Dräger

Half-yearly financial report
January 1 to June 30, 2021
Dräger Group

Dräger. Technology for Life®

THE DRÄGER GROUP OVER THE PAST FIVE YEARS

		2021	2020	2019	2018	Six months 2017
Order intake	€ million	1,477.4	2,291.4	1,320.4	1,273.8	1,302.0
Net sales	€ million	1,633.4	1,428.4	1,235.9	1,115.8	1,116.0
Gross profit	€ million	802.1	671.1	524.3	473.7	498.2
Gross profit / Net sales	%	49.1	47.0	42.4	42.5	44.6
EBITDA [1, 2, 4]	€ million	273.3	162.3	47.7	5.9	60.1
EBIT [2, 3, 4]	€ million	209.2	101.6	-12.2	-36.6	19.1
EBIT [2, 3, 4] / Net sales [4]	%	12.8	7.1	-1.0	-3.3	1.7
Interest result	€ million	-12.2	-20.4	-8.9	-6.2	-6.8
Income taxes	€ million	-57.2	-27.5	6.5	13.4	-4.0
Net profit	€ million	139.8	53.7	-14.6	-29.3	8.2
Earnings per share on full distribution [5]						
per preferred share	€	6.50	2.24	-0.82	-1.59	0.36
per common share	€	6.47	2.21	-0.85	-1.62	0.33
DVA [4, 6, 7]	€ million	402.9	81.4	-8.1	13.8	64.5
Equity [4, 8]	€ million	1,210.7	870.2	1,034.8	1,023.0	1,000.2
Equity ratio [4, 8]	%	38.2	30.0	41.9	44.6	45.6
Capital employed [2, 4, 8, 9, 10]	€ million	1,466.1	1,466.0	1,448.5	1,299.0	1,229.9
EBIT [3, 6] / Capital employed [2, 8, 9, 10] (ROCE) [4]	%	34.4	12.3	6.0	7.7	12.2
Net financial debt [2, 4, 8, 11, 12]	€ million	147.6	494.1	171.2	78.8	41.8
Headcount as at June 30		15,795	15,177	14,671	14,042	13,484

[1] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization

[2] For effects of the first-time application of IFRS 16 on the figures as at June 30, 2019, see table on page 13 of our Half-yearly financial report 2019.

[3] EBIT = Earnings before net interest result and income taxes

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

[5] Based on an imputed actual full distribution of earnings attributable to shareholders

[6] Value of the last twelve months

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

[8] Value as at reporting date

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

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

[11] As at June 30, 2021, including the remaining payment obligation from the termination of the series D participation certificates of EUR 201.4 million

[12] Including the payment obligation of EUR 449.5 million from the termination of the participation certificates as at June 30, 2020

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

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

Dear Shareholders, dear Employees, dear Readers,

One year since the outbreak of COVID-19, the pandemic and its implications continue to dominate the headlines and occupy people's energies, as well as those of government organizations and companies worldwide. Masks and other protective measures have helped to bring infections under control around the world, while test-and-trace programs and vaccines are giving us a way to live with the virus in the future. With infection levels declining to negligible levels in Germany, COVID-19 continues to ravage Latin America, Asia, and Africa at an unprecedented tempo.

The pandemic is having a lasting effect on Dräger. We began the new fiscal year with a record number of orders, and managed to sustain order intake at a high level in the first and second quarters. Thanks to the high number of orders, net sales performed extremely well in the usually seasonally weak first quarter. This trend continued at the same pace in the second quarter.

As a result, business performance has exceeded expectations in the current fiscal year. Demand for products used to treat COVID-19 patients is being sustained for longer than originally envisaged at the start of the year. In particular, we have received major orders from various emerging economies over the course of the year.

All of these factors are having an impact on our forecasts for fiscal year 2021. Following our record-breaking year in 2020, we had originally expected a roughly double-digit decline in net sales (net of currency effects) in the current fiscal year. Today, we still expect net sales to fall, but only by between 2 % and 6 %. Thanks to the uptick in net sales development, we have also raised our earnings forecast and now expect an EBIT margin of between 8 % and 11 %. We still believe that pandemic-driven demand will subside in the second half of the year and do not expect it to return to 2021 levels in 2022.

Dräger remains focused on strengthening its future sustainability, irrespective of the challenges we currently face. Efforts include boosting innovation in medical technology, expanding specific sales-related skills, and boosting business involving systems and data. To this end, we continue making substantial investments. We are also striving to make Dräger shares more attractive. In the first quarter, we repurchased around EUR 100 million worth of participation certificates that were due for repayment in 2023 after terminating them and placing a public tender offer to holders. By redeeming the certificates ahead of schedule, we are using our strong liquidity position to accelerate the process of replacing these financial instruments, which has allowed us to make faster progress towards achieving our target capital structure. Earnings per share are rising, and distributions will exclusively benefit shareholders once the final outstanding participation certificates have been resolved.

I would like to take this opportunity to say thank you to all of our employees around the world for their outstanding dedication and commitment—day in, day out—to turning our technology into ›Technology for Life‹.

The COVID-19 pandemic will continue to have a noticeable effect on our lives. The vaccination drive is helping to control the number of serious cases requiring hospital treatment. At the same time, testing is becoming an important element of our efforts to keep a lid on infection rates. The Dräger Antigen Test, with its unparalleled ease of use for laypeople, will contribute to these efforts. FFP masks are not going anywhere, either. Managed inventory concepts may help us be better prepared for the next pandemic going forward. There also will be lessons to learn for a number of countries from their experiences with bottlenecks in clinical infrastructure, especially in intensive care. Dräger will be on hand to assist its customers with its wealth of experience and expertise, and with concepts tailored to specific needs. Part of that pledge includes gas supply systems to quickly restore hospitals hit by flash flooding in Western and Southern Germany to full operational capacity.

›Technology for Life‹ will still be in demand in the years to come. Here at Dräger, we are doing everything we can to rise to the challenges ahead and fulfill our responsibility to provide for society.

Best regards,

Stefan Dräger

The Dräger shares

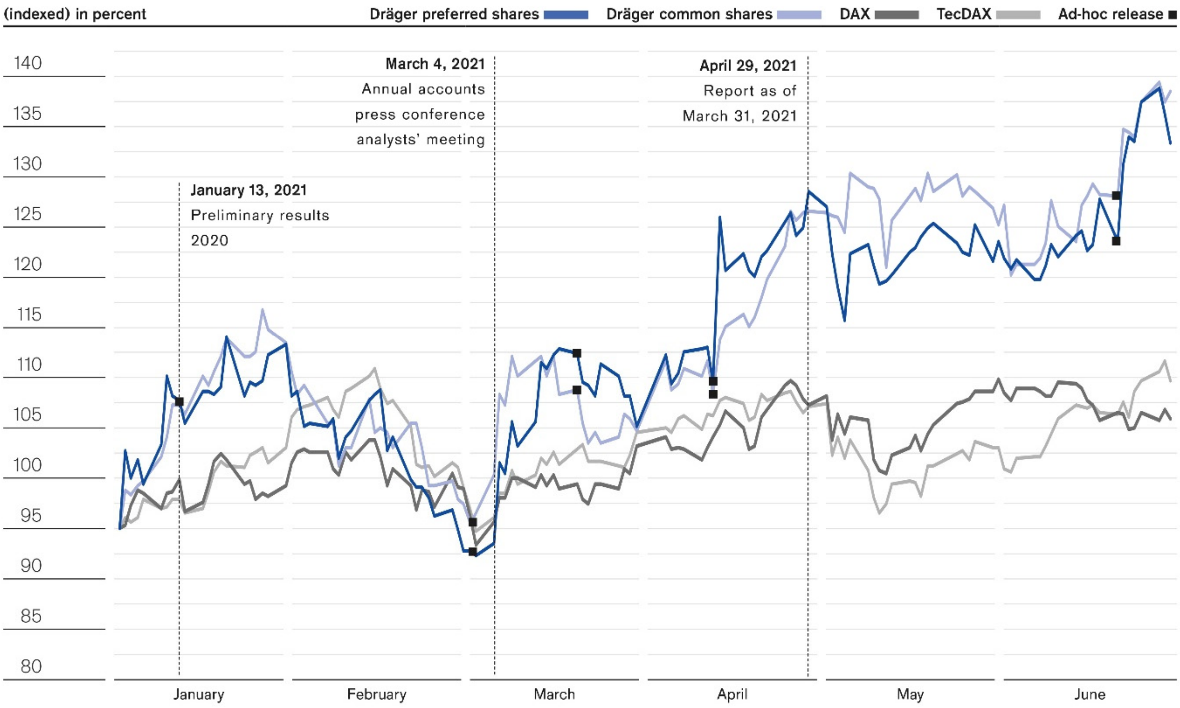
Dräger shares continue to increase in value in the first half of 2021 on the back of sustained high demand for Dräger products driven by the COVID-19 pandemic.

All in all, Dräger shares outperformed the market. Dräger common shares have gained around 31 % in value since the start of the year and were trading at EUR 78.40 on June 30, 2021. Dräger preferred shares climbed by just under 27 % in the same period, with the share price standing at EUR 79.80 on June 30, 2021. The SDAX index climbed by just under 9 % to roughly 16,021 points, while the TecDAX index gained approximately 11 % to stand at some 3,564 points.

Based on the publication of the preliminary results for 2020, which surpassed market expectations, Dräger shares made a solid start to the year before embarking on a slight downward trend until early March. The Dräger common share price slipped to a low for the six-month period of EUR 60 in March, whereas Dräger preferred shares dipped to roughly EUR 62. Both shares then embarked on a sustained rally that continued dynamically in April, especially on the back of the publication of better-than-expected figures for the first quarter. Dräger then raised its full-year forecast for fiscal year 2021, which pushed Dräger common shares to their peak of approximately EUR 79 in June, with Dräger preferred shares trading north of EUR 82.

In March, Dräger successfully completed the buyback of its participation certificates, raising the appeal of its shares in the process. As part of a public buyback offer, series D participation certificates worth a total of EUR 100 million were acquired and subsequently redeemed. The early repurchase will help optimize the Dräger capital structure more quickly, as the share of profit attributable to shareholders will now increase. The 382,289 remaining participation certificates will be redeemed at maturity on January 2, 2023, in return for payment of EUR 546.20 per certificate and will continue to entitle the bearers to dividends in the meantime.

PERFORMANCE OF THE DRÄGER SHARES



DRÄGER SHARES – BASIC FIGURES

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

DRÄGER SHARES INDICATORS

	Six months 2021	Six months 2020
Common shares		
No. of shares as at the reporting date	10,160,000	10,160,000
High (in €)	78.80	69.10
Low (in €)	60.00	37.25
Share price on the reporting date (in €)	78.40	59.20
Average daily trading volume [1]	10,033	16,267
Undiluted / diluted earnings per common share on full distribution (in €) [2]	6.47	2.21
Preferred shares		
No. of shares as at the reporting date	8,600,000	8,600,000
High (in €)	82.20	98.50
Low (in €)	61.60	50.00
Share price on the reporting date (in €)	79.80	72.50
Average daily trading volume [1]	57,120	80,897
Undiluted / diluted earnings per preferred share on full distribution (in €) [2]	6.50	2.24
Market capitalization (in € thousand)	1,482,824	1,224,972

[1] All German stock exchanges (source: designated sponsors)
[2] Based on an imputed actual full distribution of earnings attributable to shareholders (please refer to note 22 in the Notes to the Annual Financial Statements)

Interim Management Report of the Dräger Group for the first half of 2021

General economic conditions

GLOBAL ECONOMY SEES HISTORIC SLUMP

One year after the outbreak of COVID-19, the pandemic continues to dominate headlines and unsettle economic prospects. New virus mutations and the growing number of deaths are increasing grounds for concern, although the progress of vaccination drives is improving the outlook.

The International Monetary Fund (IMF) expects the global economy to grow by approximately 6 % in 2021 and by over 4 % in 2022, following the decline in global economic output by more than 3 % in 2020. The improvement in the outlook compared to the end of 2020 is primarily due to strong fiscal support in some major economies and anticipated economic stimulus as further progress is made on vaccination campaigns.

SUPPORT THROUGH FISCAL AND MONETARY POLICY

Governments and central banks around the world are taking action to counter the massive impact of the pandemic on the economy. Any remaining leeway in monetary policy is being used to shore up economies. The U.S. Federal Reserve, for instance, is sticking by its decision to slash interest rates and continues to buy up securities. The European Central Bank has already lowered short-term interest rates into negative territory and has not curtailed its bond-buying activities.

INFLATION INCREASES AGAIN, EURO REMAINS ROBUST

Inflation rates have picked up as energy prices rally, the economy begins to recover, and some tax stimulus measures expire. In June, prices increased by 1.9 % in the eurozone compared to the same month in the prior year. Prices in Germany increased by 2.3 % over the same period.

The value of the euro against the U.S. dollar only changed marginally over the first six months of 2021. Most emerging economy currencies recovered somewhat against the euro in 2021, but average exchange rates were still down year on year – significantly in some cases. Overall, we continue to encounter currency headwind compared to the prior-year exchange rates.

MARKET AND INDUSTRY PERFORMANCE

The global COVID-19 pandemic remained the defining topic in the first half of 2021. The pandemic is also having an impact on industries relevant to Dräger, of course, with varying results.

Medical division

Demand for medical technology remained high. The COVID-19 pandemic has laid bare the need for investment in the healthcare systems of multiple European countries. There is pressure to modernize across Southern and Eastern Europe, and many countries have responded with by making investments centered on more up-to-date medical technology and digitalization. The latter is a defining issue throughout Europe, as acceptance of e-health solutions has climbed significantly as a result of the pandemic, and countries are ramping up their investment in this area. In addition, the European Union (EU) is also providing support for healthcare investment in the form of financial subsidies through its stimulus package to boost economic recovery in member states after the COVID-19 pandemic. The U.K. is also investing in its healthcare system, resulting in growth in the medical technology sector there despite the new customs barriers.

The American market technology sector also developed positively in our eyes. Billions of dollars were spent on medical products and personal protective equipment in the U.S. during the COVID-19 pandemic. The battle against the pandemic remains right at the top of the political agenda and is one of President Biden's highest priorities. The healthcare market also expanded in Canada during the COVID-19 pandemic. In North America, the e-health solutions and telemedicine markets saw further growth over the course of the pandemic. In Brazil, the development of the pandemic and the political situation remains shrouded in uncertainty. The pressure on costs has risen in both the private and state healthcare systems, causing the importance of telemedicine to increase significantly in Brazil too.

The Africa, Asia, and Australia region saw positive development. The Chinese healthcare sector performed well in our view, with the pace of digitalization in particular increasing considerably. In Japan, the COVID-19 pandemic has shone a light on the vulnerability of the country's healthcare system. Demand for medical technology imports in Japan was extremely high. There was also a strong reliance on imports in the Arabian Peninsula, where the strategic importance of digital health also grew. However, freedom for financial investment is limited here due to the impact of the COVID-19 pandemic. The healthcare market in Africa is considered weak. Sales of medical technology in South Africa, for instance, proved sluggish.

Safety division

The European safety technology sector recovered in the first half of 2021. There was a significant uptick in the chemical industry in France and moderate growth in Southern Europe. The chemical industry in Northern Europe also experienced recovery, with Sweden posting extremely positive growth rates in the first six months of the year. In the U.K., the chemical sector stagnated at an already high level. The Russian chemical industry made a positive start to 2021 and continued to benefit from robust demand for medications and disinfecting agents. The oil and gas industry is expected to see more-stable development in 2021 on the back of improving global economic development and rising oil prices. In Norway, the situation for oil producers has stabilized following the slump in the market in 2020. In the U.K., the industry focus is on sustainability, with the government pressing ahead with its transformation of the sector through its government targets.

We are seeing a slight improvement in the American safety technology sector. The U.S. chemical industry developed positively and appears to be starting to recover from the crisis. The Canadian petrochemical industry was adversely affected by production capacities remaining unused during the coronavirus crisis, only posting sluggish recovery in the first half of 2021. The development of Brazil's chemical industry is showing a huge degree of variance. Some sectors proved extremely robust, while others slumped. The fall in value of the Brazilian real caused the Brazilian chemical industry to lose ground on the rest of the world. In the American oil and gas industry, production recovered on the back of rising demand and prices.

We see positive development in the Africa, Asia, and Australia region. The Chinese chemical industry has overcome the slump in sales caused by the COVID-19 pandemic, and net sales are returning to pre-crisis levels. We are optimistic when it comes to the development of the Indian chemical industry, which has achieved further growth. The chemical industry in the Gulf states had to contend with significant declines in net sales. However, there were signs that the situation is improving in the first half of 2021. The mining industry in Africa remained largely unfazed by the pandemic and developed satisfactorily. The oil and gas industry in the Gulf states – for instance, in the United Arab Emirates – is pressing ahead with plans to expand oil and gas capacities, although this trend continues to be impacted by the low price of oil compared to demand, despite recent price rises.

According to our information, the fire service market is keeping pace with overall economic development.

OVERALL ASSESSMENT OF THE UNDERLYING CONDITIONS

Despite the ongoing restrictions resulting from the COVID-19 pandemic, stimulus measures by governments and central banks at a national and international level have stabilized economic activity and kicked off the process of recovery. These measures are being increasingly supported by vaccination drives that, coupled with declining infection rates, are opening the door to the easing of restrictions and stronger economic activity.

The medical and safety technology sectors have performed robustly overall in this environment. However, there are differences in the impact of the economic effects. Demand in the medical technology sector in particular remains heightened due to the pandemic.

Business performance of the Dräger Group

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Second quarter			Six months		
		2021	2020	Change in %	2021	2020	Change in %
Order intake	**€ million**	**737.6**	**898.7**	**-17.9**	**1,477.4**	**2,291.4**	**-35.5**
Net sales	**€ million**	**841.3**	**788.4**	**+6.7**	**1,633.4**	**1,428.4**	**+14.3**
Gross profit	**€ million**	**389.2**	**388.0**	**+0.3**	**802.1**	**671.1**	**+19.5**
Gross profit / Net sales	%	46.3	49.2		49.1	47.0	
EBITDA [1]	**€ million**	**112.8**	**132.5**	**-14.9**	**273.3**	**162.3**	**+68.4**
EBIT [2]	**€ million**	**80.3**	**102.2**	**-21.5**	**209.2**	**101.6**	**> +100.0**
EBIT [2] / Net sales	%	9.5	13.0		12.8	7.1	
Net profit	€ million	57.0	60.4	-5.7	139.8	53.7	> +100.0
Earnings per share on full distribution [3]							
per preferred share	€	2.66	2.60	+2.3	6.50	2.24	> +100.0
per common share	€	2.65	2.59	+2.3	6.47	2.21	> +100.0
DVA [4, 5, 6]	€ million	402.9	81.4	> +100.0	402.9	81.4	> +100.0
Research and development costs	€ million	77.4	72.8	+6.4	149.1	140.5	+6.1
Equity ratio [7]	%	38.2	30.0		38.2	30.0	
Cash flow from operating activities	€ million	96.2	-15.5	> +100.0	172.3	33.9	> +100.0
Net financial debt [7, 8, 9]	€ million	147.6	494.1	-70.1	147.6	494.1	-70.1
Investments	€ million	58.5	33.9	+72.7	96.4	60.9	+58.3
Capital employed [7, 10]	€ million	1,466.1	1,466.0	+0.0	1,466.1	1,466.0	+0.0
Net working capital [7, 11]	€ million	630.9	695.0	-9.2	630.9	695.0	-9.2
EBIT [2, 4] / Capital employed [7, 10] (ROCE) [5]	%	34.4	12.3		34.4	12.3	
Net financial debt [7, 8, 9] / EBITDA [1, 4]	Factor	0.23	1.60		0.23	1.60	
Gearing [8, 9, 12]	Factor	0.12	0.57		0.12	0.57	
Headcount as at June 30		15,795	15,177	+4.1	15,795	15,177	+4.1

[1] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[2] EBIT = Earnings before net interest result and income taxes
[3] Based on an imputed actual full distribution of earnings attributable to shareholders
[4] Value of the last twelve months
[5] The first-time application of IFRS 16 in fiscal year 2019 impacts this key figure. Therefore, comparability is limited.
[6] Dräger Value Added = EBIT less cost of capital of average invested capital
[7] Value as at reporting date
[8] As at June 30, 2021, including the remaining payment obligation from the termination of the series D participation certificates of EUR 201.4 million
[9] Including the payment obligation of EUR 449.5 million from the termination of the participation certificates as at June 30, 2020
[10] Capital employed = Total assets less deferred tax assets, securities, cash and cash equivalents, non-interest bearing liabilities and other non-operating items
[11] Net working capital = Trade receivables and inventories less trade payables, customer prepayments, short-term operating provisions and other short-term operating items
[12] Gearing =Net financial debt / equity

ORDER INTAKE

Order intake tapered off in the first half of fiscal year 2021, after the sharp rise in order intake caused by the outbreak of the COVID-19 pandemic in the first half—and in particular the first quarter—of the prior year. Orders therefore fell by almost 34 % (net of currency effects), but still remained higher than normal levels.

The decline at Group level was felt most severely in Europe, but the Americas and Africa, Asia, and Australia regions also recorded fewer orders. In the second quarter, we saw demand fall across all regions and a 16.1 % decline in order intake year-on-year (net of currency effects).

Orders in the medical division were down by 42.1 % in the first six months of the year (net of currency effects). The overall decline was most significant in Europe on the heels of the sharp rise in order intake in the prior year. That being said, demand was also down in the Africa, Asia, and Australia and Americas regions. Order intake also declined across all regions in the second quarter. All in all, second-quarter order intake in the medical division was down by almost 20 %.

Order intake in the safety division was down by 12.7 % (net of currency effects) in the first half of the year. The prior-year period was characterized by extremely high demand for light respiratory protection on account of the pandemic. Demand in the Africa, Asia, and Australia region remained stable in the first six months of the year, whereas order intake in the Americas region, and particularly in the Europe region, declined. The number of orders was also down in the second quarter (net of currency effects). A significant rise in demand in Africa, Asia, and Australia was not able to compensate for the dips in the Americas and Europe regions.

ORDER INTAKE

	Second quarter				Six months			
in € million	2021	2020	Change in %	Net of currency effects in %	2021	2020	Change in %	Net of currency effects in %
Medical division	462.5	590.8	-21.7	-19.7	914.4	1,633.9	-44.0	-42.1
Safety division	275.1	307.9	-10.7	-9.3	563.0	657.5	-14.4	-12.7
Total	**737.6**	**898.7**	**-17.9**	**-16.1**	**1,477.4**	**2,291.4**	**-35.5**	**-33.6**
thereof Europe	395.8	495.4	-20.1	-19.7	815.4	1,410.9	-42.2	-41.7
thereof Germany	159.4	201.5	-20.9	-20.9	318.3	712.8	-55.3	-55.3
thereof Americas	148.8	187.9	-20.8	-15.4	296.7	377.6	-21.4	-14.0
thereof Africa, Asia, and Australia	193.0	215.5	-10.5	-8.6	365.4	502.9	-27.3	-25.7

NET SALES

We increased net sales by 17.3 % in the first half of the year (net of currency effects). In the prior year, net sales were realized later on in the year following the strong order intake in the first quarter, which is why we are currently reporting such significant year-on-year growth rates.

Net sales climbed by 9.0 % in the second quarter (net of currency effects), with the Americas and Africa, Asia, and Australia regions contributing most significantly to the trend. Net sales increased particularly in the safety division, but slight growth was also reported in the medical division.

NET SALES

	Second quarter				Six months			
in € million	**2021**	**2020**	**Change in %**	**Net of currency effects in %**	**2021**	**2020**	**Change in %**	**Net of currency effects in %**
Medical division	527.5	533.3	-1.1	+1.6	1,035.5	928.9	+11.5	+15.0
Safety division	313.8	255.1	+23.0	+24.5	597.9	499.5	+19.7	+21.6
Total	**841.3**	**788.4**	**+6.7**	**+9.0**	**1,633.4**	**1,428.4**	**+14.3**	**+17.3**
thereof Europe	477.4	470.6	+1.4	+1.7	933.4	833.3	+12.0	+12.6
thereof Germany	192.2	195.8	-1.8	-1.8	375.1	336.6	+11.4	+11.4
thereof Americas	164.1	137.9	+19.0	+28.8	315.6	258.0	+22.3	+33.7
thereof Africa, Asia, and Australia	199.8	179.9	+11.1	+12.8	384.4	337.1	+14.0	+16.4

EARNINGS

Gross profit increased by EUR 131.0 million to EUR 802.1 million in the first half of 2021 (6 months 2020: EUR 671.1 million). This positive trend was driven by the pandemic-related net sales growth in the first half of the year and the positive country and product mix. All told, the gross margin of 49.1 % was significantly higher than in the prior year, despite a rise in quality costs and a slight increase in negative currency effects (6 months 2020: 47.0 %).

We reported increases in gross profit and the gross margin across both divisions. The medical division in particular made a disproportionately high contribution to growth, yet there was also significant growth in the safety division.

In the second quarter, gross profit came to EUR 389.2 million and exceeded the prior-year figure by a small margin (second quarter 2020: EUR 388.0 million). However, the gross margin declined by 2.9 percentage points year-on-year to 46.3 %. A number of factors, including increased quality costs and negative exchange rate effects, had a disproportionately adverse impact on the gross margin. The gross margin in the medical division declined compared to the first quarter 2020. In the safety division, the gross margin was at the same level as reported in the prior-year quarter.

Functional costs rose by 5.8 % in the first half of 2021 (net of currency effects; 4.2 % in nominal terms). Costs were on par with the prior year in the first quarter, but rose by 9.2 % year-on-year in the second quarter (net of currency effects), largely as a result of the rise in personnel expenses caused by the rise in headcount. The slight easing of pandemic-related restrictions in the second quarter of 2021 saw marketing expenses climb by a small margin year-on-year. Additionally, costs for IT and research and development increased in the second quarter.

Group research and development costs climbed by 8.3 % (net of currency effects; 6.1 % in nominal terms). The ratio of R&D costs to net sales (R&D ratio) declined to 9.1 % on account of the disproportionately high rise in net sales (6 months 2020: 9.8 %).

The other financial result improved by EUR 0.8 million to EUR -1.7 million (6 months 2020: EUR -2.5 million), primarily due to lower currency-related valuation losses.

Group earnings before interest and taxes (EBIT) amounted to EUR 209.2 million in the first half of the year, significantly higher than the prior-year figure (6 months 2020: EUR 101.6 million). The EBIT margin improved to 12.8 % (6 months 2020: 7.1 %). In the second quarter, EBIT stood at EUR 80.3 million and was therefore down on the strong prior-year quarter (6 months 2020: EUR 102.2 million). The second-quarter EBIT margin stood at 9.5 % (second quarter 2020: 13.0 %).

Interest expenses declined by EUR 8.2 million to EUR -12.2 million (6 months 2020: EUR -20.4 million). The change in interest result was due to the interest effect of the termination of the participation certificates. Further details on these changes can be found on page 96 of the Annual Report 2020. The tax rate was 29.0 %

in the first six months of 2021 (6 months 2020: 33.9 %). Earnings after income taxes amounted to EUR 139.8 million, EUR 86.1 million higher than the prior-year figure (6 months 2020: EUR 53.7 million).

INVESTMENTS

In the first half of 2021, investment volume came to EUR 96.4 million, an increase of 58.3 % compared to the prior year (6 months 2020: EUR 60.9 million). This was primarily due to investments in the expansion of production capacities for FFP masks, as well as the acquisition of STIMIT AG, Nidau, Switzerland, in the second quarter of 2021.

Dräger invested EUR 56.9 million in property, plant and equipment (6 months 2020: EUR 43.3 million), EUR 19.0 million in intangible assets (6 months 2020: EUR 2.7 million), and EUR 20.5 million in capitalized right-of-use assets pursuant to IFRS 16 (6 months 2020: EUR 14.8 million). Depreciation and amortization amounted to EUR 64.2 million in the first half of 2021 (6 months 2020: EUR 60.7 million). The increased investment volume resulted in a coverage of the depreciation and amortization volume of 150 %, allowing fixed assets to increase by EUR 32.2 million net through investments.

CASH FLOW STATEMENT[1]

In the first six months of fiscal year 2021, the Dräger Group recorded cash inflow from operating activities of EUR 172.3 million, up from the figure of EUR 33.9 million generated in the prior-year period. This trend was primarily due to improved profitability. In addition, the decline in trade receivables also contributed to increased cash inflow with an effect of EUR 129.5 million. At EUR -56.3 million, cash outflow from the increase in inventories was EUR 118.8 million lower than in the prior year and therefore had less of an impact on cash flow. Cash inflow was affected more significantly by higher cash outflow from the reduction in trade payables of EUR -41.9 million (prior-year period: increase of EUR 37.3 million). Other liabilities had risen by EUR 64.2 million in the prior-year period, but declined by EUR -29.2 million in the first six months of 2021, predominantly as a result of the development of contract liabilities.

Cash flows from investing activities climbed by EUR 81.9 million, from cash outflow of EUR -48.5 million in the prior-year period to cash inflow of EUR 33.4 million in the first six months of fiscal year 2021. Investments in intangible assets, property, plant and equipment, and companies increased by EUR -15.8 million. This figure includes the net outflow of EUR -4.9 million from the acquisition of shares in STIMIT AG. Other significant cash flows from investing activities are attributable to German subsidiaries and activities in France, where a new production site is being built. The Dräger Group also received an amount of EUR 139.3 million following the sale of short-term money market funds, while EUR 49.9 million was invested in long-term funds.

Cash outflow from financing activities of EUR -251.0 million was primarily attributable to the termination of participation certificates in fiscal year 2020. This resulted in the first six months of fiscal year 2021 in a payment to the holders of series A and K participation certificates of EUR -158.0 million and the payment of EUR -100.0 million to holders of series D participation certificates who agreed to early repayment. In addition, bank loans and current account liabilities increased by EUR 32.3 million net. This item was offset by repayments of lease liabilities of EUR -21.5 million.

Cash and cash equivalents as at June 30, 2021, exclusively comprised cash and cash equivalents, of which EUR 6.2 million (December 31, 2020: EUR 5.5 million) is subject to restrictions regarding use.

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

Financial management

BORROWING

A master loan agreement with bilateral credit lines of EUR 377.0 million with a term until June 2022 exists in order to secure working capital financing in the medium term. These credit lines were utilized as sureties in Germany and abroad and occasionally as cash facilities. As at June 30, 2021, promissory note loans totaled EUR 100.0 million, and the long-term investment loan commitment from the European Investment Bank (EIB) amounted to EUR 110.0 million.

The payment obligation from the termination of series A and K participation certificates in January 2021 of EUR 158.0 million was settled. Dräger submitted and subsequently fully executed a buyback offer of up to EUR 100 million for terminated series D participation certificates in March 2021. The termination of the series D participation certificates resulted in a payment obligation for the remaining participation certificates of EUR 208.8 million as of January 2, 2023.

NET ASSETS

The Dräger Group's equity increased by EUR 176.9 million to EUR 1,210.7 million in the first six months of 2021. The equity ratio came to 38.2 %, which was significantly higher than the figure of 31.3 % as at December 31, 2020. The increase in the equity ratio was primarily due to the substantial rise in earnings in the reporting period. Additionally, the adjustment of the calculation parameters for German pension provisions, particularly the increase in the discounting rate from 0.80 % to 1.20 % in Germany, resulted in pension provisions falling by EUR 50.2 million. The net amount of this adjustment of EUR 34.6 million after deferred tax liabilities increased reserves from retained earnings recognized directly in equity. Shortening the balance sheet by EUR 139.8 million also had a further positive impact on the equity ratio.

Total assets decreased by EUR 139.8 million to EUR 3,166.2 million in the first half of 2021.

On the assets side, non-current assets increased by EUR 76.3 million. The main effect here was the increase in long-term financial assets by EUR 51.1 million. These changes were predominantly the result of the recognition of money market funds. Intangible assets increased by a further EUR 16.1 million, mainly on account of the purchase price allocation of STIMIT AG.

Current assets fell by EUR 216.1 million, primarily as a result in the EUR 139.3 million disposition of short-term money market funds. Inventories climbed by EUR 62.5 million, while trade receivables declined by EUR 139.1 million and cash and cash equivalents by EUR 41.6 million.

Besides the increase in equity (EUR +176.9 million), the changes on the liabilities side primarily resulted from the reduction in non-current liabilities by EUR 32.1 million and the EUR 284.6 million decline in current liabilities.

Changes in non-current liabilities were predominantly due to the increase in non-current promissory note loans due to the arrangement of a promissory note loan of EUR 100.0 million, the reduction in other financial liabilities through the early repurchase of participation certificates, and the reduction in provisions for pensions and similar obligations.

The change in current liabilities mainly resulted from the repayment of series A and K participation certificates (EUR 158.0 million) from January 2021, the repayment of a promissory note loan, and the change to current provisions.

DRÄGER VALUE ADDED

Dräger's value-based management figure, Dräger Value Added (DVA), increased by EUR 321.6 million to EUR 402.9 million year-on-year in the 12 months to June 30, 2021 (12 months to June 30, 2020: EUR 81.4 million). Rolling EBIT increased year-on-year by EUR 323.7 million. Capital costs were EUR 2.1 million higher than in the prior year due to a slight increase in the average capital employed (+2.2 %).

Average current assets rose by a disproportionately low margin compared to net sales. As a result, days working capital (coverage of current assets) decreased year-on-year by 7.7 days to 95.3 days.

Business performance of the medical division

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Second quarter				Six months			
		2021	2020	Change in %	Net of currency effects in %	2021	2020	Change in %	Net of currency effects in %
Order intake	**€ million**	**462.5**	**590.8**	**-21.7**	**-19.7**	**914.4**	**1,633.9**	**-44.0**	**-42.1**
thereof Germany	€ million	97.3	131.6	-26.0	-26.0	178.1	543.4	-67.2	-67.2
Net sales	**€ million**	**527.5**	**533.3**	**-1.1**	**+1.6**	**1,035.5**	**928.9**	**+11.5**	**+15.0**
thereof Germany	€ million	123.1	134.6	-8.6	-8.6	244.3	216.3	+12.9	+12.9
EBITDA [1]	**€ million**	**63.4**	**100.2**	**-36.7**		**176.1**	**109.0**	**+61.7**	
EBIT [2]	**€ million**	**47.8**	**84.9**	**-43.7**		**145.4**	**78.0**	**+86.4**	
EBIT [2] / Net sales	%	9.1	15.9			14.0	8.4		
Capital employed [3, 4]	€ million	867.6	883.3	-1.8		867.6	883.3	-1.8	
EBIT[2, 5]/Capital employed[3, 4](ROCE)[6, 7]	%	45.7	13.4			45.7	13.4		
DVA [5, 7, 8]	€ million	335.4	60.4	> +100.0		335.4	60.4	> +100.0	

[1] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[2] EBIT = Earnings before net interest result and income taxes
[3] Capital Employed = Total assets less deferred tax assets, securities, cash and cash equivalents, non-interest bearing liabilities and other non-operating items
[4] Value as at reporting date
[5] Value of the last twelve months
[6] The previous year's figure has been adjusted due to a change in calculation.
[7] The first-time application of IFRS 16 in fiscal year 2019 impacts this key figure. Therefore, comparability is limited.
[8] Dräger Value Added = EBIT less cost of capital of average invested capital

ORDER INTAKE

In the medical division, order intake declined significantly as expected in the first half of 2021 following the record-breaking order situation in the prior year. However, it still remained at a high level compared to before the COVID-19 pandemic.

The sharpest decline in demand was seen in ventilators, in the accessories business, and in patient monitoring and clinical data management, as well as in anesthesia devices. These product areas were in particularly high demand a year ago, when the pandemic first hit. Service business achieved almost the same number of orders as in the previous year. By contrast, order intake for thermoregulation equipment rose significantly following the decline in the prior-year period. Order numbers also increased in hospital infrastructure business.

In Europe, order intake decreased by 52.1 % (net of currency effects) in the first six months of the year, with falling orders in Germany making the largest contribution to this decrease. Order intake also declined sharply (net of currency effects) in the Africa, Asia, and Australia and Americas regions. Demand was down across all regions in the second quarter, falling by just under 20 % overall (net of currency effects).

In absolute terms, the drop in demand in the first half of the year was greatest in Germany, China, the United States, the United Kingdom, and Australia. Orders in Peru, India, Japan, Poland, and Argentina, on the other hand, increased in the first six months of the year.

ORDER INTAKE

				Second quarter				Six months
in € million	2021	2020	Change in %	Net of currency effects in %	2021	2020	Change in %	Net of currency effects in %
Europe	231.1	302.7	-23.6	-23.2	465.3	980.7	-52.6	-52.2
thereof Germany	97.3	131.6	-26.0	-26.0	178.1	543.4	-67.2	-67.2
Americas	95.4	120.8	-21.0	-15.7	195.3	263.8	-26.0	-18.4
Africa, Asia, and Australia	136.0	167.4	-18.7	-16.2	253.8	389.4	-34.8	-32.8
Total	**462.5**	**590.8**	**-21.7**	**-19.7**	**914.4**	**1,633.9**	**-44.0**	**-42.1**

NET SALES

Net sales in the medical division were up by 15.0 % (net of currency effects) in the first half of the year. All regions played a part in this development. In the second quarter, net sales increased by a small margin (net of currency effects). The increase in deliveries in the Africa, Asia, and Australia and Americas regions was offset by a decline in Europe.

NET SALES

				Second quarter				Six months
in € million	2021	2020	Change in %	Net of currency effects in %	2021	2020	Change in %	Net of currency effects in %
Europe	273.4	302.6	-9.7	-9.2	543.3	507.7	+7.0	+7.8
thereof Germany	123.1	134.6	-8.6	-8.6	244.3	216.3	+12.9	+12.9
Americas	109.8	99.4	+10.4	+19.9	215.9	177.4	+21.7	+33.5
Africa, Asia, and Australia	144.3	131.3	+9.9	+12.6	276.2	243.8	+13.3	+16.6
Total	**527.5**	**533.3**	**-1.1**	**+1.6**	**1,035.5**	**928.9**	**+11.5**	**+15.0**

EARNINGS

Gross profit rose by 18.3 % in the first half of 2021 on account of the rise in net sales, while the gross margin rose by 2.9 percentage points. This was due to the ongoing effects of the positive product mix and volume-related cost-degression effects in manufacturing. The outstanding gross profit generated in the first quarter managed to compensate for the decline reported in the second quarter, when gross profit was down by -10.3 % and the gross margin fell by 4.6 percentage points. This decline was due to significantly higher expenses for quality measures and the gradual abatement of the positive product mix effect reported in the first quarter.

Functional costs were up year-on-year by 5.2 % in the first half of 2021 (net of currency effects; 3.4 % in nominal terms), predominantly as a result of increased costs for research and development services. Functional costs rose by 6.9 % (net of currency effects; 5.3 % in nominal terms) in the second quarter.

EBIT in the medical division stood at EUR 145.4 million in the first half of 2021 (6 months 2020: EUR 78.0 million), with the EBIT margin rising from 8.4 % to 14.0 %. In the second quarter, EBIT came to EUR 47.8 million (second quarter 2020: EUR 84.9 million). The EBIT margin stood at 9.1 % (second quarter 2020: 15.9 %).

Dräger Value Added in the medical division rose by EUR 274.9 million year-on-year to EUR 335.4 million as at June 30, 2021 (12 months to June 30, 2020: EUR 60.4 million). Rolling EBIT increased year-on-year by EUR 278.3 million. Capital costs increased by EUR 3.3 million.

Business performance of the safety division

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Second quarter				Six months			
		2021	2020	Change in %	Net of currency effects in %	2021	2020	Change in %	Net of currency effects in %
Order intake	**€ million**	**275.1**	**307.9**	**-10.7**	**-9.3**	**563.0**	**657.5**	**-14.4**	**-12.7**
thereof Germany	€ million	62.1	69.9	-11.2	-11.2	140.2	169.4	-17.3	-17.3
Net sales	**€ million**	**313.8**	**255.1**	**+23.0**	**+24.5**	**597.9**	**499.5**	**+19.7**	**+21.6**
thereof Germany	€ million	69.2	61.1	+13.2	+13.2	130.8	120.3	+8.7	+8.7
EBITDA [1]	**€ million**	**49.4**	**32.3**	**+52.8**		**97.2**	**53.4**	**+82.1**	
EBIT [2]	**€ million**	**32.5**	**17.4**	**+87.0**		**63.8**	**23.6**	**> +100.0**	
EBIT [2] / Net sales	%	10.3	6.8			10.7	4.7		
Capital employed [3, 4]	€ million	598.5	582.7	2.7		598.5	582.7	2.7	
EBIT[2, 5]/Capital employed[3, 4](ROCE)[6, 7]	%	17.9	10.6			17.9	10.6		
DVA [5, 7, 8]	€ million	67.6	20.9	> +100.0		67.6	20.9	> +100.0	

[1] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[2] EBIT = Earnings before net interest result and income taxes
[3] Capital Employed = Total assets less deferred tax assets, securities, cash and cash equivalents, non-interest bearing liabilities and other non-operating items
[4] Value as at reporting date
[5] Value of the last twelve months
[6] The previous year's figure has been adjusted due to a change in calculation.
[7] The first-time application of IFRS 16 in fiscal year 2019 impacts this key figure. Therefore, comparability is limited.
[8] Dräger Value Added = EBIT less cost of capital of average invested capital

ORDER INTAKE

Order intake in the safety division fell by 12.7 % (net of currency effects) in the first half of the year. Following the surge in demand for light respiratory protection last year, order intake for safety accessories, which includes FFP masks, was lower in the first six months of 2021, as expected. We recorded significant order intake growth in the service business as well as for respiratory and personal protection products and alcohol detection devices. Our engineered solutions business also grew in the first half of the year. Demand was also up slightly year-on-year in the business involving gas detection devices.

Order intake fell in the first six months in Europe and in the Americas regions, while orders in the Africa, Asia, and Australia region were almost at the same levels as in the prior year (net of currency effects). In the second quarter, orders decreased by 9.3 % (net of currency effects). The Africa, Asia, and Australia region, on the other hand, recorded a significant increase in order intake. The decrease in the Europe and Americas regions can be attributed to the pandemic-related large-scale orders in the prior year, which were not repeated.

While demand declined in the first six months in Germany, Sweden, the United Kingdom, the U.S., and South Africa, order intake rose in Turkey, Hongkong, China, and Canada.

ORDER INTAKE

	Second quarter				Six months			
in € million	2021	2020	Change in %	Net of currency effects in %	2021	2020	Change in %	Net of currency effects in %
Europe	164.7	192.7	-14.5	-14.3	350.1	430.3	-18.6	-17.9
thereof Germany	62.1	69.9	-11.2	-11.2	140.2	169.4	-17.3	-17.3
Americas	53.4	67.1	-20.4	-14.8	101.4	113.8	-10.9	-3.8
Africa, Asia, and Australia	57.0	48.2	+18.3	+18.0	111.5	113.5	-1.7	-1.5
Total	**275.1**	**307.9**	**-10.7**	**-9.3**	**563.0**	**657.5**	**-14.4**	**-12.7**

NET SALES

Net sales increased by 21.6 % (net of currency effects) in the first six months of the year. Deliveries increased significantly, particularly in Europe and the Americas region. Net sales also saw double-digit increases in the Africa, Asia, and Australia region. In the second quarter, Dräger recorded net sales growth of 24.5 % (net of currency effects), with all regions making a contribution.

NET SALES

	Second quarter				Six months			
in € million	2021	2020	Change in %	Net of currency effects in %	2021	2020	Change in %	Net of currency effects in %
Europe	204.0	168.1	+21.4	+21.4	390.0	325.6	+19.8	+20.1
thereof Germany	69.2	61.1	+13.2	+13.2	130.8	120.3	+8.7	+8.7
Americas	54.3	38.4	+41.4	+51.9	99.6	80.6	+23.7	+34.1
Africa, Asia, and Australia	55.5	48.6	+14.2	+13.3	108.2	93.3	+16.0	+16.0
Total	**313.8**	**255.1**	**+23.0**	**+24.5**	**597.9**	**499.5**	**+19.7**	**+21.6**

EARNINGS

Thanks to the significant rise in net sales volume, gross profit in the safety division improved by 21.6 % in the first half of 2021, while the gross margin rose by 0.7 percentage points. A positive product and country mix was offset by start-up costs for mask production. Gross profit increased by 23.0 % in the second quarter, with the gross margin remaining stable at the same level as the second quarter of 2020 (48.4 %).

Functional costs in the safety division were up by 6.8 % year-on-year in the first half of 2021 (net of currency effects; 5.6 % in nominal terms). The main drivers of this development were a significant increase in expenses in the sales regions, as well as higher logistics costs. Functional costs increased by 13.3 % in the second quarter (net of currency effects; 12.5 % in nominal terms), primarily due to increased expenses for sales activities in the regions, as well as higher personnel expenses in the corporate units.

In the first half of 2021, EBIT in the safety division came to EUR 63.8 million (6 months 2020: EUR 23.6 million), while the EBIT margin stood at 10.7 % (6 months 2020: 4.7 %). In the second quarter, EBIT stood at EUR 32.5 million (second quarter 2020: EUR 17.4 million). The EBIT margin for the second quarter stood at 10.3 % (second quarter 2020: 6.8 %).

Dräger Value Added in the safety division rose by EUR 46.6 million to EUR 67.6 million year-on-year in the 12 months to June 30, 2021 (12 months to June 30, 2020: EUR 20.9 million). Rolling EBIT improved year-on-year by EUR 45.4 million. Capital costs decreased slightly by EUR 1.2 million on account of the lower capital employed.

CHANGED CONDITIONS AFTER THE CLOSING OF THE INTERIM REPORTING PERIOD

There were no significant changes between the end of the first six months of 2021 and the time this interim financial report was prepared.

Research and development

In the first half of 2021, we invested EUR 149.1 million in research and development (R&D), which was more than in the same period of the previous year (6 months 2020: EUR 140.5 million). The R&D expenses amounted to 9.1 % of net sales in the first six months of the reporting year (6 months 2020: 9.8 %).

MEDICAL DIVISION

The focal point of R&D in the medical division remains expanding our product portfolio in the area of intensive care and in the operating room, with activities centered on developing system solutions.

The circumstances leading to hospitals being pushed to their limits are rarely predictable in the long term. The COVID-19 pandemic has opened everyone's eyes to the importance of real-time transparency concerning available treatment capacities at local, regional, and international levels. The "Hospital Capacity Board" (HCB) developed by Dräger gives hospitals a transparent overview of the utilization of their capacities, offering operators real-time insights into the availability of intensive care beds and medical devices at their facilities. The data is also automatically transmitted to the Germany-wide DIVI intensive care register. All that is needed is a one-off authorization from the Robert Koch Institute. Thanks to the standardized systems architecture, which is based on the international Fast Healthcare Interoperability Resources (FHIR) interoperability standard, clinics are able to seamlessly integrate "HCB" into their existing IT systems landscape. Data that is constantly recorded and collected within the hospital's existing systems landscape, such as lab results, information concerning transfers, or ventilation therapies, can be automatically aggregated and retrieved in "HCB". In addition, the "Visilion" tracking system provides location-specific information on beds and devices that have previously been tagged accordingly. As a result, "HCB" makes it possible to significantly increase transparency regarding capacity utilization in real time while simultaneously enabling the simplification and partial automation of hospital processes. The product is currently available in Germany, Austria, and India.

Providing the highest quality patient care is at the heart of everything hospitals do. At the same time, hospitals also face the challenge of having to document every aspect of patient care in a timely and complete manner despite the current budget pressures, especially in cost-intensive areas such as intensive care, anesthesiology, and neonatology. With financial considerations increasingly taking center stage as a result, treatment processes require improved planning, standardization, and documentation. The "Integrated Care Manager" (ICM) is a clinical documentation system that is currently available for use by customers in Germany, Austria, and Switzerland. "ICM" supports hospitals in documentation, the optimization of workflows, cost control, and adherence to standards. Within the scope of the continuous adaption of "ICM", Dräger released the "ICM 12" update in the first half year of 2021. The user interface in the archive display section, the daily curve, and the trend charts in particular were all redesigned. In addition, the interface with ID-Medics and Medico in the medication section was expanded and the system connection simplified, allowing for the easier retrieval of documents from the hospital information system and other technologies. New device connections were also added.

SAFETY DIVISION

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

The new "PSS AirBoss" self-contained breathing apparatus for fire services was launched in the first half of the year. Future-oriented technology and ergonomics were the focus throughout its development. Firefighters are able to move more freely and carry out operations with less physical strain thanks to the greatly reduced weight and carrying profile. The connected and integrated respiratory protection monitoring system ensures continuous and straightforward coordination of operations on-site as well as at the operational command center, increasing the safety of the individual user and the entire team. Reflective surfaces known as "buddy lights," along with integrated sensors, improve location recognition for first responders.

The new “Dräger Nano Cylinder” compressed air cylinder offers a range of advantages to customers, especially those in fire services. The extreme weight reduction of the compressed air cylinders ensures less strain and fatigue during operations while also increasing the agility of the user. What is more, operating times can be significantly increased through two-cylinder configuration. The fully composite cylinder can also be used indefinitely, thereby reducing investment costs for fire services.

Dräger also launched the “MetCam” optical gas detection camera in the first half of the reporting year. The camera enables the detection and location of methane leaks, as well as the size of the leak. Possible hazardous situations due to gas leaks can therefore be detected and assessed more quickly and accurately. In the oil and gas industries, there are often large or complex facilities where access is difficult or where gas pipelines have multiple connections. Such facilities are difficult to monitor with conventional gas detection systems. It is also hard to locate any leaks that may occur. The “MetCam” complements stationary gas warning systems by automatically monitoring facilities around the clock and detecting gas leaks at an early stage.

Dräger expanded its range of solutions in the field of wireless, stationary gas detection technology with the “Polytron 6100 EC WL, WirelessHART.” The gas warning transmitter uses tried-and-tested electrochemical Dräger sensors, allowing it to cover a spectrum of approximately 140 toxic gases and oxygen. The autonomous WirelessHART and ISA100 wireless standards, both widely used and accepted in the industry, ensure secure transmission of the measured values. As a result, Dräger is now able to offer its customers wireless gas detection technology based on both wireless standards and support them in the safe, flexible, and cost-effective monitoring of hazardous areas.

The new “REGARD 7000 OPC UA Server” expands our product range in the area of stationary gas detection technology and serves to transmit system data via an OPC UA interface to higher-level data recording systems. The “REGARD 7000 OPC UA Server” is designed to provide data for the visualization and documentation of systems behavior, thereby simplifying processes for our customers.

In the first half of 2021, Dräger also launched “Gas Detection Connect” (GDC), a cloud-based software solution. “GDC” connects Dräger gas detection devices and test stations to a central system, with all of the collected data being bundled centrally in a cloud. “GDC” also enables state-of-the-art device management, which comprises the documentation of all tests through certificates, the tracking of test and calibration intervals, and an overview of used and active devices, as well as the ability to link them to the responsible employee. In addition, “GDC” makes it possible to directly connect gas measuring devices, for example through the “GDC App”, where measured values can be transmitted to the system in real time and displayed on a map. Alarms are immediately reported and visualized, with the device location and carrier being displayed immediately. Shift supervisors are thereby able to do much more to protect their colleagues and initiate measures, where necessary.

Personnel

As of June 30, 2021, the Dräger Group employed 15,795 people worldwide, 618 more than in the prior year (June 30, 2020: 15,177); this equates to a 4.1 % rise in headcount. In Germany, the number of people working for the Dräger Group increased by 161 year-on-year, while the number of people working abroad grew by 457. As of June 30, 2021, 53.4 % of employees were working outside of Germany.

In Germany, Service saw growth (+91), in particular due to project business. The number of employees increased by 83 in Research and Development. The number of employees in Administration and Sales also climbed by 50 and 42, respectively. In Marketing (+31) and Quality (+15), the number of employees increased to a lesser extent. In Production (-122) and in Purchasing and Logistics (-29), Dräger employed fewer people year-on-year.

The increase in personnel abroad largely pertained to Production (+183). The increase is spread across the production companies, mainly in the U.S., France, and the United Kingdom. Outside Germany, Dräger also hired additional employees in Sales (+83). The rise is spread across numerous sales and service companies in various countries, such as China, South Africa, and the United Kingdom, as well as in Latin America.

Of the 15,795 employees worldwide, 58.6 % (June 30, 2020: 59.2 %) worked in Sales, Marketing, and Service; 20.2 % (June 30, 2020: 20.4 %) worked in Production, Quality Assurance, Logistics, and Purchasing; 10.1 % (June 30, 2020: 9.7 %) worked in Research and Development; and 11.0 % (June 30, 2020: 10.7 %) worked in General Administration.

Personnel expenses within the Group rose by 6.6 % net of currency effects year-on-year (4.9 % in nominal terms) to EUR 620.7 million. This rise was mainly due to an increase in headcount. The cost per employee increased by an average of 1.1 % net of currency effects (-0.5% in nominal terms) due to higher pension expenses in Germany, as well as wage and salary increases abroad. The personnel cost ratio came to 38.0 % in the first half of 2021 (6 months 2020: 41.4 %).

WORKFORCE TREND

		June 30, 2021	December 31, 2020	June 30, 2020
Germany		7,357	7,350	7,196
Other countries		8,438	8,307	7,981
Dräger Group total		**15,795**	**15,657**	**15,177**
Turnover of employees (Basis: average of the past 12 months)	%	5.6	4.3	4.4
Sick days of work days in Germany (Basis: average of the past 12 months)	%	5.0	5.3	5.7
Temporary staff in Germany (incl. short-term project employment)		636	474	608

PERSONNEL EXPENSES [1]

in € thousand	Six months 2021	Six months 2020
Wages and salaries	506,673	490,976
Social security contributions and related employee benefits	94,571	86,153
Pension expenses	19,487	14,674
	620,732	**591,803**

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

RISKS TO FUTURE DEVELOPMENT

The material risks to our net assets, financial position, and results of operations, as well as the structure of our risk management system, are outlined in the annual report for fiscal year 2020 on pages 52 et seq. The annual report may be downloaded online at www.draeger.com.

In the reporting period, the following significant changes resulted for the forecast period as compared to the 2020 annual report.

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

These encompass both the risk of a possible disruption in the global supply chains as well as the risk of a severe recession due to the need for renewed lockdown measures and the associated reduction in industrial and public investments or even a possible deterioration in payment practices. These risks are offset by opportunities, including the possibility of a faster economic recovery and high demand in the medical division.

All told, the COVID-19 pandemic has led to a significant improvement in the net assets, financial position, and results of operations in 2021. As a result, we have adjusted our forecast figures accordingly. However, they continue to be subject to greater uncertainty than usual due to the pandemic.

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

Outlook

FUTURE MARKET ENVIRONMENT

Following the sharp downturn in global economic activity in the wake of the COVID-19 pandemic, the global economy is expected to grow again significantly in 2021. According to the International Monetary Fund (IMF), the forecasts are still subject to major uncertainties one year after the initial outbreak of the pandemic. The IMF expects the global economy to grow by 6.0 % in 2021, followed by 4.4 % in 2022. Growth in the U.S. will be somewhat stronger than in Europe due, among other things, to the strong fiscal stimulus provided by the new U.S. government.

Due to extraordinary fiscal, monetary, and financial support measures taken by various nations as a response to the pandemic and its effects on the economy, the IMF believes that the COVID-19 recession will leave a smaller mark than the financial crisis in 2008 and 2009.

To counteract the effects of the pandemic in emerging and low-income markets, the IMF also believes that strong multilateral cooperation is needed, especially to close the recently widening gap in living standards as compared to industrialized countries. An international effort is also necessary concerning vaccine production and global distribution so as to ensure that all countries are able to overcome the pandemic as quickly as possible.

IMF FORECAST FROM APRIL 2021 ON GROSS DOMESTIC PRODUCT (GDP) GROWTH

in %	2020	2021	2022
Global economy	-3.3	6.0	4.4
U.S.	-3.5	6.4	3.5
Eurozone	-6.6	4.4	3.8
Germany	-4.9	3.6	3.4
China	2.3	8.4	5.6

In view of the declining infection rates in Germany, the increased momentum of the vaccination drive, and the gradual reopening of the economy, the Bundesbank (German Central Bank) raised its forecasts in June and now expects economic output in Germany to reach pre-crisis levels this summer. The Bundesbank expects growth of 3.7 % in 2021 and 5.2 % in 2022.

FUTURE MARKET AND SEGMENT SITUATION

Medical division

We see rather positive development for the European healthcare market in the future. However, the degree to which this can be taken advantage of will depend on the sectors in which investments are made, with digitalization remaining the defining issue. Investments are being made in healthcare in Southern Europe due to the large-scale pressure to modernize, making state-of-the-art medical technology a key component of the investments. In Eastern Europe, the focus is on modernizing the healthcare system, particularly with the help of EU structural funds. We see investment in the healthcare market increasing in the future on account of these conditions. Despite the new customs barriers, prospects for the medical technology market in the United Kingdom are positive. A high level of investments should guarantee growth in the years ahead.

We see a positive development in the Americas region. The U.S. medical technology market, for example, has quite a positive outlook for the future. E-health solutions and telemedicine platforms also offer a lot of potential. The healthcare market in Canada is also showing positive development. While the development of the pandemic remains uncertain in Brazil, the economic data for the first quarter was surprisingly positive. Financial institutions are once again increasing their growth forecasts for 2021, which should lead to a normalization of the healthcare market as well.

We regard the development in the Africa, Asia, and Australia region favorably, albeit with reservations. Digitalization is the focus of investments in the Asian healthcare markets as well. This is also the case in the countries of the Persian Gulf region, where the dependence on medical technology imports continues to offer opportunities for German manufacturers in the future. These developments are countered by protectionist tendencies, for example in China.

Safety division

A somewhat limited positive development is expected for the European safety technology market. Expectations vary in the European chemical industry, depending on the customer sector. Generally speaking, we expect positive development in Russia, with major investments being implemented according to plan. In the United Kingdom, the British chemical industry expects production stagnation in 2021. We see a stable development for the European oil and gas market. The issue of sustainability is an important focus for investments.

Heterogeneous development is also expected in the American chemical market, depending on the customer sector. Overall, the U.S. chemical industry is expected to recover in 2021, although some customer sectors will not return to their pre-crisis levels until 2022. Brazil is also expected to be subject to varying development in the chemical market. The American oil and gas markets are expected to grow again in 2021 due to rising demand and prices.

We see rather positive development in the Africa, Asia, and Australia region. In China, the economic recovery is easing the situation in the chemical industry. Aspects concerning environmental protection and sustainability are increasingly important on both the supply and demand sides, offering a positive outlook for the second half of 2021. Growth is also expected for the chemical sector in India. The chemical sector is tremendously significant for the states of the Persian Gulf. The coronavirus crisis led to delays in the implementation of important projects. While experts predict that the situation will improve in 2021, a return to pre-crisis levels is not expected until 2022 at the earliest. In our view, the outlook for the oil and gas market in the states of the Persian Gulf is subdued for 2021. In Africa, the mining sector in particular has great development potential, for example in South Africa.

According to our information, the fire service market will keep pace with overall economic development.

FUTURE SITUATION OF THE COMPANY

The following section should be read in conjunction with the “Outlook” section in the management report of the 2020 annual report (page 64 et seq.), which describes our expectations for 2021 in detail. The following table provides an overview of the expectations regarding the development of various forecast figures. The forecast horizon is the fiscal year.

EXPECTATIONS FOR FISCAL YEAR 2021

	Results achieved for fiscal year 2020	Forecast for fiscal year 2021 (last published in the first quarter)	Current forecast
Net sales (net of currency effects)	25.7 %	-7.0 to -11.0 %	-2.0 to -6.0 %
EBIT margin	11.6 %	5.0 to 8.0 %[1]	8.0 to 11.0 %
DVA	EUR 296.9 million	EUR 44 to 142 million	EUR 150 to 250 million
Other forecast figures:			
Gross margin	47.2 %	On par with prior year (+ / - 1 percentage point)	Confirmed
Research and development costs	EUR 289.6 million	EUR 295 to 310 million	Confirmed
Interest result	EUR -36.4 million	Improvement	EUR -23 to -30 million
Days working capital (DWC)	96.9 days	On par with 2019 (2019: 109.4 days)	Improvement compared to 2019
Investment volume[2]	EUR 131.3 million	EUR 120 to 145 million	Confirmed
Net financial debt	EUR 326.4 million	Improvement	Significant improvement

[1] Based on exchange rates at the start of fiscal year 2021
[2] Excluding company acquisitions and the capitalization of right-of-use assets pursuant to IFRS 16

Business performance in the current fiscal year has exceeded expectations. These factors are having an impact on our forecasts for fiscal year 2021. Following our record-breaking year in 2020, we had originally expected a decline in net sales of between -7.0 % and -11.0 % (net of currency effects) in the current fiscal year. Based on the business performance to date and the raise in the forecast in June 2021, we now only expect a decline of between -2.0 % and -6.0 %. Due in particular to the improved net sales development, the associated economies of scale, and the product and country mix, we raised our earnings forecast in June, and we now expect an EBIT margin of between 8.0 % and 11.0 %.

The positive earnings development is also reflected in Dräger Value Added, where a positive figure of between EUR 150 and 250 million is expected.

As a result of the increased net sales forecast, we also expect a positive effect on days working capital, with an improvement on the value for 2019 by the end of the year.

We continue to expect a year-on-year improvement in the net interest result, with a net interest result somewhere between EUR -23 million and EUR -30 million.

We anticipate a significant improvement in net financial debt in the current fiscal year due to the positive earnings performance.

DRÄGER MANAGEMENT ESTIMATE

Despite the successive recovery of global economic activity and the increasing speed of vaccination drives around the world, the COVID-19 pandemic continues to exert a significant effect. Forecasts are therefore subject to greater uncertainty in view of the lack of clarity concerning further developments.

The pandemic is having a lasting effect on Dräger. Demand for products in connection with COVID-19 is being sustained for longer than originally envisaged at the start of the year. However, we still believe that the pandemic effects will subside as the year progresses and do not expect demand to return to 2021 levels in 2022.

FORWARD-LOOKING STATEMENTS

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

Lübeck, July 28, 2021

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

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

Interim Financial Statements of the Dräger Group as of June 30, 2021

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

in € thousand	Notes	Second quarter 2021	Second quarter 2020	Six months 2021	Six months 2020
Net sales		841,296	788,415	1,633,358	1,428,400
Cost of sales		-452,112	-400,452	-831,258	-757,267
Gross profit		**389,184**	**387,963**	**802,100**	**671,133**
Research and development costs		-77,424	-72,768	-149,073	-140,502
Marketing and selling expenses		-165,412	-155,236	-322,067	-315,091
General administrative costs		-66,681	-55,862	-120,551	-109,739
Impairment losses on financial assets and contract assets		213	-1,148	-882	-1,679
Other operating income		2,320	631	2,872	1,322
Other operating expenses		-351	-304	-568	-538
Functional expenses		**-307,335**	**-284,687**	**-590,268**	**-566,228**
Result from net exposure from monetary items		-661	-358	-947	-761
Result from other investments		-	0	21	18
Other financial result		-909	-699	-1,727	-2,519
Financial result (before interest result)	**5**	**-1,571**	**-1,057**	**-2,654**	**-3,261**
EBIT [1]		**80,278**	**102,219**	**209,178**	**101,644**
Interest result	5	-4,404	-11,249	-12,245	-20,392
Earnings before income taxes		**75,874**	**90,971**	**196,933**	**81,252**
Income taxes	6	-18,905	-30,553	-57,165	-27,539
Earnings after income taxes		**56,969**	**60,418**	**139,768**	**53,712**
Earnings after income taxes		**56,969**	**60,418**	**139,768**	**53,712**
Earnings to non-controlling interests		-175	-7	112	-69
Earnings attributable to shareholders and holders of participation certificates		57,143	60,425	139,657	53,781
Undiluted/diluted earnings per share on full distribution [2]					
per preferred share (in €)		2.66	2.60	6.50	2.24
per common share (in €)		2.65	2.59	6.47	2.21

[1] EBIT = Earnings before net interest result and income taxes

[2] The dividend premium of EUR 0.06 on preferred shares is recognized pro rata on a quarterly basis.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

in € thousand	Six months 2021	Six months 2020
Earnings after income taxes	**139,768**	**53,712**
Items that cannot be reclassified into the income statement		
Remeasurements of defined benefit pension plans	50,461	-31,067
Deferred taxes on remeasurements of defined benefit pension plans	-15,875	9,780
Items that may be reclassified into the income statement in the future		
Currency translation adjustment for foreign subsidiaries	12,252	-15,604
Changes in the fair value of the cash flow hedge reserve recognized directly in equity	-8,568	8,580
Deferred taxes on changes in the fair value of the cash flow hedge reserve recognized directly in equity	2,709	-2,697
Other comprehensive income (after taxes)	**40,979**	**-31,009**
Total comprehensive income	**180,747**	**22,703**
of which attributable to non-controlling interests	236	-471
thereof earnings attributable to shareholders and holders of participation certificates	180,511	23,174

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

in € thousand	Notes	June 30, 2021	December 31, 2020
Assets			
Intangible assets	7	347,085	330,962
Property, plant and equipment	7	475,098	456,577
Right-of-use assets	7	108,607	110,445
Investments in associates		7,384	7,384
Non-current trade receivables	9	1,755	1,447
Other non-current financial assets	10	70,962	19,825
Deferred tax assets		220,144	228,253
Other non-current assets	11	4,235	4,069
Non-current assets		**1,235,271**	**1,158,963**
Inventories	8	683,299	620,818
Trade receivables	9	578,080	717,169
Contract assets	9	56,102	49,195
Other current financial assets	10	38,226	182,629
Cash and cash equivalents		455,690	497,330
Current income tax refund claims		35,342	33,531
Other current assets	11	84,192	46,356
Current assets		**1,930,933**	**2,147,028**
Total assets		**3,166,204**	**3,305,992**

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

in € thousand	Notes	June 30, 2021	December 31, 2020
Equity and liabilities			
Capital stock		48,026	48,026
Capital reserves		307,035	307,035
Reserves retained from earnings, including group result		886,871	716,468
Other comprehensive income		-32,362	-38,629
Non-controlling interests		1,147	911
Equity		**1,210,717**	**1,033,810**
Provisions for pensions and similar obligations		379,911	430,127
Non-current personnel provisions		37,353	37,206
Other non-current provisions	12	35,923	36,031
Non-current note loans		100,000	-
Non-current liabilities to banks		156,117	157,814
Other non-current financial liabilities	13	304,310	391,031
Non-current income tax liabilities		20,434	20,422
Deferred tax liabilities		6,259	3,069
Other non-current liabilities	14	46,899	43,560
Non-current liabilities		**1,087,206**	**1,119,259**
Current personnel provisions		78,632	136,380
Other current provisions	12	141,235	120,741
Current note loans		-	59,998
Current liabilities to banks		31,620	36,252
Trade payables		191,175	234,623
Other current financial liabilities	13	78,140	236,058
Current income tax liabilities		77,891	27,177
Other current liabilities	14	269,588	301,694
Current liabilities		**868,281**	**1,152,923**
Total equity and liabilities		**3,166,204**	**3,305,992**

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

	in € thousand	Second quarter 2021	Second quarter 2020	Six months 2021	Six months 2020
Operating activities					
	Earnings after income taxes	56,968	60,418	139,768	53,712
+	Write-down / Write-up of non-current assets	32,497	30,257	64,156	60,721
+	Interest result	4,404	11,249	12,245	20,392
+	Income taxes	18,905	30,553	57,165	27,539
+/-	Increase / Decrease in provisions	-9,764	13,225	-42,050	-10,199
+/-	Other non-cash expenses / income	1,090	7,442	-381	25,728
-	Gain from the disposal of non-current assets	-1,624	-11	-1,644	-124
+/-	Decrease / Increase in inventories	10,071	-116,446	-56,316	-175,084
-	Increase in leased equipment	-2,716	-1,701	-5,543	-5,267
+/-	Decrease / Increase in trade receivables	59,798	-49,235	139,990	10,459
+/-	Decrease / Increase in other assets	14,926	-12,874	-38,380	-40,668
+/-	Increase / Decrease in trade payables	-16,473	31,880	-41,903	37,316
+/-	Increase / Decrease in other liabilities	-60,194	1,715	-29,197	64,207
+	Dividends received	-	0	21	3
-	Cash outflow for income taxes	-8,221	-11,936	-15,121	-16,619
-	Cash outflow for interest	-3,970	-10,596	-11,776	-19,257
+	Cash inflow from interest	530	557	1,268	1,025
	Cash inflow / outflow from operating activities	**96,226**	**-15,505**	**172,300**	**33,884**
Investing activities					
-	Cash outflow for investments in intangible assets	-1,691	-1,935	-2,920	-2,904
-	Cash outflow for investments in property, plant and equipment	-24,542	-21,518	-51,761	-37,589
+	Cash inflow from disposals of property, plant and equipment	3,302	315	4,482	649
-	Cash outflow for investments in financial assets	-50,814	-7,723	-50,815	-9,252
+	Cash inflow from the disposal of financial assets [1]	89,276	36	139,357	36
-	Cash outflow for the acquisition of subsidiaries	-4,910	-	-4,910	-
+	Cash inflow from the disposal of subsidiaries	-	549	-	549
	Cash inflow / outflow from investing activities	**10,621**	**-30,276**	**33,432**	**-48,511**
Financing activities					
-	Distribution of dividends (including payments to participation capital holders)	-3,840	-	-3,840	-
-	Cash outflow from the purchase of participation certficates	-	-	-258,034	-
+	Cash provided by raising loans	5,435	3,054	107,920	4,131
-	Cash used to redeem loans	-3,520	-6,993	-66,155	-13,464
-	Net balance of other liabilities to banks	-1,020	-22,777	-9,416	-13,548
-	Repayment of lease liabilities	-10,445	-10,325	-21,512	-19,173
-	Cash inflow from capital increase	-	75,217	-	75,217
-	Profit distributed to non-controlling interests	-	-140	-	-140
	Cash inflow / outflow from financing activities	**-13,391**	**38,036**	**-251,038**	**33,024**
Change in cash and cash equivalents in the fiscal year		**93,456**	**-7,745**	**-45,306**	**18,397**
+/-	Effect of exchange rates on cash and cash equivalents	-175	328	3,666	-6,054
+	Cash and cash equivalents at the beginning of the reporting period	362,409	216,073	497,330	196,314
	Cash and cash equivalents on reporting date	**455,690**	**208,656**	**455,690**	**208,656**

[1] This item includes the sale of money market funds in which we had a current investment.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

in € thousand	Capital stock	Capital reserves	Reserves retained from earnings incl. group result	Participation capital	Total other comprehensive income: Currency translation differences	Total other comprehensive income: Cash flow hedge reserves	Total other comprehensive income: Total other comprehensive income	Total equity of shareholder Drägerwerk AG & Co. KGaA	Non-controlling interests	Equity
January 1, 2020	**45,466**	**234,028**	**779,162**	**29,497**	**-8,229**	**-5,120**	**-13,350**	**1,074,803**	**1,556**	**1,076,359**
Earnings after income taxes	-	-	53,781	-	-	-	0	53,781	-69	53,712
Other comprehensive income	-	-	-21,287	-	-15,202	5,882	-9,320	-30,607	-402	-31,009
Total comprehensive income	**0**	**0**	**32,494**	**0**	**-15,202**	**5,882**	**-9,320**	**23,174**	**-471**	**22,703**
Distributions	-	-	-	-	-	-	0	0	-140	-140
Capital increase	2,560	73,007	-	-	-	-	0	75,567	-	75,567
Termination of participation capital	-	-	-274,732	-29,497	-	-	0	-304,229	-	-304,229
Change in scope of consolidation / Miscellaneous	-	-	-24	-	-	-	0	-24	-4	-28
June 30, 2020	**48,026**	**307,035**	**536,899**	**0**	**-23,432**	**762**	**-22,669**	**869,290**	**942**	**870,231**
January 1, 2021	**48,026**	**307,035**	**716,468**	**0**	**-37,598**	**-1,031**	**-38,629**	**1,032,899**	**911**	**1,033,810**
Earnings after income taxes	-	-	139,657	-	-	-	0	139,657	112	139,768
Other comprehensive income	-	-	34,586	-	12,128	-5,860	6,268	40,854	124	40,979
Total comprehensive income	**0**	**0**	**174,243**	**0**	**12,128**	**-5,860**	**6,268**	**180,511**	**236**	**180,747**
Distributions (including payments to participation certificates holders)	-	-	-3,840	-	-	-	0	-3,840	0	-3,840
June 30, 2021	**48,026**	**307,035**	**886,871**	**0**	**-25,471**	**-6,891**	**-32,362**	**1,209,570**	**1,147**	**1,210,717**

Notes of the Dräger Group as of June 30, 2021 (condensed)

1 BASIS OF PREPARATION OF THE INTERIM GROUP FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA, Lübeck, Germany, ("Dräger") prepared its Group financial statements for fiscal year 2020 in accordance with the International Financial Reporting Standards (IFRS) as defined by the International Accounting Standards Boards (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). In fiscal year 2021, the interim financial statements of the Dräger Group have therefore also been prepared in accordance with IFRS, and the interim report in compliance with IAS 34 as well as German Accounting Standard No. 16 (GAS 16—Interim Financial Reporting) of the German Accounting Standards Committee (GASC).

The interim report should be read in connection with the disclosures in the Dräger IFRS annual report as at December 31, 2020. It was not audited or reviewed by an auditor.

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

2 ACCOUNTING POLICIES

Basically, the same accounting principles were applied in preparing the interim financial statements and calculating the comparative figures as in the Group financial statements for 2020. A detailed description of these methods is published in the notes to the Group financial statements in the 2020 annual report in Note 10.

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

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

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

The following new standards and amendments to existing standards published by the IASB, which have already been adopted in EU law, are to be applied for the first time in fiscal year 2021, in the event that transactions fall within the respective scopes of application:

- Due to the deferral of the effective date of IFRS 17 to fiscal years beginning on or after January 1, 2023, IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9 (issued June 2020)" was amended to postpone the fixed expiration date of the temporary exemption from applying IFRS 9 to such fiscal years as well under IFRS 4. The new IFRS 17 "Insurance Contracts (issued May 2017)" will govern the recognition, measurement, and disclosure of insurance contracts, reinsurance contracts, and capital investment contracts with discretionary participation features. The amendments to IFRS 4 will not have an impact on Dräger's Group financial statements.
- The Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 "Interest Rate Benchmark Reform—Phase 2 (issued April 2020)" are aimed at assisting users in providing useful information about the impact resulting from the replacement of previous benchmark interest rates with alternative, risk-free interest rates. In addition, the amendments allow the user to treat contractual and cash flow changes resulting from the reform as changes in a variable interest rate.

Further new mandatory standards or amendments of standards that apply only to fiscal years beginning on or after January 1, 2021, and/or that have not yet been endorsed, as well as their impact, can be found in the Dräger IFRS annual report as at December 31, 2020.

3 CHANGES IN THE SCOPE OF CONSOLIDATION

In April 2021, Dräger acquired a total of 67.32 % of the shares in STIMIT AG, Nidau, Switzerland, through a share purchase agreement and a subsequent capital increase and added this company to its scope of consolidation. STIMIT AG specializes in non-invasive respiratory muscle stimulation in intensive care patients receiving artificial ventilation. The agreed purchase price for the shares in STIMIT AG was EUR 5,000 thousand. The purchase price and the capital increase were paid in full. The current net outflow of funds to third parties in the Group financial statements totaled EUR 4,910 thousand on account of the simultaneous takeover of cash in the amount of EUR 90 thousand. The goodwill remaining after the preliminary purchase price allocation is attributable to the workforce. Goodwill is calculated from the purchase price, less the acquired assets and assumed liabilities. It is fully attributed to the medical division. Goodwill is not tax-deductible.

In May 2021, Dräger also acquired 62.5 % of the shares in AB ULAX, Motala, Sweden. AB ULAX manufactures foams for heat and moisture exchangers and ventilation system filters that moisten the air used in mechanical ventilation and minimize the risk of cross-infection. It had not yet been fully integrated into the Group accounting system as at the reporting date, which is why the purchase price paid for the shares so far of EUR 2,313 thousand is currently still reported under other assets.

4 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

							Six months
		Medical division		Safety division		Dräger Group	
		2021	2020	2021	2020	2021	2020
Order intake	**€ million**	**914.4**	**1,633.9**	**563.0**	**657.5**	**1,477.4**	**2,291.4**
Europe	€ million	465.3	980.7	350.1	430.3	815.4	1,410.9
thereof Germany	€ million	178.1	543.4	140.2	169.4	318.3	712.8
Americas	€ million	195.3	263.8	101.4	113.8	296.7	377.6
Africa, Asia, and Australia	€ million	253.8	389.4	111.5	113.5	365.4	502.9
Net Sales	**€ million**	**1,035.5**	**928.9**	**597.9**	**499.5**	**1,633.4**	**1,428.4**
Europe	€ million	543.3	507.7	390.0	325.6	933.4	833.3
thereof Germany	€ million	244.3	216.3	130.8	120.3	375.1	336.6
Americas	€ million	215.9	177.4	99.6	80.6	315.6	258.0
Africa, Asia, and Australia	€ million	276.2	243.8	108.2	93.3	384.4	337.1
EBITDA [1]	**€ million**	**176.1**	**109.0**	**97.2**	**53.4**	**273.3**	**162.3**
Depreciation/Amortization	€ million	-30.7	-31.0	-33.5	-29.7	-64.2	-60.7
EBIT [2]	**€ million**	**145.4**	**78.0**	**63.8**	**23.6**	**209.2**	**101.6**
Capital employed [3, 4]	€ million	867.6	883.3	598.5	582.7	1,466.1	1,466.0
EBIT [2] / Net sales	%	14.0	8.4	10.7	4.7	12.8	7.1
EBIT [2, 5] / Capital employed [3, 4] (ROCE) [6, 7]	%	45.7	13.4	17.9	10.6	34.4	12.3
DVA [5, 7, 8]	€ million	335.4	60.4	67.6	20.9	402.9	81.4

[1] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[2] EBIT = Earnings before net interest result and income taxes
[3] Capital employed = Total assets less deferred tax assets, securities, cash and cash equivalents, non-interest bearing liabilities and other non-operating items
[4] Value as at reporting date
[5] Value of the last twelve months
[6] The previous year's figure has been adjusted due to a change in calculation.
[7] The first-time application of IFRS 16 in fiscal year 2019 impacts this key figure. Therefore, comparability is limited.
[8] Dräger Value Added = EBIT less cost of capital of average invested capital

The key figures from the segment report are as follows:

EBIT

in € million	Six months 2021	Six months 2020
Net profit	139.8	53.7
+ Interest result	12.2	20.4
+ Income taxes	57.2	27.5
EBIT	**209.2**	**101.6**

CAPITAL EMPLOYED

in € million	June 30, 2021	June 30, 2020
Total assets	3,166.2	2,899.7
- Deferred tax assets	-220.1	-308.4
- Cash and cash equivalents	-455.7	-208.7
- Non-interest bearing liabilites	-1,024.3	-916.7
Capital employed	**1,466.1**	**1,466.0**

DVA

in € million	June 30, 2021	June 30, 2020
EBIT (of the last 12 months)	504.1	180.4
- Cost of capital (basis: average of capital employed in the past 12 months)	-101.2	-99.0
DVA	**402.9**	**81.4**

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

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

5 FINANCIAL RESULT

FINANCIAL RESULT (BEFORE INTEREST RESULT)

in € thousand	Six months 2021	Six months 2020
Financial result (before interest result)	**-2,654**	**-3,261**
Interest and similar income	1,509	1,275
Interest and similar expenses	-13,754	-21,667
Interest result	**-12,245**	**-20,392**

Interest and similar expenses include effects from the termination and early repayment of the participation certificates as well as the compounding of the non-current payment obligation to holders of participation certificates of EUR 6,418 thousand (6 months 2020: EUR 12,860 thousand).

6 INCOME TAXES

Income taxes for the first half of 2021 were calculated on the basis of an anticipated Group tax rate of 29.4 % (6 months 2020: 32.5 %).

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

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

in € thousand	Carrying amount January 1, 2021	Additions	Disposals / other changes	Depreciation / amortization	Carrying amount June 30, 2021
Intangible assets	330,962	18,970	642	-3,489	347,085
Property, plant and equipment	456,577	56,902	1,619	-40,000	475,098
Right-of-use assets	110,445	20,520	-1,679	-20,679	108,607
from land and buildings	78,975	9,065	-1,138	-10,521	76,381
from other plant, factory and office equipment	31,409	11,455	-541	-10,143	32,180
from leased assets	61	-	-	-15	46

8 INVENTORIES

INVENTORIES

in € thousand	June 30, 2021	December 31, 2020
Finished goods and merchandise	402,487	353,671
Work in progress	84,064	69,947
Raw materials, consumables and supplies	189,901	191,747
Prepayments made	6,847	5,453
	683,299	**620,818**

9 TRADE RECEIVABLES AND CONTRACT ASSETS

TRADE RECEIVABLES AND CONTRACT ASSETS

			June 30, 2021			December 31, 2020
in € thousand	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	619,043	1,755	620,798	758,059	1,447	759,506
Contract assets	56,182	-	56,182	49,268	-	49,268
less risk provisions	-41,043	-	-41,043	-40,962	-	-40,962
	634,182	**1,755**	**635,938**	**766,364**	**1,447**	**767,812**

10 OTHER FINANCIAL ASSETS

The decline in current financial assets was due to the sale of money market funds in the amount of EUR 139,349 thousand in the first half of 2021. An amount of EUR 49,946 thousand was invested in long-term funds.

11 OTHER ASSETS

OTHER ASSETS

	June 30, 2021			December 31, 2020		
in € thousand	Current	Non-current	Total	Current	Non-current	Total
Prepaid expenses	41,947	-	41,947	25,887	-	25,887
Other tax refund claims	36,019	-	36,019	19,307	-	19,307
Fund assets from pension plans	-	71	71	-	71	71
Sundry	6,227	4,163	10,390	1,162	3,997	5,159
	84,192	**4,235**	**88,427**	**46,356**	**4,069**	**50,425**

The increase in prepaid expenses is largely attributable to deferred expenses in the current reporting period. Other tax refund claims primarily included VAT claims. The increase in sundry other current assets was due to reporting date effects.

12 OTHER PROVISIONS

Other provisions as at June 30, 2021, also included monthly accruals and mainly consisted of provisions for outstanding invoices of EUR 56,262 thousand (December 31, 2020: EUR 43,006 thousand) and warranty provisions of EUR 67,576 thousand (December 31, 2020: EUR 53,650 thousand).

13 OTHER FINANCIAL LIABILITIES

Other financial liabilities declined by EUR 244,639 thousand in the first six months of the fiscal year. This was primarily due to the full repayment of the series A and series K participation certificates terminated in fiscal year 2020 of EUR 158,019 thousand and the early partial repayment of series D participation certificates of EUR 96,621 thousand.

Besides the remaining compounded interest on payment obligations from the termination of series D participation certificates in the amount of EUR 201,388 thousand (other non-current financial liabilities), other financial liabilities primarily included non-current lease liabilities recognized in accordance with IFRS 16 of EUR 79,054 thousand (December 31, 2020: EUR 81,030 thousand) and current lease liabilities amounting to EUR 35,085 thousand (December 31, 2020: EUR 35,656 thousand).

14 OTHER LIABILITIES

OTHER LIABILITIES

	June 30, 2021			December 31, 2020		
in € thousand	Current	Non-current	Total	Current	Non-current	Total
Contractual liabilities	183,330	40,535	223,865	210,328	37,196	247,524
Deferred other income	1,837	6,129	7,965	162	6,129	6,290
Other tax liabilities	44,337	-	44,337	51,794	-	51,794
Other liabilities to employees and for social security	37,560	-	37,560	37,144	-	37,144
Remaining other liabilities	2,523	236	2,759	2,267	236	2,502
	269,588	**46,899**	**316,487**	**301,694**	**43,560**	**345,254**

Contract liabilities include accrued net sales of EUR 150,832 thousand (December 31, 2020: EUR 176,760 thousand) and prepayments received of EUR 73,033 thousand (December 31, 2020: EUR 70,763 thousand).

15 FINANCIAL INSTRUMENTS

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

FINANCIAL INSTRUMENTS - ASSETS 2021

					June 30, 2021
	Carrying amount				Fair value
in € thousand		Level 1	Level 2	Level 3	Total
Financial assets – at amortized cost					
Trade receivables	579,836	-	-	-	0
Contract assets	56,102	-	-	-	0
Other financial assets	50,873	-	50,989	-	50,989
Cash and cash equivalents	455,690	-	-	-	0
	1,142,501	**0**	**50,989**	**0**	**50,989**
Financial assets – recognized directly in equity in other comprehensive income					
Derivatives (with hedging relation)	2,860	-	2,860	-	2,860
	2,860	**0**	**2,860**	**0**	**2,860**
Financial assets – at fair value through profit and loss					
Derivatives (without hedging relation)	1,781	-	1,781	-	1,781
Equity instruments	3,123	-	-	3,123	3,123
Debt instruments	50,551	50,551	-	-	50,551
	55,455	**50,551**	**1,781**	**3,123**	**55,455**
	1,200,816	**50,551**	**55,630**	**3,123**	**109,304**

FINANCIAL INSTRUMENTS - ASSETS 2020

					December 31, 2020
	Carrying amount				Fair value
in € thousand		Level 1	Level 2	Level 3	Total
Financial assets – at amortized cost					
Trade receivables	718,617	-	-	-	0
Contract assets	49,195	-	-	-	0
Other financial assets	43,945	-	44,061	-	44,061
Cash and cash equivalents	497,330	-	-	-	0
	1,309,087	**0**	**44,061**	**0**	**44,061**
Financial assets – recognized directly in equity in other comprehensive income					
Derivatives (with hedging relation)	8,581	-	8,581	-	8,581
	8,581	**0**	**8,581**	**0**	**8,581**
Financial assets – at fair value through profit and loss					
Derivatives (without hedging relation)	6,868	-	6,868	-	6,868
Equity instruments	3,117	-	-	3,117	3,117
Debt instruments	139,944	139,944	-	-	139,944
	149,929	**139,944**	**6,868**	**3,117**	**149,929**
	1,467,596	**139,944**	**59,509**	**3,117**	**202,570**

FINANCIAL INSTRUMENTS - EQUITY AND LIABILITIES 2021

					June 30, 2021
	Carrying amount				Fair value
in € thousand		Level 1	Level 2	Level 3	Total
Financial liabilities – at amortized cost					
Trade payables	191,175	-	-	-	0
Loans and liabilities to banks	287,737	-	275,955	-	275,955
Other financial liabilities	359,259	-	359,578	-	359,578
	838,171	**0**	**635,532**	**0**	**635,532**
Financial liabilities – recognized directly in equity in other comprehensive income					
Derivatives (with hedging relation)	17,306	-	17,306	-	17,306
	17,306	**0**	**17,306**	**0**	**17,306**
Financial liabilities – at fair value through profit and loss					
Derivatives (without hedging relation)	5,884	-	5,884	-	5,884
	5,884	**0**	**5,884**	**0**	**5,884**
	861,361	**0**	**658,722**	**0**	**658,722**

FINANCIAL INSTRUMENTS - EQUITY AND LIABILITIES 2020

					December 31, 2020
	Carrying amount				Fair value
in € thousand		Level 1	Level 2	Level 3	Total
Financial liabilities – at amortized cost					
Trade payables	234,623	-	-	-	0
Loans and liabilities to banks	254,064	-	249,479	-	249,479
Other financial liabilities	609,796	-	610,115	-	610,115
	1,098,483	**0**	**859,593**	**0**	**859,593**
Financial liabilities – recognized directly in equity in other comprehensive income					
Derivatives (with hedging relation)	14,410	-	14,410	-	14,410
	14,410	**0**	**14,410**	**0**	**14,410**
Financial liabilities – at fair value through profit and loss					
Derivatives (without hedging relation)	2,882	-	2,882	-	2,882
	2,882	**0**	**2,882**	**0**	**2,882**
	1,115,776	**0**	**876,886**	**0**	**876,886**

Level 1:
Prices in the active markets are assumed in unchanged form for identical financial assets or financial liabilities. The fair values of non-current securities are based on current stock market prices.

Level 2:
Uses largely observable input factors that can be directly (i.e., price) or indirectly (i.e., derived from prices) observed for financial assets or financial liabilities; these do not include any listed prices taken into consideration in level 1.

Dräger applies the discounted cash flow method when measuring derivatives. Expected cash flows are determined on the basis of secured prices and/or interest rates and the observable closing rates and/or interest rates, which are then discounted using an interest rate that takes into account Dräger's company-related risks.

The fair values of level 2 financial assets and liabilities measured at amortized cost are 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. As at December 31, 2020, lease liabilities were measured at the interest rates valid at this point in time. As there were no material changes in these interest rates and no material changes in leases in the last six months, the difference between the fair values of the lease liabilities and their carrying amounts was not recalculated.

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

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

16 RELATED-PARTY TRANSACTIONS

Services were rendered for Stefan Dräger and companies and persons related to Stefan Dräger, the Dräger-Stiftung, and the Dräger-Familienstiftung (Dräger Foundation and Dräger Family Foundation) totaling EUR 4 thousand (6 months 2020: EUR 4 thousand) in the first half of 2021. Receivables in this respect amounted to EUR 1 thousand as at June 30, 2021 (June 30, 2020: EUR 1 thousand)

Services in the amount of EUR 11 thousand were rendered for joint operations in the first half of 2021 (6 months 2020: EUR 11 thousand). Receivables relating to rendered services amounted to EUR 11 thousand (June 30, 2020: EUR 304 thousand).

Group companies rendered rental services and other services totaling EUR 61 thousand (6 months 2020: EUR 60 thousand) for associate MAPRA Assekuranzkontor GmbH in the first half of 2021. Receivables in this respect amounted to EUR 1 thousand (June 30, 2020: EUR 1 thousand). There were no liabilities.

In fiscal year 2020, Dräger Safety AG & Co. KGaA granted associate Focus Field Solutions Inc., St. Johns, Canada, a convertible loan amounting to CAD 1.5 million, which is to be disbursed in three tranches. The second tranche of CAD 500 thousand (EUR 340 thousand) was disbursed in the first half of 2021. The interest rate is 5.5 % and is due at the point at which the loan is converted as at December 31, 2023.

Expenses for services rendered by Focus Field Solutions Inc. amounted to EUR 9 thousand in the first half of 2021. There were no resulting liabilities.

A loan of EUR 513 thousand was granted by Dräger Safety AG & Co. KGaA to associate MultiSensor Scientific Inc., Somerville, USA, in the first half of 2021 and disbursed in USD. The interest rate is 5.8 %, and interest is due for payment on the repayment date. Repayment is due by June 30, 2024, at the latest.

No receivables or liabilities existed vis-à-vis associate MultiSensor Scientific Inc. as at the reporting date. No services were provided in the first half of 2021 either.

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

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

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

Liabilities to Drägerwerk Verwaltungs AG amounted to EUR 5,150 thousand as at June 30, 2021 (June 30, 2020: EUR 2,020 thousand). Expenses for Drägerwerk Verwaltungs AG services amounted to EUR 16,922 thousand in the first half of 2021 (6 months 2020: EUR 8,143 thousand). No services were rendered for Drägerwerk Verwaltungs AG in the first half of 2021, and no receivables existed.

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

17 SUBSEQUENT EVENTS

There were no significant changes between the end of the first six months of 2021 and the time this interim financial report was prepared.

Lübeck, July 28, 2021

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

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

MANAGEMENT COMPLIANCE STATEMENT

We confirm to the best of our knowledge that, in accordance with the applicable financial reporting framework, the Group interim financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, the Group interim management report presents business performance including business results and the situation of the Group so as to give a true and fair view, and that the material opportunities and risks relating to the Group's development in the remainder of the fiscal year have been described.

Lübeck, July 28, 2021

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

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

FINANCIAL CALENDAR

Report as of June 30, 2021, conference call	July 29, 2021
Report as of September 30, 2021, conference call	October 28, 2021

Legal Note:
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