Quarterly Report
January 1 to March 31, 2010
Dräger Group

Dräger. Technology for Life®

DRÄGER GROUP AT A GLANCE

		Three months 2006	Three months 2007	Three months 2008	Three months 2009	Three months 2010	Change on 2009 in %
Order intake	€ million	452.2	444.9	493.8	448.6	488.2	+8.8
Orders on hand	€ million	327.2	356.3	467.3	424.5	472.9	+11.4
Net sales	€ million	385.3	392.5	405.7	425.2	465.9	+9.6
EBITDA [1]	€ million	32.7	30.3	23.8	21.0	50.0	+138.1
EBIT [2]	€ million	20.5	17.4	10.4	6.5	36.8	+466.2
in % of net sales (EBIT margin)	%	5.3	4.4	2.6	1.5	7.9	
Earnings after income taxes	€ million	8.3	7.5	4.1	–0.1	18.7	
Minority interests in earnings after income taxes	€ million	2.8	1.6	2.0	0.7	0.5	–16.7
Earnings per share after minority interests							
per preferred share [3]	€	0.36	0.39	0.03	–0.10	1.38	
per common share [3]	€	0.34	0.37	0.01	–0.12	1.36	
Equity	€ million	543.8	513.6	537.4	560.8	429.9	–23.3
Equity ratio	%	35.9	31.0	33.6	34.6	21.8	
Capital employed [4]	€ million	897.5	953.6	939.6	969.9	715.6	–26.2
EBIT [5] / capital employed (ROCE)	%	14.2	15.2	12.5	10.5	15.4	
Net financial debt [6]	€ million	184.9	284.4	256.3	265.0	353.7	+33.5
Employees as of March 31		9,761	10,069	10,532	11,006	11,133	+1.2

[1] EBITDA = earnings before interest, taxes, depreciation and amortization
[2] EBIT = earnings before interest and taxes
[3] Conversion to a partnership limited by shares on December 14, 2007
[4] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[5] EBIT of the last twelve months
[6] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.

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Letter from the Executive Board Chairman

Dear Shareholders,

Our company had an excellent start into fiscal year 2010. Our good relations with customers are paying off and the turnaround program is working. We also gained from currency effects, an improved product mix and high order intake in the fourth quarter of 2009. We considerably increased order intake and orders on hand compared to the first quarter of 2009, and with EUR 36.8 million, the Group EBIT is five times higher than at the same time in the prior year. The high number of orders on hand in the first quarter is a good buffer and gives us additional confidence that we can achieve our goal – an EBIT margin in the upper region of the originally anticipated 5 to 6 percent before effects of the pricing of the Siemens option in the current fiscal year. But as you know, we always think beyond the quarter, because the long-term perspective is important to us.

The extremely positive quarterly result reinforces our intention to carry on implementing our turnaround program with determination. As before, we are aiming to improve the competitiveness of our company in the long term and to create the necessary conditions for our future investments by significantly boosting our profitability and operating cash flow. It is becoming apparent that we were right not to reduce our investments in research and development, even though 2009 was a difficult year.

We completed an essential investment in our future on April 30, 2010 – the buyback of the 25 percent share in the medical division from Siemens is effective from that date. We are convinced that this transaction is going to sustainably increase our company's value. And we wish to increase this effect even further. We will therefore ask you at the annual shareholders' meetings on May 7, 2010, to allow us to pay the cash component of the purchase price, amounting to a maximum of EUR 50 million, in preferred shares instead. This would increase our equity ratio, conserve liquidity and at the same time improve the Group's result. Therefore please agree to our proposal.

We would also like to assure you that we are committed to letting you our shareholders, participate in the success of our company even more than before. As soon as we have achieved an equity ratio of 30 percent – and the conversion of the variable purchase price component into an equity-based option would be an important step towards this goal – we will propose to distribute around 30 percent of group net profit (after minority interests) as a dividend for owners of participation certificates and shareholders.

We are pleased to present a considerably stronger company to you at the annual shareholders' meetings on May 7, 2010!

Best regards,

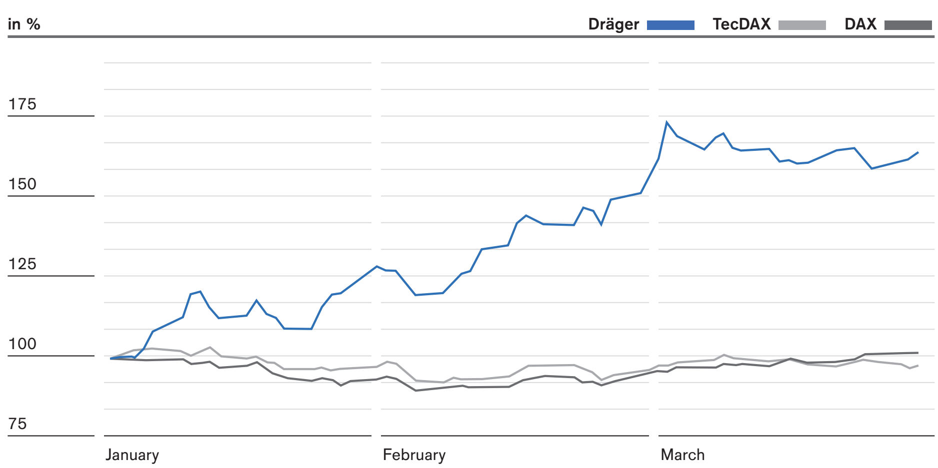
Stefan Dräger

The Dräger share

SHARE PRICE DEVELOPMENT

The positive share price development of the second half of 2009 continued in the first quarter of 2010. On March 31, 2010, the Dräger share price was considerably up on the DAX (+2 percent) and the TecDAX (–2 percent) with a plus of around 65 percent since the beginning of the year.

DRÄGER GROUP SHARE PRICE DEVELOPMENT 2010 (VERSUS TECDAX + DAX)



The Dräger share started the first trading day of the year at EUR 31.35. This was also the lowest price in the first three months of 2010. Contrary to the international stock markets, which launched weakly into 2010, the Dräger share showed a positive development straight from the beginning. On February 18, 2010 – the date of publication of the ad hoc report on the preliminary figures for 2009 – the share price was already at EUR 44.82, while the stock markets tended to stagnate in February and March. On March 4, 2010, the Dräger share reached its highest price in the first three months at EUR 54.40 and afterwards leveled out between EUR 50 and EUR 52. The share cost EUR 50.83 on the day of the annual accounts press conference, March 17, 2010, and then closed the first quarter at EUR 51.60 on March 31, 2010.

DRÄGER SHARE INDICATORS

		Three months 2006	Three months 2007	Three months 2008	Three months 2009	Three months 2010
Share figures						
No. of shares	No.	12,700,000	12,700,000	12,700,000	12,700,000	12,700,000
thereof common shares	No.	6,350,000	6,350,000	6,350,000	6,350,000	6,350,000
thereof preferred shares	No.	6,350,000	6,350,000	6,350,000	6,350,000	6,350,000
Free-floating preferred shares	%	100	100	100	100	100
Trading figures						
Average daily trading volume	No.	36,869	45,528	32,596	25,580	61,622
High	€	58.00	69.70	50.63	26.78	54.50
Low	€	44.25	54.10	34.97	13.28	31.35
Share price as of March 31	€	54.15	69.70	37.30	16.19	51.60
Market capitalization on March 31	€	687,705,000	885,190,000	473,710,000	205,613,000	655,320,000
Earnings figures as of the reporting date						
Earnings per preferred share	€	0.36	0.39	0.03	–0.10	1.38
Earnings per common share	€	0.34	0.37	0.01	–0.12	1.36
Cash flow (from operating activities) per share	€	0.09	2.23	1.46	0.47	2.07
Equity per share	€	42.82	40.44	42.31	44.15	33.85
Price-to-book ratio		1.3	1.7	0.9	0.4	1.5

Management report of the Dräger Group for the first quarter of 2010

Purchase of the 25 percent share in Dräger Medical AG & Co. KG from Siemens

On March 26, 2010, the European Commission approved the purchase of all shares in Siemens Medical Holding GmbH. The only condition for rendering the purchase effective according to the purchase agreement signed on December 29, 2009, has therefore been met. This agreement stipulates that the execution date is always the last day of a month (or the next business day, should this date fall outside ordinary business hours), whereby a minimum of five working days must elapse between the approval date and the end of the month. For this reason, the transaction was concluded on April 30, 2010. As explained in the annual report 2009, Dräger was already entitled to the acquired shares on December 31, 2009, from a financial point of view.

General economic conditions

GLOBAL ECONOMY RECOVERS IN THE FIRST QUARTER OF 2010

According to the OECD report from April 2010, the main indicators point towards a continuous, albeit weak, recovery of the global economy in the first quarter of 2010. The conditions in the financial markets improved, particularly in view of differences between short and long-term interest rates in the financial markets decreasing and a lively trade in corporate bonds and equity.

Although the German economy probably shrunk in the first quarter of 2010, leading economic research institutes do not see this as a danger to the trend towards recovery in their spring forecasts. In their opinion, the harsh winter is the reason for the comparatively weak development in the first quarter. However, analysts point out that capacity utilization in most companies is still low; industrial production in February was 20 percent below the highest level prior to the crisis.

RECOVERY SLOWING DOWN

While the gross domestic product (GDP) of the G7 countries still rose by 3.7 percent in the fourth quarter of 2009, growth slowed down to just 1.9 percent in the first quarter of 2010, according to the OECD. A healthy increase of 2.4 percent in the US, 2.3 percent in

France and 2.0 percent in Great Britain is offset by just 1.1 percent in Japan, 1.2 percent in Italy and a drop of German GDP by 0.4 percent.

INFLATION HAS BEEN CURBED

According to the OECD, globally declining economic growth has curbed inflation in the first quarter of 2010. Indicators for future inflation in the US and Great Britain show a mixed picture. But the situation is different in the emerging countries: Steeply rising food prices are creating more and more inflationary pressure in China and India. In Europe and Japan on the other hand, prices are developing within their target margins.

EXCHANGE RATE

According to the European Central Bank (ECB) report from April 15, 2010, on April 7, 2010, the euro's nominal effective exchange rate (measured against the currencies of the 21 most important eurozone trade partners) was 5.3 percent below the level at the end of December 2009 and 5.2 percent below the prior year's average. On April 7, 2010, the euro traded at USD 1.33 – 7.4 percent below its price at the end of December and around 4 percent below its average price in 2009. In the first three months of 2010, the average price of the US dollar was almost 6 percent lower than in the prior year, which had a positive effect on Dräger Group's result, as it has development and production capacities in the US, and a large part of its procurement volume is invoiced in US dollars. The euro was down against other important currencies (e.g. pound sterling, Canadian dollar and Brazilian real), further improving the result.

TURNAROUND PROGRAM

The turnaround program, which the Group started implementing in June 2009, and which already generated savings totaling EUR 63.8 million in the prior fiscal year, continued developing according to plan in the first quarter of 2010. In the first three months of 2010, the Group saved EUR 11.9 million compared to the first quarter of 2009 (before implementation costs of EUR 0.4 million).

Costs were reduced mainly in procurement (lower costs of production materials, other materials and services), travel and communications, marketing and sales and logistics.

The measures for increasing the efficiency of service activities also had a positive effect on gross profit. Improvements to the product development process are going according to plan as well.

The Company anticipates that turnaround activities will realize a positive effect of around EUR 80 million, measured against net sales, cost structure and exchange rates in 2008, and incur implementation costs in the region of EUR 10 million for the entire fiscal year 2010. Compared to net savings of EUR 45 million in fiscal year 2009, this would amount to a further improvement of around EUR 25 million.

Dräger is aiming to achieve the full effects of the turnaround program as from 2011 – saving approximately EUR 100 million annually compared to net sales, cost structure and exchange rates in 2008.

AMENDMENT TO SUPERVISORY BOARD REMUNERATION 2009

The Supervisory Board resolved in its meeting on March 11, 2010 to fix the variable component of remuneration at 0.03 percent of group net profit for fiscal year 2009. The variable component of remuneration was stated as 0.05 percent of group net profit in the annual report 2009. Remuneration of the Supervisory Board for fiscal year 2009 thus amounted to EUR 346,000 instead of EUR 450,000 as disclosed in the annual report 2009.

SITUATION OF THE MEDICAL TECHNOLOGY INDUSTRY

The overall economic environment of the medical technology market improved slightly in the first three months of 2010. Customers carried out investments they had put on hold. The various regional markets developed differently. While the European markets remained largely steady, the markets in North America, Asia and South and Latin America continued their positive trend from prior months.

SITUATION OF THE SAFETY TECHNOLOGY INDUSTRY

In the first quarter of 2010, the economy started to recover slightly, individual industries showed first signs of a positive trend and commodity prices rose. Especially the steel and engineering industries and parts of the chemical industry continued the positive development, some sectors even at levels last seen prior to the crisis, but demand from the automotive and supplier industries remained low.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Three months 2010	Three months 2009	Change in %
Order intake	**€ million**	**488.2**	**448.6**	**+8.8**
Orders on hand [1]	**€ million**	**472.9**	**424.5**	**+11.4**
Net sales	**€ million**	**465.9**	**425.2**	**+9.6**
EBITDA [2]	**€ million**	**50.0**	**21.0**	**+138.1**
Depreciation / amortization	€ million	13.2	14.5	–9.0
EBIT [3]	**€ million**	**36.8**	**6.5**	**+466.2**
Earnings after income taxes	**€ million**	**18.7**	**–0.1**	
Earnings per share				
per preferred share	€	1.38	–0.10	
per common share	€	1.36	–0.12	
Research and development costs	**€ million**	**33.9**	**37.2**	**–8.9**
Equity ratio [1]	**%**	**21.8**	**34.6**	
Cash flow from operating activities	**€ million**	**26.2**	**5.9**	**+344.1**
Net financial debt [1, 4]	**€ million**	**353.7**	**265.0**	**+33.5**
Investments	**€ million**	**7.7**	**10.9**	**–29.4**
Capital employed [1, 5]	**€ million**	**715.6**	**969.9**	**–26.2**
Net working capital [1, 6]	**€ million**	**208.0**	**502.8**	**–58.6**
EBIT / net sales	**%**	**7.9**	**1.5**	
EBIT [7] **/ capital employed**	**%**	**15.4**	**10.5**	
Gearing [8]	**Factor**	**0.8**	**0.5**	
Total headcount [1]		**11,133**	**11,006**	**+1.2**

[1] Value as of March 31
[2] EBITDA = earnings before interest, taxes, depreciation and amortization
[3] EBIT = earnings before interest and taxes
[4] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.
[5] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[6] Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt
[7] EBIT of the last twelve months
[8] Gearing = net financial debt / equity

Business performance of the Dräger Group in the first quarter of 2010

ORDER INTAKE

in € million	Three months 2010	Three months 2009	Change in %	Net of currency effects in %
Germany	108.3	99.3	9.1	9.1
Rest of Europe	173.2	172.8	0.2	–1.7
Americas	104.8	78.1	34.2	34.6
Asia / Pacific	73.3	65.4	12.1	8.3
Other	28.6	33.0	–13.3	–16.7
Total	**488.2**	**448.6**	**8.8**	**7.4**

In the first three months of 2010, order intake rose by 7.4 percent (net of currency effects) compared to the first quarter of 2009. The Americas region was the main contributor with +34.6 percent. Order intake in the medical division increased by 8.9 percent (net of currency effects) and in the safety division by 4.8 percent.

ORDERS ON HAND

in € million	March 31, 2010	March 31, 2009	Change in %	Net of currency effects in %
Germany	92.6	71.5	29.5	29.5
Rest of Europe	178.6	200.2	–10.8	–12.2
Americas	97.3	68.4	42.3	37.6
Asia / Pacific	65.9	52.2	26.2	19.9
Other	38.5	32.2	19.6	17.7
Total	**472.9**	**424.5**	**11.4**	**9.0**

The high order intake in the second half of 2009 and in the first quarter of 2010 increased orders on hand.

Equipment orders on hand covered a 3.2 month period as of March 31, 2010 (March 31, 2009: 2.3 months). On December 31, 2009, they covered a period of 3.0 months.

NET SALES

in € million	Three months 2010	Three months 2009	Change in %	Net of currency effects in %
Germany	93.0	89.0	4.5	4.5
Rest of Europe	183.4	165.4	10.9	8.6
Americas	85.4	80.3	6.4	6.4
Asia / Pacific	69.7	57.7	20.8	18.0
Other	34.4	32.8	4.9	1.8
Total	**465.9**	**425.2**	**9.6**	**8.1**

In the first three months of 2010, net sales rose by 8.1 percent (net of currency effects) compared to the first quarter of 2009. Both divisions contributed to this rise. Net sales in the medical division went up by 13.2 percent (net of currency effects). Net sales in the safety division increased by 0.1 percent (net of currency effects), remaining approximately at the prior year's level.

EARNINGS

Higher net sales, savings from the turnaround program, shifts in the product mix towards more profitable products and currency effects resulted in a higher gross margin of 48.9 percent in the first three months of 2010 (1st quarter 2009: 45.4 percent). Gross profit increased from EUR 193.0 million to EUR 228.0 million.

Taking into account EUR 4.4. million revenues from the sale of software codes (included in "Other operating income"), functional costs are at prior year level.

Research and development expenses decreased to 7.3 percent of net sales year-on-year (1st quarter 2009: 8.7 percent), mainly due to the termination of a development project in the medical division and the lower average price of the US dollar.

The turnaround program generated EUR 11.9 million savings (before implementation costs of EUR 0.4 million) in the first three months of 2010. Procurement, travel and telecommunications, marketing and sales, and logistics were the main contributors to lowering costs. These savings were offset by higher personnel expenses of EUR 9.7 million.

EBIT amounted to EUR 36.8 million, more than five times as high as in the same period in the prior year (1st quarter 2009: EUR 6.5 million). The EBIT margin was 7.9 percent (1st quarter 2009: 1.5 percent).

The positive development of the Dräger preferred share pushed up the cash component of the purchase price of the 25 percent share in Dräger Medical AG & Co. KG as of the balance sheet date. In the first quarter of 2010, EUR 6.4 million was recognized as expenses under "Other financial result" to cover this.

The interest result decreased by EUR 1.0 million, as the company took out additional note loans of EUR 140.0 million in April 2009.

Income taxes were calculated on the basis of earnings before income taxes and the anticipated group tax rate of 36 percent.

When calculating the interest in net profit of participation certificates (without minimum dividend), the dividend for participation certificates in the prior year was taken into account. A EUR 4.00 dividend for participation certificates was proposed for fiscal year 2009 (2008: EUR 3.50).

INVESTMENTS

In the first three months of 2010, investments in intangible assets amounted to EUR 0.8 million (1st quarter 2009: EUR 1.6 million). During the same period, Dräger invested EUR 6.9 million in property, plant and equipment (1st quarter 2009: EUR 9.4 million).

Depreciation and amortization came to EUR 13.2 million and covered the investments in full.

CASH FLOW STATEMENT

Net cash provided by operating activities increased by EUR 20.3 million to EUR 26.2 million in the first three months of 2010 compared to the same period in the prior year. On the one hand, net profit (net of depreciation and amortization, changes in provisions recognized directly in equity and other non-cash income) went up by EUR 29.4 million, and trade payables and other liabilities rose by a total of EUR 21.6 million (1st quarter 2009: EUR –31.9 million). On the other hand, the increase of inventories by EUR 46.4 million (1st quarter 2009: EUR +34.4 million) – the result of Dräger Group's continuing positive order situation – decreased cash and cash equivalents. A smaller reduction in trade receivables of EUR 39.6 million due to increased quarterly net sales (1st quarter 2009: EUR 71.7 million) and increased growth in other assets by EUR 17.6 million also contributed to lower levels of cash and cash equivalents.

Lower investments and slightly higher incoming payments from asset sales reduced cash outflow from investing activities from EUR 11.1 million to EUR 6.7 million compared to the prior year's period.

Net cash used in financing activities decreased from EUR 13.3 million to EUR 0.2 million year-on-year. A note loan of EUR 25.0 million was repaid in the same period of the prior year, and total other liabilities to banks increased by only EUR 1.4 million (1st quarter 2009: increase by EUR 14.0 million).

Cash inflow from operating activities includes EUR 5.7 million in income taxes paid (1st quarter 2009: EUR 0.7 million in income taxes received), EUR 0.7 million in interest received (1st quarter 2009: EUR 0.9 million) and EUR 6.7 million in interest paid (1st quarter 2009: EUR 8.3 million).

Cash and cash equivalents as of March 31, 2010, exclusively comprised cash, of which EUR 18.6 million was subject to restrictions (March 31, 2009: EUR 7.4 million). This includes EUR 10.0 million deposited in a bank account subject to special restraints on disposal, which was established as part of the share acquisition in Dräger Medical AG & Co. KG.

Changes in the balance sheet items recognized in the cash flow statement are translated into euros net of currency effects and cannot, therefore, be reconciled with the published balance sheet figures.

Financial management

BORROWING

On March 16, 2010, Dräger took out a syndicated loan of EUR 240 million with a term of three years to secure its working capital requirements in the medium term. Deutsche Bank, Commerzbank, HSH Nordbank and West LB are the creditors and arrangers. Six other banks are also participating in this credit line within the scope of the syndication. This facility comprises a cash line totaling EUR 150 million and a guaranteed credit line of EUR 90 million.

BORROWING

Type of credit	€ million	Use	Creditor
Cash	100	Coverage of working capital requirements	Deutsche Bank*, Commerzbank*, HSH Nordbank*, West LB* and six other syndicate banks
Cash	50	Refinancing of note loans	Deutsche Bank*, Commerzbank*, HSH Nordbank*, West LB* and six other syndicate banks
Guarantee	90	Bank guarantees used within the scope of business activities	Deutsche Bank, Commerzbank, HSH Nordbank, West LB

* All four banks are mandated lead arrangers of the facility.

The conditions of the loan are determined by defined financial key figures of the Dräger Group. This facility replaces the previous bilateral credit lines with selected banking partners to a large extent. It is unsecured and subject to covenants, such as the ratio of net debt to EBITDA.

NET ASSETS

Dräger Group's equity rose by EUR 36.1 million to EUR 429.9 million in the first three months of 2010, mainly due to the quarterly result of EUR 18.7 million and currency translation effects of EUR 17.2 million. The equity ratio increased to 21.8 percent (December 31, 2009: 20.9 percent).

Total assets grew by EUR 82.9 million to EUR 1,968.7 million in the first three months of 2010. Whereas inventory levels, cash and cash equivalents and other current assets increased, trade receivables and receivables from construction contracts decreased. At the same time, equity and other current provisions increased on the liabilities side.

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Three months 2010	Three months 2009	Change in %
Order intake	**€ million**	**323.6**	**295.2**	**+9.6**
Orders on hand [1]	**€ million**	**326.1**	**248.7**	**+31.1**
Net sales	**€ million**	**306.3**	**268.3**	**+14.2**
EBITDA [2]	**€ million**	**45.8**	**9.4**	**+387.2**
Depreciation / amortization	€ million	5.5	6.7	–17.9
EBIT [3]	**€ million**	**40.3**	**2.7**	
Earnings after income taxes	**€ million**	**27.8**	**1.7**	
Research and development costs	**€ million**	**23.7**	**27.6**	**–14.1**
Cash flow from operating activities	**€ million**	**39.1**	**24.2**	**+61.6**
Net financial debt [1, 4]	**€ million**	**–230.7**	**–106.2**	**+117.2**
Investments	**€ million**	**3.9**	**5.5**	**–29.1**
Capital employed [1, 5]	**€ million**	**540.7**	**631.2**	**–14.3**
Net working capital [1, 6]	**€ million**	**276.5**	**346.5**	**–20.2**
EBIT / net sales	**%**	**13.2**	**1.0**	
EBIT [7] **/ capital employed**	**%**	**19.4**	**10.6**	
Gearing [8]	**Factor**	**–0.3**	**–0.1**	
Total headcount [1]		**6,366**	**6,340**	**+0.4**

[1] Value as of March 31
[2] EBITDA = earnings before interest, taxes, depreciation and amortization
[3] EBIT = earnings before interest and taxes
[4] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.
[5] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[6] Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt
[7] EBIT of the last twelve months
[8] Net financial debt / equity

Business performance of the medical division

ORDER INTAKE

in € million	Three months 2010	Three months 2009	Change in %	Net of currency effects in %
Germany	76.3	70.3	8.5	8.5
Rest of Europe	103.2	104.9	–1.6	–3.5
Americas	79.6	53.7	48.2	49.0
Asia / Pacific	46.0	41.7	10.3	10.1
Other	18.5	24.6	–24.8	–26.4
Total	**323.6**	**295.2**	**9.6**	**8.9**

In the first quarter of 2010, the medical division increased its order intake by 8.9 percent (net of currency effects) compared to the prior year. Product orders went up especially in the Monitoring, Systems & IT business field, where Dräger received large orders from the United States Department of Defense in connection with a framework agreement concluded in 2008 for the installation of the "Innovian" patient data management system at several locations as well as a monitoring order from Brazil. Dräger's Anesthesiology business field also recorded healthy growth, supported by a positive trend in the US.

Order intake in Germany also developed positively in the first quarter of 2010, mainly attributable to large orders for managed vendor services in the "Lifecycle Solutions" business field.

In the rest of Europe region, order intake in the first quarter of 2010 was down year-on-year, one reason being fewer orders from Great Britain and Croatia.

In the first three months of 2010, order intake in the Americas region developed positively compared to the first quarter of 2009, which was relatively weak due to the effects of the crisis. The main drivers for this were the already mentioned orders in the Monitoring, Systems & IT business field from the US and Brazil.

Order intake in the US grew by 60.2 percent (net of currency effects) compared to the same period in the prior year. As before, China was the growth driver in the Asia / Pacific region in the first quarter of 2010. Dräger was again able to benefit from the positive market development in this country.

Order intake in the other countries region dropped considerably, mainly due to fewer orders from Arab countries, one of the reasons being a delay in the authorization process for tender business in Saudi Arabia.

ORDERS ON HAND

in € million	March 31, 2010	March 31, 2009	Change in %	Net of currency effects in %
Germany	65.4	52.0	25.8	25.8
Rest of Europe	107.5	90.8	18.4	16.2
Americas	84.3	48.8	72.7	67.8
Asia / Pacific	44.0	31.3	40.6	37.1
Other	24.9	25.8	–3.5	–4.3
Total	**326.1**	**248.7**	**31.1**	**28.8**

As of March 31, 2010, orders on hand (net of currency effects) were up 28.8 percent against the prior-year period. The above-mentioned orders from the US and Brazil and positive developments in Asia were the main contributors. Equipment orders on hand covered a 3.8 month period (March 31, 2009: 2.4 months).
Without taking currency effects into account, orders on hand increased, particularly in the business fields Respiratory Care (123.1 percent) and Monitoring, Systems & IT (73.9 percent) compared to March 31, 2009.

NET SALES

in € million	Three months 2010	Three months 2009	Change in %	Net of currency effects in %
Germany	63.6	58.7	8.3	8.3
Rest of Europe	112.6	94.9	18.7	16.1
Americas	60.4	54.7	10.4	10.8
Asia / Pacific	46.4	36.6	26.8	27.3
Other	23.3	23.4	–0.4	–2.6
Total	**306.3**	**268.3**	**14.2**	**13.2**

The medical division increased net sales by 13.2 percent in the first quarter of 2010 (net of currency effects). The business fields Respiratory Care and Anesthesiology were mainly responsible for this. Net sales in the business fields Monitoring, Systems & IT and Lifecycle Solutions also showed positive development.

In Germany, net sales growth – just as order intake – was driven by managed vendor services.

One of the main contributing factors to the considerable increase in net sales in the rest of Europe region is the delivery of two ventilation orders in Romania. Dräger also increased net sales in France due to delivery of ventilation and anesthesia orders placed in the prior year and billed for a large project in Poland. In addition, part of a large order for ventilators placed in the prior year in the Ukraine was delivered in the first quarter of 2010.

The positive trend in the US and healthy growth in South America drove net sales growth in the Americas region. In the US, net sales increased by 16.9 percent (net of currency effects).

The Asia / Pacific region recorded the strongest growth in net sales in the first quarter of 2010, the main reason being – just as in the case of order intake – the excellent development in China. But net sales in Japan and India also went up. Some of the reasons for this were the delivery of orders placed in the prior year, increased net sales at the end of the fiscal year (March 31) in those countries and favorable market conditions.

Net sales in the other countries region decreased slightly – as did order intake – as a result of, amongst other factors, delays in the authorization process for tender business in Saudi Arabia.

EARNINGS

The gross margin in the first quarter of 2010 was above the prior-year figure, mainly due to higher net sales, savings from the turnaround program, currency effects and a shift in the product mix towards the equipment business, which has stronger margins.

Lower functional costs, among others as a result of the turnaround program and revenues from the sale of software codes to the value of EUR 4.4 million, also had a positive effect on earnings.

The savings from the turnaround program of EUR 8.2 million were partially offset by EUR 0.3 million implementation costs.

Research and development costs dropped 14.1 percent compared with the same period in 2009 (net of currency effects: 12.4 percent). The positive impact of currency effects on functional costs is due to the US dollar, whose average exchange rate was around 6 percent lower in 2010, as approximately 35 percent of research and development costs are incurred in the US. The decision made by the medical division in 2009 to discontinue a development project due to changed market conditions also helped lower costs in 2010.

For these reasons, EBIT in the medical division increased to EUR 40.3 million (1st quarter 2009: EUR 2.7 million). With 13.2 percent, the EBIT margin was considerably up on the prior year (1st quarter 2009: 1.0 percent).

INVESTMENTS

In the first quarter of 2010, the medical division invested EUR 3.9 million in intangible assets and property, plant and equipment (1st quarter 2009: EUR 5.5 million). These mainly related to replacement. Depreciation and amortization in the first quarter of 2010 amounted to EUR 5.5 million and covered the investments in full. In the same period in 2009, investments were also fully covered by depreciation and amortization.

NET ASSETS

As of March 31, 2010, capital employed decreased significantly by EUR 90.5 million to EUR 540.7 million (March 31, 2009: EUR 631.2 million), some of the reasons being increased current provisions, higher trade payables, impairment losses on property, plant and equipment, and patents in the second half of the prior year as well as higher prepayments and tax liabilities.

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Three months 2010	Three months 2009	Change in %
Order intake	**€ million**	**172.3**	**160.1**	**+7.6**
Orders on hand [1]	**€ million**	**148.1**	**177.5**	**–16.6**
Net sales	**€ million**	**167.0**	**163.0**	**+2.5**
EBITDA [2]	**€ million**	**17.9**	**16.0**	**+11.9**
Depreciation / amortization	€ million	5.2	5.5	–5.5
EBIT [3]	**€ million**	**12.7**	**10.5**	**+21.0**
Earnings after income taxes (before profit / loss transfer)	**€ million**	**8.5**	**6.7**	**+26.9**
Research and development costs	**€ million**	**9.8**	**8.8**	**+11.4**
Cash flow from operating activities	**€ million**	**11.1**	**–2.8**	
Net financial debt [1, 4]	**€ million**	**3.0**	**69.6**	**–95.7**
Investments	**€ million**	**3.3**	**4.5**	**–26.7**
Capital employed [1, 5]	**€ million**	**193.1**	**240.6**	**–19.7**
Net working capital [1, 6]	**€ million**	**117.3**	**162.3**	**–27.7**
EBIT / net sales	**%**	**7.6**	**6.4**	
EBIT [7] **/ capital employed**	**%**	**16.8**	**27.9**	
Gearing [8]	**Factor**	**0.0**	**0.4**	
Total headcount [1]		**4,332**	**4,249**	**+2.0**

[1] Value as of March 31
[2] EBITDA = earnings before interest, taxes, depreciation and amortization
[3] EBIT = earnings before interest and taxes
[4] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.
[5] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[6] Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt
[7] EBIT of the last twelve months
[8] Net financial debt / equity

Business performance of the safety division

ORDER INTAKE

in € million	Three months 2010	Three months 2009	Change in %	Net of currency effects in %
Germany	39.7	35.7	11.2	11.2
Rest of Europe	70.0	67.9	3.1	1.2
Americas	25.2	24.4	3.3	2.9
Asia / Pacific	27.3	23.7	15.2	5.1
Other	10.1	8.4	20.2	11.9
Total	**172.3**	**160.1**	**7.6**	**4.8**

In the first three months of 2010, order intake in the safety division increased by 4.8 percent (net of currency effects).

Germany was up on the prior year's figures at the end of the first three months of 2010. As anticipated, orders from public bodies came in slightly more slowly than in the prior year. However, growth was driven by those industries that showed a solid development compared to the prior year. This includes the maritime, oil, gas, chemical, steel and general industries. On top of that, the industrial sector started investing in larger projects again. One petrochemical company, for instance, placed an order for a shutdown project. Another company in the maritime industry ordered an underwater training facility, in which helicopter crews can practice the correct behavior in the case of an emergency landing on water.

In the rest of Europe region, Dräger received another order from the British fire service for the "Dräger PSS 7000" breathing apparatus. The Swiss Army placed a follow-up order for particle filtering half masks. In France, the semiconductor and petrochemical industries ordered stationary gas detection systems. The division received orders for the "Dräger X-am 5000" gas detector in Poland.

The development in Canada and Latin America had a considerable influence on the positive trend in the Americas region, where the "Dräger Interlock XT" electronic immobilizer business and an order for breathing apparatus by the Sao Paulo fire service drove growth. Order intake in the US remained approximately at the prior year's level with +0.5 percent (net of currency effects).

The oil and gas industry in the Asia / Pacific region ordered stationary gas detection systems. Dräger convinced the Australian market with its respiratory protection and alcohol measuring instruments. The safety division received an order from the Indonesian Navy for diving apparatus.

The South African subsidiary was one of the main growth drivers in the other countries region, receiving an order from the mining industry for the “Dräger Oxyboks K 35” oxygen self-rescuer. The transport industry placed an order with Dräger for the “Dräger Alcotest 7110” breath alcohol measuring instrument. The Egyptian Airforce ordered eight mobile gas supply containers.

ORDERS ON HAND

in € million	March 31, 2010	March 31, 2009	Change in %	Net of currency effects in %
Germany	28.5	21.2	34.4	34.4
Rest of Europe	71.1	109.4	–35.0	–35.8
Americas	13.0	19.6	–33.7	–37.8
Asia / Pacific	21.9	20.9	4.8	–5.7
Other	13.6	6.4	112.5	106.3
Total	**148.1**	**177.5**	**–16.6**	**–19.0**

Orders on hand in Germany increased, mainly as a result of the order for equipping the “Puma” armored personnel carrier with ABC filter protection systems, which was received in the second quarter of 2009 and will be delivered over several years. The decrease in the rest of Europe region is mainly attributable to the cancellation of a deep-sea diving system at the end of 2009. Deep-sea diving projects totaled EUR 26.8 million (prior year: EUR 65.0 million). Orders on hand in the Americas region dropped, as large orders in Canada, Mexico and the US were delivered in the first quarter of 2009. The increase in the other countries region includes orders from Oman and South Africa.

Equipment orders on hand covered a 2.4 month period (March 31, 2009: 2.1 months).

NET SALES

in € million	Three months 2010	Three months 2009	Change in %	Net of currency effects in %
Germany	36.8	36.4	1.1	1.1
Rest of Europe	70.8	70.5	0.4	–1.4
Americas	25.0	25.6	–2.3	–3.1
Asia / Pacific	23.3	21.1	10.4	1.9
Other	11.1	9.4	18.1	12.8
Total	**167.0**	**163.0**	**2.5**	**0.1**

In the first quarter of 2010, the safety division generated net sales of EUR 167.0 million, the same level (net of currency effects) as in the prior year.

Net sales in Germany achieved the same level as in the prior year within the first three months of 2010. Core business net sales were up year-on-year, in line with the positive development of order intake.

In the rest of Europe region, business in Great Britain developed positively in the first quarter of 2010 with breathing apparatus and stationary gas detection systems being delivered to the petrochemical industry there. However, this was not able to compensate for the invoicing of a large order in the Czech Republic, which was included in the prior year, and reduced invoicing for deep-sea diving systems.

The very positive development in South America, caused by the delivery of breathing apparatus and particle filtering half masks, and the further increase of the Interlock business did not make up for the decrease in the other countries in the Americas region. Net sales in the US dropped by 8.0 percent (net of currency effects) year-on-year. While project net sales fell below the prior year's level, core business improved on the prior year.

Net sales in the Asia / Pacific region rose in line with order intake. Companies in the petrochemical and semiconductor industries received stationary gas detection systems and Dräger delivered breath alcohol measuring instruments, breathing apparatus and gas detection devices in Australia.

In the other countries region, Dräger successfully supplied stationary gas detection products and systems to the oil and gas industry in Oman and the United Arab Emirates. In South Africa, the safety division exceeded its net sales in the prior year by delivering breath alcohol measuring instruments and oxygen self-rescuers.

EARNINGS

The product mix shifted towards more profitable products. Together with currency effects, this improved the gross margin.

As planned, research and development costs rose 11.4 percent to EUR 9.8 million year-on-year (1st quarter 2009: EUR 8.8 million). Marketing, sales and administration costs were slightly up on the prior year, some of the reasons being increased personnel expenses and the newly established company in Finland.

Thanks to the higher gross margin, the safety division managed to increase its EBIT by 21.0 percent to EUR 12.7 million in the first three months of 2010 (1st quarter 2009: EUR 10.5 million). The EBIT margin was 7.6 percent (1st quarter 2009: 6.4 percent).

INVESTMENTS

The safety division continued to invest according to plan. Investments in intangible assets and property, plant and equipment amounted to EUR 3.3 million (1st quarter 2009: EUR 4.5 million). At EUR 5.2 million, depreciation and amortization exceeded the investment volume (as in the prior year).

NET ASSETS

In line with expectations, capital employed decreased by 19.7 percent to EUR 193.1 million at the end of the first quarter of 2010 , due to lower receivables and inventories (March 31, 2009: EUR 240.6 million).

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

		Three months 2010	Three months 2009	Change in %
Order intake	**€ million**	**3.8**	**4.0**	**–5.0**
Orders on hand [1]	**€ million**			
Net sales	**€ million**	**3.8**	**4.0**	**–5.0**
EBITDA [2]	**€ million**	**–11.5**	**–1.4**	**+721.4**
Depreciation / amortization	€ million	2.5	2.3	+8.7
EBIT [3]	**€ million**	**–14.0**	**–3.7**	**+278.4**
Earnings after income taxes	**€ million**	**–20.4**	**–8.9**	**+129.2**
Research and development costs	**€ million**	**0.4**	**0.8**	**–50.0**
Cash flow from operating activities	**€ million**	**–23.2**	**–13.8**	**+68.1**
Net financial debt [1, 4]	**€ million**	**583.7**	**346.7**	**+68.4**
Investments	**€ million**	**0.5**	**1.2**	**–58.3**
Capital employed [1, 5]	**€ million**	**690.3**	**685.1**	**+0.8**
Net working capital [1, 6]	**€ million**	**–192.4**	**–8.0**	
Total headcount [1]		**435**	**417**	**+4.3**

[1] Value as of March 31
[2] EBITDA = earnings before interest, taxes, depreciation and amortization
[3] EBIT = earnings before interest and taxes
[4] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.
[5] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[6] Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt

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

EARNINGS

As discussed in the 2009 annual report, Drägerwerk AG & Co. KGaA provides services to the divisions and their subsidiaries.

EBIT dropped to EUR –14.0 million (1st quarter 2009: EUR –3.7 million). The main reasons for this development are the cash component of the purchase price for the 25 percent share in Dräger Medical AG & Co. KG and increased personnel expenses. EBIT was also the sum of the operating results of the companies stated here and the result from investments of EUR 2.2 million (1st quarter 2009: EUR 3.2 million).

INVESTMENTS

In the first three months of 2010, investments in intangible assets and property, plant and equipment amounted to EUR 0.5 million (1st quarter 2009: EUR 1.2 million).

Reconciliation of figures at group level

To reconcile figures at group level, consolidations between the medical division, safety division, Drägerwerk AG & Co. KGaA and other companies have to be accounted for. These are detailed in the segment report of the notes to the financial statements in this report.

Research and development

In the first three months of 2010, research and development costs at Dräger Group came to EUR 33.9 million (1st quarter 2009: EUR 37.2 million). This is equivalent to 7.3 percent of net sales (1st quarter 2009: 8.7 percent). Research and development costs in the medical division decreased to EUR 23.7 million in the first three months of 2010 (1st quarter 2009: EUR 27.6 million), amounting to 7.7 percent (1st quarter 2009: 10.3 percent) of net sales. This reduction was caused by a development project being discontinued due to changed market conditions and the lower average exchange rate of the US dollar. The safety division spent EUR 9.8 million on research and development, which corresponds to 5.9 percent of net sales (1st quarter 2009: EUR 8.8 million, 5.4 percent of net sales).

Dräger successfully launched another Infinity product, the new “Babylog VN500” ventilator for premature infants and neonatals in the first quarter of 2010. “Babylog

VN500" combines important types of ventilation such as conventional ventilation, high frequency ventilation and oxygen therapy in a single device.

In the first quarter of 2010, Dräger introduced the first safety filling system for "Dräger DSF" compressed air cylinders. It offers protection to people and equipment from hazards encountered when refilling these devices. The cylinder connector is encased by a solid, lockable steel housing. The safety filling system is easy to operate and suitable for using on the go. Cylinders are refilled automatically.

Personnel

PERSONNEL EXPENSES

in € thousands	Three months 2010	Three months 2009
Wages and salaries	143,094	134,471
Social security contributions and related employee benefits	24,778	23,808
Pension expenses	3,304	3,251
	171,176	**161,530**

Personnel expenses increased year-on-year, the reasons for this being a larger number of employees, the collective agreement concluded in Germany in 2009 and accruals for profit shares, which went up in line with the increased quarterly result. They include the remuneration of Executive Board members of the general partner, Drägerwerk Verwaltungs AG, Lübeck.

HEADCOUNT AS OF THE BALANCE SHEET DATE

	March 31, 2010	December 31, 2009	March 31, 2009
Medical division	6,366	6,305	6,340
Safety division	4,332	4.336	4,249
Drägerwerk AG & Co. KGaA and other companies	435	430	417
Dräger Group total	**11,133**	**11,071**	**11,006**
Germany	4,902	4,845	4,869
Other countries	6,231	6,226	6,137
Turnover in % of employees (Basis: Average over the last 12 months)	5.4	5.5	6.9
Sick days in % of work days (Basis: Average over the last 12 months)	3.2	3.0	3.0

Employee numbers increased after December 31, 2009, mainly in the medical division. Dräger Medical AG & Co. KG hired 43 people, 20 in production, 14 in research and development and nine in other business fields. The employees in research and development in Lübeck were hired as a result of the closure of the site in Best, Netherlands. An additional 47 people were hired in sales and marketing worldwide. 34 employment contracts were terminated globally within the scope of the turnaround program in the first three months of 2010.

The number of temporary employees in Germany increased by 58 to 513 as of March 31, 2010, in response to the positive order situation (December 31, 2009: 455 temporary employees).

Risks to future development

The structure of our risk management system and significant risks to our net assets, financial position and results of operations are outlined in the annual report for fiscal year 2009.

Changed conditions after the close of the interim reporting period

There were no significant changes between the end of the first three months of 2010 and the time this interim financial report was prepared.

Outlook

FUTURE MARKET ENVIRONMENT

In their spring forecasts, the leading German economic research institutes anticipate that the German economy will grow by 1.5 percent in 2010 despite a weak first quarter. In the fall, they had forecast 1.2 percent. In 2011, the economy is expected to grow by 1.4 percent. The institutes base their optimism on higher order intake and improved sentiment indicators. They also expect that the European Central Bank will continue the trend of its expansive interest rate policies. While they assume that monetary policy will stimulate the economy, they are forecasting a negative effect from financial policies. Economic stimulus packages are coming to an end and because government debt is rising, first steps towards a consolidation of the national budget have to be expected. Financial policies are therefore going to slow down growth after 2010.

The OECD forecasts 2.3 percent growth in the G7 countries in the second quarter of 2010. The German economy should therefore grow by 2.8 percent in the second quarter, much stronger than in the first quarter (1st quarter 2010: –0.4 percent). The International Monetary Fund (IMF) anticipates global economic growth of around 4 percent for the current year. In 2011, growth is likely to accelerate slightly, as it is expected for the government to extend its financial and monetary measures.

The IMF’s deputy manager John Lipsky warned that in all G7 countries, except Canada and Germany, government debt is likely to exceed the 100 percent mark of gross domestic product by 2014.

FUTURE SITUATION OF THE COMPANY

In view of the currently very positive order situation, Dräger expects net sales in the medical division to grow by a percentage figure in the medium single-digit range and those in the safety division to remain approximately the same as in the prior year for 2010. This estimate is based on the assumptions that the global economy will continue to recover, public investment programs are reduced in Europe and the emerging markets continue to grow.

Demand in both divisions is expected to be boosted by the renewed product range and balanced customer structure, making it possible to offset declining sales in individual regions or customer groups.

The situation in the markets and sectors remains very volatile and economic forecasts continue to fluctuate considerably. This could affect customers' investment decisions and therefore Dräger. Tight government budgets could also curbd planned investments. Banks have only slightly relaxed their lending policies and this is not yet enough to encourage private investors.

In view of the positive development in the first quarter, Dräger now expects to achieve an EBIT margin in the upper region of the originally anticipated 5 to 6 percent range before effects of the valuation of the cash component of the purchase price of the 25 percent share in Dräger Medical AG & Co. KG for the fiscal year 2010. Dräger anticipates net sales growth in the lower single-digit percentage range. This estimate is based on the assumption that the markets relevant to Dräger continue to grow and that the turn-around program will continue to be implemented successfully.

FORWARD-LOOKING STATEMENTS

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

Interim financial statements of the Dräger Group as of March 31, 2010

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

	Note	Three months 2010	Three months 2009
		€ thousand	€ thousand
Net sales		465,861	425,224
Cost of sales		–237,841	–232,181
Gross profit		**228,020**	**193,043**
Research and development costs		–33,864	–37,169
Marketing and selling expenses		–125,684	–124,392
General administrative expenses		–28,898	–26,601
Other operating income		5,758	1,669
Other operating expenses		–1,275	–1,333
		–183,963	**–187,826**
		44,057	**5,217**
Profit from investments in associates		271	279
Profit from other investments		67	0
Other financial result		–7,644	999
Financial result (excluding interest result)	**7**	**–7,306**	**1,278**
EBIT		**36,751**	**6,495**
Interest result	7	–7,710	–6,681 [1]
Earnings before income taxes		**29,041**	**–186** [1]
Income taxes	8	–10,343	71 [1]
Earnings after income taxes		**18,698**	**–115** [1]

Earnings after income taxes		**18,698**	**–115** [1]
thereof minority interests in net profit		482	627
thereof share in net profit for participation certificates (without minimum dividend) [2]		817	682
thereof net profit after minority interests		17,399	–1,424
Earnings per share [3]			
per preferred share (in €)		1.38	–0.10 [1]
per common share (in €)		1.36	–0.12 [1]

[1] The values were adjusted. See Note 4.
[2] The dividend for participation certificates in the prior year (2010: EUR 4.00; 2009: EUR 3.50) was taken into account on a pro rata basis for the calculation of this figure.
[3] The dividend premium of EUR 0.06 on limited preferred shares is recognized pro rata on a quarterly basis.

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

	Note	March 31, 2010	December 31, 2009
		€ thousand	€ thousand
Assets			
Intangible assets	9	278,466	278,889
Property, plant and equipment	9	244,712	245,933
Investments in associates		757	757
Other non-current financial assets		10,905	11,668
Non-current tax refund claims		0	0
Deferred tax assets		92,791	94,778
Other non-current assets		26,662	25,651
Non-current assets		**654,293**	**657,676**
Inventories	10	354,950	299,942
Trade receivables and construction contracts		486,066	511,411
Other current financial assets		27,858	28,695
Cash and cash equivalents		373,567	344,051
Current tax refund claims		24,924	16,139
Other current assets	11	47,009	27,914
Current assets		**1,314,374**	**1,228,152**
Total assets		**1,968,667**	**1,885,828**

	Note	March 31, 2010	December 31, 2009
		€ thousand	€ thousand
Equity and liabilities			
Capital stock		32,512	32,512
Capital reserves		39,449	39,449
Retained earnings incl. group earnings	12	311,369	303,326
Participation capital		56,086	56,086
Other comprehensive income		–15,066	–42,043
Minority interests		5,571	4,490
Equity		**429,921**	**393,820**
Obligations from participation certificates		29,033	28,739
Provisions for pensions and similar obligations		170,331	170,173
Other non-current provisions	13	36,220	35,332
Non-current interest-bearing loans		380,790	382,283
Other non-current financial liabilities		88,072	79,798
Deferred tax liabilities		13,544	17,952
Other non-current liabilities		760	666
Non-current liabilities		**718,750**	**714,943**
Other current provisions	13	206,645	186,479
Current loans and liabilities to banks		87,058	83,597
Trade payables		135,719	127,141
Other current financial liabilities		242,807	235,170
Current tax liabilities		44,396	40,125
Other current liabilities		103,371	104,553
Current liabilities		**819,996**	**777,065**
Total equity and liabilities		**1,968,667**	**1,885,828**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

	Three months 2010	Three months 2009
	€ thousand	€ thousand
Earnings after income taxes	**18,698**	**–115** [1]
Currency translation adjustment for foreign subsidiaries	17,159	6,670
Change in the fair value of financial instruments recognized directly in equity	–479	–289
Deferred taxes on changes to the fair value of financial instruments recognized directly in equity	172	61
Actual gains / losses from defined benefit pension plans	145	–82
Deferred taxes on actuarial gains / losses from defined benefit pension plans	–52	17
Total income and expense recognized directly in equity after taxes	**16,945**	**6,377**
Earnings after income taxes and total income and expense recognized directly in equity after taxes	**35,643**	**6,262** [1]
thereof minority interests in net profit	1,083	1,843
thereof share in net profit for participation certificates (without minimum dividend, after taxes) [2]	817	682
thereof net profit to be alloted to shareholders	33,743	3,737

As in the previous year, no amounts were reclassifed to profit or loss in the first quarter.

[1] The values were adjusted. See Note 4.
[2] The dividend for participation certificates in the prior year (2010: EUR 4.00; 2009: EUR 3.50) was taken into account on a pro rata basis for the calculation of this figure.

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

	Three months 2010	Three months 2009
	€ thousand	€ thousand
Operating activities		
Earnings after income taxes	18,698	–115 [1]
+ Depreciation / amortization of non-current assets	13,177	14,466
+/– Increase / decrease in provisions	17,217	–4,471 [1]
– Other non-cash expenses	–10,311	–518 [1]
– Loss / gain from the disposal of non-current assets	–786	–53
– Increase in inventories	–46,442	–34,387
+ Decrease in trade receivables	39,551	71,740
– Increase in other assets	–26,434	–8,859
+/– Increase / decrease in trade payables	4,651	–30,579
+/– Increase / decrease in other liabilities	16,912	–1,304
Net cash provided by operating activities	**26,233**	**5,920**
Investing activities		
– Cash outflow for investments in intangible assets	–945	–1,092
+ Cash inflow from the disposal of intangible assets	2	48
– Cash outflow for investments in property, plant and equipment	–6,894	–9,302
+ Cash inflow from disposals of property, plant and equipment	1,318	411
– Cash outflow for investments in non-current financial assets	–202	–192
+ Cash inflow from the disposal of non-current financial assets	3	0
– Cash outflow from the acquisition of subsidiaries	0	–930
Net cash used in investing activities	**–6,718**	**–11,057**
Financing activities		
– Cash used to redeem loans	–1,575	–27,120
+ Increase in the net balance of other bank liabilities	1,432	13,960
– Net balance of finance lease liabilities repaid / incurred	–97	–98
– Profit distributed to minority interests	–2	–38
Net cash provided by / used in financing activities	**–242**	**–13,296**
Change in cash and cash equivalents in the fiscal year	**19,273**	**–18,433**
+ Effect of exchange rates on cash and cash equivalents	10,243	559
+ Cash and cash equivalents at the beginning of the fiscal year	344,051	125,168
Cash and cash equivalents as of March 31 of the fiscal year	**373,567**	**107,294**

For notes to the cash flow statement, please see page 13.

[1] The values were adjusted. See Note 4.

STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

					Other comprehensive income						
	Capital stock	Capital reserves	Retained earnings including group result	Participation capital	Actuarial gains and losses recognized directly in equity	Currency translation differences	Derivative financial instruments	Total other comprehensive income	Total equity interest held by shareholders of Drägerwerk AG & Co. KGaA	Minority interests	Equity
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
January 1, 2009	**32,512**	**38,867**	**290,913**	**56,086**	**–6,334**	**–37,034**	**–349**	**–43,717**	**374,661**	**179,142**	**553,803**[1]
Total income and expense recognized directly in equity			–742			5,316	–155	5,161	4,419	1,843	6,262[1]
Distributions								0	0	–38	–38
Change in scope of consolidation / other			403					0	403	325	728[1]
March 31, 2009	**32,512**	**38,867**	**290,574**	**56,086**	**–6,334**	**–31,718**	**–504**	**–38,556**	**379,483**	**181,272**	**560,755**[1]
January 1, 2010	**32,512**	**39,449**	**303,326**	**56,086**	**–10,725**	**–30,928**	**–390**	**–42,043**	**389,330**	**4,490**	**393,820**
Reclassification of actuarial gains and losses recognized directly in equity			–10,725		10,725			10,725			0
Total income and expense recognized directly in equity			18,308			16,559	–307	16,252	34,560	1,083	35,643
Distributions			0					0	0	–2	–2
Change in scope of consolidation / other			460					0	460	0	460
March 31, 2010	**32,512**	**39,449**	**311,369**	**56,086**	**0**	**–14,369**	**–697**	**–15,066**	**424,350**	**5,571**	**429,921**

[1] The values were adjusted. See Note 4.

Notes of the Dräger Group as of March 31, 2010 (condensed)

1 BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA, Lübeck, prepared its group financial statements for fiscal year 2009 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 2010, the interim financial statements of Dräger Group have therefore also been prepared in accordance with IFRS and the interim reports in compliance with IAS 34 as well as German Accounting Standard No. 16 (GAS 16 – Interim Financial Reporting) of the German Accounting Standards Committee (GASC). The interim financial report was not audited or reviewed by an auditor.

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

2 ACCOUNTING POLICIES

The group applied the same accounting principles as in the 2009 group financial statements in preparing the interim financial statements and calculating the comparative figures. A detailed description of these methods is published in the notes to the group financial statements in the 2009 annual report. The report is available for download online at www.draeger.com.

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

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

The following new standards and amendments to existing standards published by the IASB, which have already been approved, were applied for the first time in this interim report:

- IFRS 1, “First-time Adoption of International Financial Reporting Standards” (revised 2008)
- IFRS 3 “Business Combinations (revised 2008)” and IAS 27 “Consolidated and Separate Financial Statements (revised 2008)”
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement”
- FRIC 12 “Service Concession Arrangements”
- IFRIC 15 “Agreements for the Construction of Real Estate”
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”
- IFRIC 17 “Distributions of Non-cash Assets to Owners”
- IFRIC 18 “Transfers of Assets from Customers”
- Amendments to IFRS 2 “Share-based Payment”
- Improvements to IFRSs (2009)

- Amendments to IFRIC 14 "IAS 19 – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

The first-time application of these new and amended standards did not have any significant effects on the net assets, financial position and results of operations of the Dräger Group.

3 SCOPE OF CONSOLIDATION AND CONSOLIDATION PRINCIPLES

There were no significant changes to the scope of consolidation compared to December 31, 2009 and March 31, 2009. The same consolidation principles were applied as in the 2009 group financial statements.

4 CHANGES TO REPORTING METHODS FOR PARTICIPATION CERTIFICATES

In order to comply with the new statutory provisions of IAS 32 on the classification of equity and debt, Dräger evaluated its reporting methods for participation capital and decided they should be amended. To allow for an easier comparison, previous years' figures were adjusted accordingly. Earnings after income taxes for the first three months of 2009 decreased, going down to a net loss of EUR –0.1 million due to the interest result dropping by EUR 0.3 million and income taxes by EUR 0.1 million. The increase in equity attributable to participation certificates came to EUR 36.4 million as of March 31, 2009.

Please refer to Note 3 in the notes to the 2009 annual report (page 133) for more information.

5 PURCHASE OF THE 25 PERCENT SHARE IN DRÄGER MEDICAL AG & CO. KG FROM SIEMENS

On March 26, 2010, the European Commission approved the purchase of all shares in Siemens Medical Holding GmbH. The only condition for rendering the purchase effective according to the purchase agreement signed on December 29, 2009, has therefore been met. This agreement stipulates that the execution date is always the last day of a month (or the next business day, should this date fall outside ordinary business hours), whereby a minimum of five working days must elapse between the approval date and the end of the month. For this reason, the transaction was executed on April 30, 2010. As explained in the annual report 2009, Dräger was already entitled to the acquired shares on December 31, 2009, from a financial point of view.

5 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Medical division	
		Three months 2010	Three months 2009
Order intake	**€ million**	**323.6**	**295.2**
Orders on hand	**€ million**	**326.1**	**248.7**
Net sales	**€ million**	**306.3**	**268.3**
thereof intersegment	€ million	0.3	0.6
thereof third-party	€ million	306.0	267.7
EBITDA	**€ million**	**45.8**	**9.4**
Depreciation / amortization	€ million	5.5	6.7
EBIT	**€ million**	**40.3**	**2.7**
Earnings after income taxes (safety division: before profit / loss transfer)	**€ million**	**27.8**	**1.7**
thereof profit / loss from investments in associates	€ million	–	–
Net profit after minority interests	€ million	–	–
Earnings per share			
per preferred share	€	–	–
per common share	€	–	–
Research and development costs	**€ million**	**23.7**	**27.6**
Cash flow from operating activities	**€ million**	**39.1**	**24.2**
Capital employed	**€ million**	**540.7**	**631.2**
Assets	**€ million**	**907.7**	**912.0**
thereof investments in associates	€ million	–	–
Liabilities	**€ million**	**334.0**	**260.5**
Net financial debts	**€ million**	**–230.7**	**–106.2**
Investments	**€ million**	**3.9**	**5.5**
Non-cash expenses	€ million	42.7	28.2
EBIT / net sales	**%**	**13.2**	**1.0**
EBIT [1] / capital employed	**%**	**19.4**	**10.6**
Gearing	**Factor**	**–0.3**	**–0.1**
Total headcount		**6,366**	**6,340**

[1] EBIT of the last twelve months

		Safety division	Drägerwerk AG & Co. KGaA / other companies		Consolidation		Dräger Group	
	Three months 2010	Three months 2009	Three months 2010	Three months 2009	Three months 2010	Three months 2009	Three months 2010	Three months 2009
	172.3	160.1	3.8	4.0	–11.5	–10.7	488.2	448.6
	148.1	177.5			–1.3	–1.7	472.9	424.5
	167.0	163.0	3.8	4.0	–11.2	–10.1	465.9	425.2
	7.8	6.4	3.1	3.1	–11.2	–10.1	–	–
	159.2	156.6	0.7	0.9	0.0	0.0	465.9	425.2
	17.9	16.0	–11.5	–1.4	–2.2	–3.0	50.0	21.0
	5.2	5.5	2.5	2.3	0.0	0.0	13.2	14.5
	12.7	10.5	–14.0	–3.7	–2.2	–3.0	36.8	6.5
	8.5	6.7	–20.4	–8.9	2.8	0.4	18.7	–0.1
	–	–	0.3	0.3	0.0	0.0	0.3	0.3
	–	–	–	–	–	–	18.2	–0.7
	–	–	–	–	–	–	1.38	–0.10
	–	–	–	–	–	–	1.36	–0.12
	9.8	8.8	0.4	0.8	0.0	0.0	33.9	37.2
	11.1	–2.8	–23.2	–13.8	–0.8	–1.7	26.2	5.9
	193.1	240.6	690.3	685.1	–708.5	–587.0	715.6	969.9
	348.8	376.3	931.7	727.3	–716.9	–603.0	1,471.3	1,412.6
	0.5	0.4	0.3	0.3	0.0	0.0	0.8	0.7
	146.6	127.7	308.5	37.9	–18.7	–16.2	770.4	409.9
	3.0	69.6	583.7	346.7	–2.3	–45.1	353.7	265.0
	3.3	4.5	0.5	1.2	0.0	–0.3	7.7	10.9
	21.9	18.4	7.5	3.7	0.3	0.0	72.4	50.3
	7.6	6.4	–	–	–	–	7.9	1.5
	16.8	27.9	–	–	–	–	15.4	10.5
	0.0	0.4	0.0	0.0	0.0	0.0	0.8	0.5
	4,332	4,249	435	417	0	0	11,133	11,006

Consolidation amounts essentially relate to the elimination of order intake and net sales as well as income between segments, the elimination of income from investments and, in the case of assets, the effects of accounting for acquisitions.

Key figures from the segment report break down as follows:

EBIT / EBITDA

€ thousand	Three months 2010	Three months 2009
Earnings after income taxes	18,698	–115
+ Interest result	7,710	6,681
+ Income taxes	10,343	–71
EBIT	**36,751**	**6,495**
+ Depreciation / amortization	13,177	14,466
EBITDA	**49,928**	**20,961**

CAPITAL EMPLOYED

€ thousand	March 31, 2010	March 31, 2009
Balance sheet total	1,968,667	1,620,346
– Deferred tax assets	–92,791	–71,385
– Cash and cash equivalents	–373,567	–107,294
– Non-interest bearing liabilities	–786,672	–471,784
Capital employed	**715,637**	**969,883**

ASSETS

€ thousands	March 31, 2010	March 31, 2009
Balance sheet total	1,968,667	1,620,346
– All other financial assets	–6,114	–5,619
– Deferred tax assets	–92,791	–71,385
– Tax refund claims (current and non-current)	–24,924	–23,258
– Cash and cash equivalents	–373,567	–107,294
Assets	**1,471,271**	**1,412,790**

LIABILITIES

€ thousands	March 31, 2010	March 31, 2009
Liabilities recognized in the balance sheet	1,538,746	1,059,591
– Provisions for pensions and similar obligations	–170,331	–167,302
– Tax liabilities, tax provisions, tax accruals and deferred tax liabilities	–98,314	–82,104
– Interest-bearing liabilities	–499,696	–400,151
Liabilities	**770,405**	**410,034**

NET FINANCIAL DEBTS

€ thousands	March 31, 2010	March 31, 2009
Non-current interest-bearing loans	380,790	291,055
+ Current loans and liabilities to banks	87,058	78,063
+ Liabilities from finance leases	2,814	3,126 [1]
+ Liabilities from the purchase of the 25 % share	256,624	0
– Cash and cash equivalents	–373,567	–107,294
Net financial debts	**353,719**	**264,950** [1]

[1] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.

NON-CASH EXPENSES

€ thousands	Three months 2010	Three months 2009
Write-downs on inventories	6,442	5,186
+ Bad debt allowances	975	1,054
+ Allocations to provisions	65,032	43,920
Non-cash expenses	**72,449**	**50,160**

Gearing is the ratio of net financial debt to equity.

GEARING

€ thousands	March 31, 2010	March 31, 2009
Non-current interest-bearing loans	380,790	291,055
+ Current loans and liabilities to banks	87,058	78,063
+ Liabilities from finance leases	2,814	3,126 [1]
+ Liabilities from the purchase of the 25 % share	256,624	0
– Cash and cash equivalents	–373,567	–107,294
Net financial debts	**353,719**	**264,950** [1]
Equity	429,921	560,755
Gearing	**0.8**	**0.5** [1]

[1] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.

Tax accruals and deferrals during the year are taken into account in the "capital employed", "assets" and "liabilities" items of the segment report. The business performance of individual segments is detailed in the management report accompanying these interim financial statements. Services rendered between the divisions are accounted for using the arm's length principle.

7 FINANCIAL RESULT

FINANCIAL RESULT

€ thousands	Three months 2010	Three months 2009
Financial result (before interest result)	**–7,306**	**1,278**
Interest and similar income	767	974
Interest and similar expenses	–8,477	–7,655
Interest result	**–7,710**	**–6,681**

The higher negative financial result is due to an increase in the liability arising from the cash component of the purchase price of the 25 percent share in Dräger Medical AG & Co. KG. In the first three months of 2010, an expense of EUR 6.4 million was recognized under "Other financial result" to cover this liability.

Interest expenses increased in the first three months of 2010 year-on-year as a result of the Group taking on additional note loans of EUR 140.0 million in fiscal year 2009.

8 INCOME TAXES

Income taxes for the first three months of 2010 were calculated on the basis of an anticipated group tax rate of 36 percent (3 months 2009: 38 percent).

9 NON-CURRENT ASSETS (SELECTED ITEMS)

NON-CURRENT ITEMS (SELECTED ASSETS)

€ thousands	Carrying value January 1, 2010	Additions	Disposals / other changes	Depreciation / amortization	Carrying value March 31, 2010
Intangible assets	278,889	813	1,515	2,751	278,466
Property, plant and equipment	245,933	6,923	2,281	10,425	244,712

10 INVENTORIES

INVENTORIES

€ thousands	March 31, 2010	December 31, 2009
Finished goods and merchandise	178,652	146,698
Work in process	60,383	42,470
Raw materials, consumables and operating supplies	93,439	89,311
Prepayments made	22,476	21,463
	354,950	**299,942**

Dräger Group's inventories increased by EUR 54.0 million, mainly due to the very positive order backlog. Compared to March 31, 2009, however, inventories were down as a result of measures implemented under the turnaround program.

11 OTHER CURRENT ASSETS

OTHER CURRENT ASSETS

€ thousands	March 31, 2010	December 31, 2009
Prepaid expenses and deferred charges	29,977	17,299
All other current assets	17,032	10,615
	47,009	**27,914**

The increase in prepaid expenses is largely attributable to deferred expenses in the current year. All other current assets went up due to the balance sheet date.

12 RESERVES RETAINED FROM EARNINGS, INCL. GROUP RESULT / OTHER COMPREHENSIVE INCOME

Since fiscal year 2010, actuarial gains and losses recognized directly in equity are no longer included in "Other comprehensive income", but in "Reserves retained from earnings" instead. The balance carried forward was reclassified accordingly as of January 1, 2010.

13 OTHER NON-CURRENT AND CURRENT PROVISIONS

Other non-current provisions as of March 31, 2010 mainly comprised provisions for personnel obligations of EUR 19,344 thousand (December 31, 2009: EUR 18,662 thousand).

Other current provisions as of March 31, 2010 also included monthly accruals and chiefly consisted of tax provisions of EUR 30,000 thousand (December 31, 2009: EUR 29,275 thousand), provisions for personnel obligations of EUR 54,641 thousand (December 31, 2009: EUR 59,875 thousand) and warranty provisions of EUR 37,906 thousand (December 31, 2009: EUR 35,716 thousand).

14 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

€ thousands	March 31, 2010	December 31, 2009
Guarantees	7,709	4,758

Guarantees were given as part of phased retirement agreements.

15 RELATED PARTY TRANSACTIONS

Services were rendered for companies related to Stefan Dräger and the Dräger Foundation for EUR 14 thousand in the first three months of 2010 (3 months 2009: EUR 0 thousand). Claudia Dräger, Stefan Dräger's wife, is an employee of Drägerwerk AG & Co. KGaA.

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

Lübeck, Germany, April 30, 2010

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Dieter Pruss
Ulrich Thibaut

FINANCIAL CALENDAR

Report as of March 31, 2010, conference call, Lübeck	May 5, 2010
Annual shareholders' meetings, Lübeck	May 7, 2010
Report as of June 30, 2010, conference call, Lübeck	August 5, 2010
Report as of September 30, 2010, conference call, Lübeck	November 4, 2010

Drägerwerk AG & Co. KGaA
Moislinger Allee 53 – 55
23558 Lübeck, Germany
www.draeger.com

Corporate Communications
Tel. +49 451 882 - 2185
Fax +49 451 882 - 3944

Investor Relations
Tel. +49 451 882 - 2685
Fax +49 451 882 - 3296