

# Participation Certificates (Series K) Terms and Conditions

Drägerwerk AG, Lübeck, Germany, represented by its Executive Board and hereinafter referred to as "Company"

## Art. 1: Issuance of participation certificates

- (1) With the approval of its Supervisory Board and stockholders' meeting, the Company issues bearer participation certificates. In accordance with the stockholders' resolution of June 27, 1983, Art. 6 of the Company's bylaws permits the creation of participation capital and the issuance of participation certificates.
- (2) The par value of one participation certificate is Euro 25.56.
- (3) The physical participation certificate evidences the designation as series K participation certificate ("Genussschein"), the par value, the Company as issuer, and the facsimile signatures of two Executive Board members. The certificate is provided with the Company's embossed corporate seal and countersigned by a control officer. The participation certificate comes with a 20-coupon sheet and one coupon renewal sheet.

## Art. 2: Distribution for participation certificates

- (1) Each participation certificate entitles its holder to an annual dividend that corresponds to ten times the Company's preferred dividend for that year or ten times the annual minimum dividend of one preferred share, whichever is higher. This claim to the minimum dividend is not contingent on the earnings or deficit reported by the Company.
- (2) The dividend for participation certificates is due on the first banking day succeeding that annual stockholders' meeting to which the respective annual financial statements are submitted, and will be paid out by, against presentation of the pertinent coupon to, any of the paying agents named in Article 12 hereof.
- (3) Claims for payment of coupons due will become statute-barred 4 years after due date.

## Art. 3: No stockholder rights or interests

Participation certificates do not entitle to or grant any stockholder rights, hence no voting or statutory subscription rights or interests in the Company's liquidation assets.

## Art. 4: Right to subscribe for new participation certificates

- (1) If the Company increases its participation capital, the holders of participation certificates are entitled to subscribe for newly issued ones at the ratio the sum total of capital stock plus previous participation capital at par bears to the par value of participation capital increase, subject to the then current terms and conditions of issuance, as well as to the conditions precedent that (i) the stockholders' meeting consents thereto and (ii) any other statutory subscription rights are excluded or limited to the extent required to safeguard the subscription rights of current participation certificate holders.

- (2) In the event that (i) the stockholders' meeting does not consent to the participation certificate holders' subscription rights being exercised or (ii) other statutory subscription rights cannot be excluded or limited as required, the Company will pay a cash compensation at its reasonable discretion—as defined in Art. 315 German Civil Code ("BGB")—to offset the disadvantage caused by the participation capital increase. However, no such cash compensation may be claimed if the subscription right of participation certificate holders is excluded in order to offer the participation certificates thus available to the Company's active and former employees (including the workforce of Dräger Group companies). The same shall apply if the subscription is excluded to the extent that fractions of up to Euro 255,645.94 at par are issued to round up the total par value of the participation capital.
- (3) If subscription rights to new participation certificates are granted under a convertible or warrant bond issue, the provisions of this Article 4 shall apply mutatis mutandis. Wherever the stockholders' subscription right is excluded, the participation certificate holders' is, too. Moreover, this exclusion does not entitle to any cash compensation either.
- (4) All subscription or cash compensation details shall be published according to Article 13.

## Art. 5: Change in tax treatment

In the event that the tax treatment of participation certificates is changed, the Company has the right at its reasonable discretion (Art. 315 BGB) to amend these Terms & Conditions by express unilateral statement, to be duly designated as amendment hereto and to reflect the changed taxation regulatory environment. Such declaration of amendment shall be published in accordance with Article 13 hereof.

## Art. 6: Call and redemption of participation rights

- (1) Participation certificate holders may call the participation certificates they hold by giving every 5 years not less than 5 years' notice as of calendar year-end, however, to take effect not prior to December 31, 2021.
- (2) If participation certificate holders give notice, the redemption price will correspond to (i) the average mean price quoted at the Hanseatic Securities Exchange of Hamburg for series K participation certificates (ISIN: DE0005550677) during the 3 calendar months preceding commencement of the notice period or (ii) the average amount at which the series K had been issued, whichever is lower.
- (3) The Company may call and redeem participation certificates by giving 6 months' notice as of calendar year-end, to be published in accordance with Article 13 hereof.
- (4) If called in by the Company, participation certificates will be redeemed either by paying a cash sum equivalent to the higher of the adjusted redemption value according to Article 11(2) and (3) or the average series K issuance amount, or by exchanging them for stock according to Article 11(4).

- (5) If the Company calls in the participation certificate after a participation certificate holder has already given notice, the redemption price corresponds to the amount determined by applying paragraph (2) or (4), whichever is higher. In this case, the conversion option under the terms of Article 11(4) is not available.
- (6) Any form of redemption after call notice will be due on the first banking day that succeeds the date at which the participation rights have terminated and lapsed.
- (7) The redemption or conversion into stock according to Article 11(4) shall be made at any of the paying agents specified in Article 12 hereof against delivery of the physical participation certificate including coupon sheet, however, excluding the next payable coupon for the fiscal year of participation right termination since the dividend for such fiscal year will still be paid.
- (8) For any further missing coupons, the participation certificate holder shall pay an amount (i) fixed by the Company at its reasonable discretion (Art. 315 BGB) or (ii) corresponding to the imputed minimum dividend for the missing coupons, whichever is higher.

## Art. 7: Continued existence

Neither the Company's merger, transformation, etc. nor any increase in its capital stock shall affect the legal existence of participation certificates.

## Art. 8: Antidilution clause

- (1) If the Company implements a capital increase that entitles stockholders to subscribe for the new stock, the holders of participation certificates are entitled, on comparable terms and conditions, to subscribe for further participation certificates newly floated under the correspondingly increased participation capital. However, this subscription right is subject to the conditions precedent that (i) the stockholders' meeting consents thereto and (ii) any other statutory subscription rights are excluded or limited to the extent required to safeguard the subscription rights of current participation certificate holders.
- (2) If the Company raises its capital stock by capitalizing reserves, the provisions of paragraph (1) above shall apply mutatis mutandis.
- (3) In the event that (i) the stockholders' meeting does not consent to the participation certificate holders' subscription rights being exercised or (ii) other statutory subscription rights cannot be excluded or limited as required, Article 4(2) shall apply.
- (4) If the subscription right of stockholders is excluded when increasing the capital stock, the provisions that grant participation certificate holders subscription rights and/or a cash compensation do not apply.
- (5) If subscription rights to new participation certificates are granted under a convertible or warrant bond issue, the provisions of this Article 8 shall apply mutatis mutandis.
- (6) Decisions made by the Company in connection

with this Article 8 shall be published according to Article 13.

#### **Art. 9: Decrease in participation capital**

- (1) When the capital stock is decreased, the total par value of the participation capital shall be reduced at the same ratio and on comparable terms as for the shares of stock.
- (2) The decrease in participation capital shall be published in accordance with Article 13.

#### **Art. 10: Repurchase of participation certificates by the Company**

The Company has the right to repurchase and also withdraw participation certificates.

#### **Art. 11: Subordination, redemption value**

- (1) Participation capital is subordinate to all other creditors of the Company. Consequently, all creditors of the Company shall be preferred to participation certificate holders in the case of liquidation. Thereafter only will participation certificate holders be entitled to an amount equivalent to the weighted average of the issue prices of all participation certificate issues (series), subject to these Terms & Conditions (redemption value). If the total par value of participation capital is reduced, the redemption value decreases accordingly.
- (2) If participation rights are redeemed by the Company giving notice of call under the terms of Article 6, the redemption value is adjusted to such amount as corresponds to ten times the average Dräger preferred stock price, less a markdown to allow for the unavailable corporate income tax credit (adjusted redemption value).
- (3) The average Dräger preferred stock price is determined as the average mean price as quoted by the Hanseatic Securities Exchange of Hamburg during the three calendar months preceding call publication.
- (4) Subject to the approval of the stockholders' meeting, the Company is authorized to redeem the participation rights pursuant to Article 6(4) hereof by offering, in lieu of paying the (adjusted) redemption value, their exchange (whether wholly or in part) at a 10-for-1 ratio for bearer shares of Dräger common or preferred stock. The stock conversion price is determined as ten times the average price quoted by the Hanseatic Securities Exchange of Hamburg during the three calendar months preceding call publication. The adjusted redemption value pursuant to paragraphs (2) and (3) or the average series K issuance amount, whichever is higher, shall be applied to participation certificates, any share fractions from such exchange being paid in cash. Conversion (exchange) deadline is the last day of the fiscal year in which the participation certificates have been called in, and also marks the date of expiration of any claims to dividends for participation certificates. The stock issued in exchange for participation certificates will rank for dividend for the first time for the fiscal year succeeding the conversion deadline. For their conversion, the participation certificates in-

cluding coupon sheet (however, excluding the next payable coupon for the fiscal year of call since the dividend for this fiscal year will still be paid) shall be presented to any of the paying agents named in Article 12. The provisions of Article 6(8) shall apply mutatis mutandis.

- (5) If the participation rights are terminated by call, redemption or liquidation, the Company may declare withdrawn any such participation certificates as have not been duly presented within the 6 months succeeding the redemption due date or conversion deadline, however, always provided that the Company has publicly warned participation certificate holders not less than three times at minimum intervals of one month by publication in accordance with Article 13 that their participation certificates would be declared withdrawn and void. The amount equivalent to participation certificates declared withdrawn may be deposited with the Lübeck Local Court at the affected participation certificate holders' cost, expense and risk, the Company waiving the right to reclaim the funds. Such deposit will ipso facto void any and all claims of such participation certificate holders against the Company and any third parties that are liable for the settlement of debts of such participation certificate holders.

#### **Art. 12: Paying agents**

The paying agents where coupons can be cashed are the banks named as depositories in the published invitation to the current stockholders' meeting of the Company.

#### **Art. 13: Publications and notices**

- (1) The Company will publish notices affecting participation certificates in the German Federal Gazette ("Bundesanzeiger"), as well as in one official journal for statutory notices of each securities market that trades the participation certificates.
- (2) The Company is not obligated to separately notify individual participation certificate holders. Publication in the Federal Gazette shall be deemed conclusive evidence for a legally effective and timely publication.

#### **Art. 14: Final clauses**

These Terms & Conditions shall be governed by the law of the Federal Republic of Germany. Place of performance is Lübeck, Germany. The present or future ineffectiveness or unenforceability of any provision hereof for whatsoever reason shall not affect the remaining Terms & Conditions. The ineffective or unenforceable provision shall be replaced by a valid and enforceable one that comes closest to the purport and intent herein expressed.

Lübeck, December 1999

(Amendment of the August 1991 participation certificate terms and conditions due to the euro launch and changeover to no-par shares of stock)