Mexiko D.F.D.	50 MXN	100
Panama	Draeger Panama S. de R.L., Panama	180 USD	100
	Draeger Panama Comercial, S. de R.L., Panama	700 USD	100
Peru	Draeger Peru S.A.C., Piso Miraflores-Lima	9,809 PEN	100
USA	Draeger Medical, Inc., Telford	356 USD	100
	Draeger Safety, Inc., Pittsburgh	1,930 USD	100
	Draeger Safety Diagnostics, Inc., Durango	2 USD	100 [5]
	Draeger Medical Systems, Inc., Telford	100 USD	100 [5]
	Draeger Interservices, Inc., Pittsburgh	40 USD	100
Venezuela	Draeger Medical Venezuela S.A., Caracas	460 VEF	100

[5] Capital stock in local currency (not in LCU thousand)

CONSOLIDATED COMPANIES

	Name and registered office	Capital stock in LCU thousand	Share-holding in %
Asia / Australia			
P. R. China	Shanghai Dräger Medical Instrument Co., Ltd., Shanghai	22,185 CNY	100
	Draeger Safety Equipment (China) Co., Ltd., Beijing	50,000 CNY	100
	Dräger Medical Equipment (Shanghai) Co., Ltd., Shanghai	8,287 CNY	100
	Draeger Hong Kong Limited, Wanchai	500 HKD	100
	Draeger Medical Systems (Shanghai) Co., Ltd., Shanghai	70,000 CNY	100
India	Draeger Medical (India) Pvt. Ltd., Mumbai	150,000 INR	100
	Draeger Safety India Pvt. Ltd., Mumbai	60,000 INR	100
Indonesia	PT Draegerindo Jaya, Jakarta	3,384,000 IDR	100
	PT Draeger Medical Indonesia, Jakarta	18,321,000 IDR	100
Japan	Draeger Medical Japan Ltd., Tokio	549,000 JPY	100
	Draeger Safety Japan Ltd., Tokio	81,000 JPY	100
Saudi Arabia	Draeger Arabia Co. Ltd., Riyadh	40,000 SAR	51
Singapore	Draeger Safety Asia Pte Ltd., Singapore	3,800 SGD	100
	Draeger Medical South East Asia Pte Ltd., Singapore	8,360 SGD	100
South Korea	Draeger Korea Co., Ltd., Seoul	2,100,020 KRW	100
Taiwan	Draeger Safety Taiwan Co., Ltd., Hsinchu City	5,000 TWD	100
	Draeger Medical Taiwan Ltd., Taipei	10,000 TWD	100
Thailand	Draeger Medical (Thailand) Ltd., Bangkok	3,000 THB	100
	Draeger Safety (Thailand) Ltd., Bangkok	15,796 THB	100
Vietnam	Draeger Medical Vietnam Co., Ltd., Ho Chi Minh City	9,552,478 VND	100
Australia	Draeger Safety Pacific Pty. Ltd., Notting Hill	5,875 AUD	100
	Draeger Medical Australia Pty. Ltd., Notting Hill	3,800 AUD	100

53 SUBSEQUENT EVENTS

Distribution

The general partner and the Supervisory Board of Drägerwerk AG & Co. KGaA, Lübeck, plan to propose to distribute out of the net earnings of Drägerwerk AG & Co. KGaA of EUR 459.1 million for fiscal year 2014 a cash dividend of EUR 1.33 per common share and EUR 1.39 per preferred share, totaling EUR 23.4 million. The remaining amount of EUR 435.7 million will be carried forward to new account. The preferred share dividend also governs the dividend for participation certificates, which will amount to EUR 13.90 each – ten times the preferred share dividend.

Lübeck, February 17, 2015

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Anton Schrofner

Management compliance statement

We confirm to the best of our knowledge that, in accordance with the applicable financial reporting framework, the Group financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, the Group management report presents business performance including business results and the situation of the Group so as to give a true and fair view, and that the material opportunities and risks relating to the Group's development have been described.

Lübeck, February 17, 2015

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Anton Schrofner

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Drägerwerk AG & Co. KGaA, Lübeck, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of Drägerwerk AG & Co. KGaA, Lübeck, for the business year from January 1, 2014 to December 31, 2014. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the "Institut der Wirtschaftsprüfer" (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and in the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, February 19, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels	Dr. Andreas Focke
(German Public Auditor)	(German Public Auditor)

The Company's Boards

SUPERVISORY BOARD OF DRÄGERWERK AG & CO. KGAA

Chairman

Prof. Dr. Nikolaus Schweickart

Lawyer, Bad Homburg
Former Chairman of the Executive Board of ALTANA AG, Bad Homburg

Supervisory Board memberships:
– Drägerwerk Verwaltungs AG, Lübeck (Chairman)
– Dräger Medical GmbH, Lübeck (Chairman)
– Dräger Safety AG & Co. KGaA, Lübeck (Chairman)
– Dräger Safety Verwaltungs AG, Lübeck (Chairman)

Memberships on comparable boards of German or foreign companies:
– Diehl-Stiftung & Co. KG, Nuremberg (Chairman of the Advisory Board)
– Max-Planck-Innovation GmbH, Munich (Advisory Board)

Vice-Chairman

Siegfrid Kasang

Works Council Chairman of Dräger Medical GmbH, Lübeck, until February 26, 2014
Group Works Council Chairman of Drägerwerk AG & Co. KGaA, Lübeck, until February 26, 2014
Group Works Council Chairman of Dräger, Lübeck, from March 27, 2014
Dräger Lübeck Works Council Chairman, Lübeck, from February 27, 2014

Supervisory Board memberships:
– Dräger Medical GmbH, Lübeck

Klaus-Dieter Fett (from July 1, 2014)

Group Works Council Chairman of Dräger Medical Deutschland GmbH, Lübeck, until February 26, 2014
Works Council Chairman, Germany, from March 12, 2014

Supervisory Board memberships:
– Dräger Medical Deutschland GmbH, Lübeck

Daniel Friedrich

District secretary of the metalworkers' union IG Metall Küste, Hamburg

Supervisory Board memberships:
– Dräger Medical GmbH, Lübeck, (Vice-Chairman)
– Dräger Safety AG & Co. KGaA, Lübeck

Klaus-Dieter Fürstenberg (since June 30, 2014)

Group Works Council Chairman of Dräger Medical Deutschland GmbH, Lübeck

Supervisory Board memberships:
– Dräger Medical Deutschland GmbH, Lübeck (Vice-Chairman)

Prof. Dr. Thorsten Grenz

Managing Partner of KIMBRIA Gesellschaft für Beteiligung und Beratung mbH, Berlin
Professor of Economics and Social Sciences at Christian-Albrechts University, Kiel

Supervisory Board memberships:
– Drägerwerk Verwaltungs AG, Lübeck
– Dräger Medical GmbH, Lübeck
– Dräger Safety AG & Co. KGaA, Lübeck
– Dräger Safety Verwaltungs AG, Lübeck

Stefan Klein

Officer of Dräger Medical GmbH, Lübeck

Supervisory Board memberships:
– Dräger Medical GmbH, Lübeck

Stefan Lauer

Former Executive Board member of Deutsche Lufthansa AG, Frankfurt

Supervisory Board memberships:
– Lufthansa Cargo AG, Frankfurt
– Drägerwerk Verwaltungs AG, Lübeck
– Dräger Medical GmbH, Lübeck
– Dräger Safety AG & Co. KGaA, Lübeck

Memberships on comparable boards of German or foreign companies:
– Aircraft Maintenance and Engineering Corp., Beijing, (Vice-Chairman), until July 31, 2014
– Günes Ekspres Havacilik A. S. (Sun Express), Antalya (Vice-Chairman)
– Landesbank Hessen-Thüringen Girozentrale, Frankfurt, Board of Directors
– People at Work Systems AG, Munich, from January 1, 2015

Uwe Lüders

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

Supervisory Board memberships:
– Drägerwerk Verwaltungs AG, Lübeck
– Dräger Medical GmbH, Lübeck
– Dräger Safety AG & Co. KGaA, Lübeck

Prof. Dr. Klaus Rauscher

Former Chairman of the Management Board of Vattenfall Europe AG, Berlin

Supervisory Board memberships:
– Deutsche Annington Immobilien SE, Düsseldorf
– Drägerwerk Verwaltungs AG, Lübeck
– Dräger Medical GmbH, Lübeck
– Dräger Safety AG & Co. KGaA, Lübeck
– Dräger Safety Verwaltungs AG, Lübeck

Memberships on comparable boards of German or foreign companies:
– Stiftungsrat Berliner Philharmoniker, Berlin, from January 2, 2014

Thomas Rickers

1st Delegate of the metalworkers' union IG Metall, Lübeck-Wismar administrative office, Lübeck

Supervisory Board memberships:
– Dräger Medical GmbH, Lübeck
– Dräger Safety AG & Co. KGaA, Lübeck

Ulrike Tinnefeld

Works Council Chairperson of Dräger Safety AG & Co. KGaA, Lübeck, until February 26, 2014
General Works Council Chairperson of Dräger Safety AG & Co. KGaA, Lübeck, until February 26, 2014
Group Works Council Vice-Chairperson of Drägerwerk AG & Co. KGaA, Lübeck, from February 26, 2014
Group Works Council Vice-Chairperson of Dräger, Lübeck, from March 27, 2014
Member of Dräger Lübeck Works Council, Lübeck, from February 27, 2014

Supervisory Board memberships:
– Dräger Safety AG & Co. KGaA, Lübeck (Vice-Chairperson)

Dr. Reinhard Zinkann

Managing Partner of Miele & Cie. KG, Gütersloh

Supervisory Board memberships:
– Falke KGaA, Schmallenberg (Chairman)
– Drägerwerk Verwaltungs AG, Lübeck
– Dräger Medical GmbH, Lübeck
– Dräger Safety AG & Co. KGaA, Lübeck

Memberships on comparable boards of German or foreign companies:
– Krombacher Brauerei GmbH & Co. KG, Kreuztal-Krombach (Advisory Board)
– Nobilia-Werke J. Stickling GmbH & Co. KG, Verl (Advisory Board)

Members of the Audit Committee:

Prof. Dr. Thorsten Grenz (Chairman)
Siegfrid Kasang
Prof. Dr. Klaus Rauscher
Prof. Dr. Nikolaus Schweickart
Ulrike Tinnefeld

Members of the Nomination Committee:

Prof. Dr. Nikolaus Schweickart (Chairman)
Uwe Lüders
Dr. Reinhard Zinkann

Members of the Joint Committee:

Representatives of Drägerwerk Verwaltungs AG:
Prof. Dr. Thorsten Grenz
Stefan Lauer
Uwe Lüders
Prof. Dr. Klaus Rauscher

Representatives of Drägerwerk AG & Co. KGaA
Prof. Dr. Nikolaus Schweickart (Chairman)
Dr. Reinhard Zinkann
Siegfrid Kasang
Thomas Rickers

MEMBERS OF THE EXECUTIVE BOARD OF DRÄGERWERK VERWALTUNGS AG, ACTING FOR DRÄGERWERK AG & CO. KGAA

Stefan Dräger

Chairman of the Executive Board

Chairman of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck (general partner of Drägerwerk AG & Co. KGaA)
Chairman of the Executive Board of Dräger Safety Verwaltungs AG, Lübeck (general partner of Dräger Safety AG & Co. KGaA)
Managing Director of Dräger Medical GmbH, Lübeck

Supervisory Board memberships:
– Sparkasse zu Lübeck AG, Lübeck

Dr. Herbert Fehrecke (until March 31, 2015)

Executive Board member for Purchasing and Quality
Vice-Chairman of the Executive Board

Vice-Chairman of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck (general partner of Drägerwerk AG & Co. KGaA)
Executive Board member of Dräger Safety Verwaltungs AG, Lübeck (general partner of Dräger Safety AG & Co. KGaA)
General Manager of Dräger Medical GmbH, Lübeck

Supervisory Board memberships:
– Diehl-Stiftung & Co. KG, Nuremberg (Advisory Board), from September 16, 2014
– Dräger Medical Deutschland GmbH, Lübeck (Chairman)

Gert-Hartwig Lescow

CFO

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

Supervisory Board memberships:
– AXA Corporate Solutions S. A., Paris, from January 1, 2015

Anton Schrofner

Executive Board member for Innovation

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

Imprint

Drägerwerk AG & Co. KGaA
Corporate Communications
Moislinger Allee 53–55
23558 Lübeck
Germany
www.draeger.com

Concept and design
Heisters & Partner,
Büro für Kommunikationsdesign, Mainz, Germany

Publication
March 11, 2015

Reproductions
Gold GmbH, Munich, Germany

Printed by
Dräger + Wullenwever pm GmbH & Co. KG, Lübeck, Germany

Photography
Axel Kirchhof (page 20), Heiko Schaffrath, Drägerwerk AG & Co. KGaA

Drawings
Jindrich Novotny

ClimatePartner
climate neutral
Print | ID: 10595-1402-1002

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C019580

FINANCIAL CALENDAR 2015

Annual accounts press conference	March 11, 2015
Analysts' meeting	March 11, 2015
Report for the first quarter 2015, Conference call	April 29, 2015
Annual shareholders' meeting, Lübeck	April 30, 2015
Half-yearly report for 2015, Conference call	July 30, 2015
Report for the third quarter 2015, Conference call	November 5, 2015

DIVISIONS OVER THE PAST FIVE YEARS

		2010	2011	2012	2013	2014
Medical division						
Order intake	€ million	1,441.9	1,518.8	1,558.4	1,558.6	1,576.2
Orders on hand [1]	€ million	280.6	319.8	310.5	309.8	307.9
Net sales	€ million	1,472.0	1,484.5	1,558.0	1,544.7	1,585.4
EBIT [2,3]	€ million	186.6	191.8	185.3	153.3	128.9
in % of net sales (EBIT-margin)	%	12.7	12.9	11.9	9.9	8.1
Capital employed [3,4]	€ million	514.7	548.9	585.1	681.2	679.5
EBIT [2,5] / Capital employed [3,4] (ROCE)	%	36.3	35.0	31.7	22.5	19.0
DVA [3,6]		136.5	144.0	135.2	97.5	69.2
Headcount as of December 31		6,386	6,717	6,948	7,319	7,458.0
Safety division						
Order intake	€ million	731.7	805.0	880.8	859.8	883.7
Orders on hand [1]	€ million	142.3	142.8	173.7	167.1	160.2
Net sales	€ million	733.8	802.7	849.3	864.4	890.9
EBIT [2,3]	€ million	61.0	76.1	97.3	89.2	88.4
in % of net sales (EBIT-margin)	%	8.3	9.5	11.5	10.3	9.9
Capital employed [3,4]	€ million	181.6	193.7	203.0	227.0	256.3
EBIT [2,5] / Capital employed (ROCE) [3,4]	%	33.6	39.3	47.9	39.3	34.5
DVA [3,6]	€ million	43.1	57.5	79.0	69.3	66.1
Headcount as of December 31		4,409	4,531	4,771	5,131	5,360.0

[1] Value as of December 31
[2] EBIT = Earnings before net interest result and income taxes
[3] The prior year values were adjusted in compliance with IAS 8 due to the first-time application of IAS 19 (2011).
[4] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[5] Value of the last twelve months
[6] Dräger Value Added = EBIT less cost of capital

THE DRÄGER GROUP OVER THE PAST FIVE YEARS

		Twelve months 2010	Twelve months 2011	Twelve months 2012	Twelve months 2013	Twelve months 2014
Order intake	€ million	2,145.5	2,293.2	2,405.5	2,384.6	2,415.5
Orders on hand [1]	€ million	421.7	461.3	483.0	475.4	463.6
Net sales	€ million	2,177.3	2,255.8	2,373.5	2,374.2	2,434.7
EBITDA [2,3,5]	€ million	246.7	274.6	296.0	270.3	255.6
EBIT [4,5]	€ million	192.8	213.8	230.3	200.8	178.6
in % of net sales (EBIT-margin)	%	8.9	9.5	9.7	8.5	7.3
Interest result [5]	€ million	–39.1	–33.0	–32.8	–23.5	–25.0
Income taxes [5]	€ million	–48.9	–55.7	–61.8	–57.5	–48.9
Net profit [5]	€ million	104.8	125.1	135.7	119.9	104.7
of which attributable to shareholders [5]	€ million	90.7	120.7	127.0	114.6	96.6
Earnings per share [5,6]						
per preferred share	€	6.25	7.35	7.73	6.94	5.73
per common share	€	6.19	7.29	7.67	6.88	5.67
Earnings per share on full distribution [5,7]						
per preferred share	€	4.36	4.60	5.90	5.30	4.58
per common share	€	4.30	4.54	5.84	5.24	4.52
Equity [1,5]	€ million	636.6	731.6	729.7	816.0	896.6
Equity ratio [1,5]	%	32.2	34.6	34.7	39.5	40.1
Capital employed [5,8,9]	€ million	833.4	880.0	901.9	1,052.9	1,107.2
EBIT [4,10] / Capital employed [5,8,9] (ROCE)	%	23.1	24.3	25.5	19.1	16.1
Net financial debt	€ million	90.3	39.8	56.8	110.0	10.7
DVA [5,8,11]	€ million	114.5	134.6	150.0	113.9	81.6
Headcount as of December 31		11,291	11,924	12,516	13,334	13,737
Drägerwerk AG & Co. KGaA dividends						
Preferred share	€	1.19	0.19	0.92	0.83	1.39
Common share	€	1.13	0.13	0.86	0.77	1.33

[1] Value as of December 31
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] Equipment leased out is recognized in property, plant and equipment since 2012. The figures for 2011 were adjusted accordingly.
[4] EBIT = Earnings before net interest result and income taxes
[5] The prior year values were adjusted in compliance with IAS 8 due to the first-time application of IAS 19 (2011).
[6] On the basis of the proposed dividend
[7] Based on an imputed actual full distribution of earnings attributable to shareholders
[8] The prior year figures were adjusted due to restatements in fiscal year 2012 (see also Note 3 in the 2012 annual report of the Dräger Group).
[9] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[10] Value of the last twelve months
[11] Dräger Value Added = EBIT less cost of capital

Drägerwerk AG & Co. KGaA
Moislinger Allee 53 – 55
23558 Lübeck, Germany
www.draeger.com

Corporate Communications
Tel. + 49 451 882 – 3998
Fax + 49 451 882 – 3944

Investor Relations
Tel. + 49 451 882 – 2685
Fax + 49 451 882 – 3296

90 70 377