Single entity financial statements and management report

of Drägerwerk AG & Co. KGaA

AS OF DECEMBER 31, 2010

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Important changes in fiscal year 2010

CAPITAL INCREASE

On June 30, 2010, Drägerwerk AG & Co. KGaA increased its capital stock by EUR 9,753,600 to EUR 42,265,600 by issuing 3,810,000 new bearer common shares (no-par shares) with a share of EUR 2.56 each in capital stock (new common shares) with full dividend rights as from January 1, 2010, in return for cash. Net proceeds amounted to around EUR 100 million after deducting transaction costs

Drägerwerk AG & Co. KGaA implemented the transaction in two stages: The preplacement of existing common shares with institutional investors was followed by a capital increase with subscription rights for all shareholders. On June 15, 2010, the mandated banks Goldman Sachs International, London, Great Britain, and M.M.Warburg & CO, Hamburg, Germany assumed the contractual obligation – subject to certain conditions and rights of withdrawal – to implement the capital increase and to take over the new common shares (hard underwriting).

For the preplacement, the banks used a so-called accelerated bookbuilt offering (ABO) for selling a total of 1,039,200 existing common shares without subscription rights to institutional investors at EUR 41.00 each (ABO price). These common shares were previously held by Dr. Heinrich Dräger GmbH.

The general partner of Drägerwerk AG & Co. KGaA, Drägerwerk Verwaltungs AG, used the authorization granted by resolution of the annual shareholders' meeting of Drägerwerk AG & Co. KGaA on May 8, 2009. The annual shareholders' meeting had authorized Drägerwerk Verwaltungs AG to increase the capital stock of the Company, with the approval of the Supervisory Board of the Company, through a single or multiple issue of new bearer common shares (no-par shares) in return for cash and/or deposits in kind by up to EUR 16,256,000.00 (approved capital).

The Company offered the new ordinary shares to the shareholders at a ratio of 10:3 at a subscription price of EUR 27.50 each by way of an indirect subscription right (Sec. 186 [5] AktG ["Aktiengesetz": German Stock Corporation Act]). Subscription rights for preferred shares were traded on the regulated market (floor trading) at Frankfurt Stock Exchange between June 18, 2010 and June 28, 2010, 24:00 hours. In the subscription period from June 17, 2010, to June 30, 2010, all previous subscription rights for common shares (1,905,000) as well as 1,886,037 of a total 1,905,000 subscription rights for preferred shares were exercised. The subscription rate therefore totals 99.5 percent. The 18,963 unsubscribed new common shares were sold for EUR 41.00 each on July 2, 2010 (rump placement)

Frankfurt Stock Exchange admitted the existing common shares to the regulated market (Prime Standard) on June 18, 2010, where they were quoted for the first time on June 21, 2010. After the capital increase had been entered in the commercial register on June 30, 2010, Frankfurt Stock Exchange admitted the new common shares to the regulated market (Prime Standard) on July 2, 2010, where they were quoted for the first time on July 05, 2010. All common shares as well as all preferred shares of Drägerwerk AG & Co. KGaA have therefore been listed for trading on the stock exchange.

The capital increase also has an effect with regard to participation certificates. If the Company carries out a capital increase with subscription rights for shareholders, holders of participation certificates of all three series are entitled to comparable subscription rights. Holders of participation certificates have the right to acquire further participation certificates with subscription rights similar to those of the capital increase. The participation capital has to be increased accordingly. The subscription right and increase of participation capital are subject to the approval of the Company's annual shareholders' meeting as well as the exclusion or limitation of any other legal subscription rights, if this is necessary. In accordance with the terms and conditions of participation certificates, if the annual shareholders' meeting does not approve of participation certificate holders exercising their subscription rights or if other legal subscription rights cannot be excluded or limited to the required extent, the company must pay a cash compensation to the amount of the loss it deems participation certificate holders would incur through the capital increase in its reasonable discretion (Sec. 315 BGB ["Bürgerliches Gesetzbuch": German Civil Code]). The Company recognized EUR 7.8 million in provisions for this contingency in 2010.

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

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 closing 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 be no business day), 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 previously explained in the annual report 2009, Dräger Group was already entitled to the acquired shares on December 31, 2009, from a financial point of view.

The purchase price of the 25 percent share in Dräger Medical AG & Co. KG comprised the following components:

- a cash settled component of EUR 175 million,
- a vendor note of EUR 68.5 million divided into three tranches of EUR 18.75 million (tranche I), EUR 40.0 million (tranche II) and EUR 9.75 million (tranche III), and
- a variable option component.

Drägerwerk AG & Co. KGaA repaid the cash settled component on the effective date as well as tranches I and II of the vendor note to the total amount of EUR 58.75 million plus interest early on July 20, 2010, from the inflow of cash and cash equivalents provided by the capital increase.

The variable option was originally a cash settled option. In order to replace this, Dräger issued warrant bonds with option rights guaranteed in the form of warrants to the total nominal value of EUR 1.25 million to Siemens on August 30, 2010. The option rights entitle their holders to acquire a total of 1.25 million preferred shares. Drägerwerk AG & Co. KGaA therefore implemented the resolution of the annual shareholders' meeting on May 7, 2010, which was approved by the separate meeting of preferred shareholders.

The option rights had a strike price of EUR 64.12 on December 31, 2010 and expire on April 30, 2015. They are divided into 25 individual options, entitling holders to acquire 50,000 preferred shares each. If one of the options was exercised by its holder, The Company would issue new preferred shares from conditional capital. If all options were exercised, Drägerwerk AG & Co. KGaA would receive EUR 80.15 million for issuing 1.25 million new preferred shares on the balance sheet date.

As the option rights issued to Siemens had a higher fair value than the original cash settled option, Drägerwerk AG & Co. KGaA received a EUR 8.5 million reduction on tranche III of the vendor note from Siemens, as agreed. Siemens paid the nominal value of the warrant bonds by offsetting it against the claim from tranche III of the vendor note. On September 30, 2010, the Company repaid the warrant bonds at their nominal value plus interest to Siemens. With this transaction, Dräger has now fully repaid all liabilities arising from the acquisition of the 25 percent Siemens share in Dräger Medical AG & Co. KG.

The positive development of the preferred share compared to December 31, 2009, increased the value of the originally agreed option component during the course of the fiscal year. In the period January 1 until August 30, 2010, Drägerwerk AG & Co. KGaA recognized EUR 20.3 million in other operating expenses for this purpose. The income from the debt reduction of tranche III of the vendor note from Siemens to the amount of EUR 8.5 million due to the high fair value was recognized in other operating income. As from August 30, 2010, the option component did not have any further negative effect on earnings.

As the cash settled option was replaced with an equity instrument on August 30, 2010, Drägerwerk AG & Co. KGaA was able to strengthen its equity base by an additional EUR 26.5 million.

NOTES TO THE TURNAROUND PROGRAM

With the help of the turnaround program that was launched in June 2009, Dräger Group has by now significantly improved its cost structure and at the same time invested in future growth. Dräger Group exceeded its original goal: achieving a positive, sustainable effect on earnings of EUR 100 million measured against the net sales, cost structure and exchange rates in 2008. But Dräger Group increased its profitability by EUR 107.3 million before implementation costs in 2010 – one year earlier than planned.

The extremely positive development of the turnaround program continued in the fourth quarter of 2010. Compared to the same period on the previous year, Dräger Group realized additional earnings (cost savings and increased efficiency of services) of EUR 4.4 million (4th quarter 2009: EUR 33.7 million compared to 4th quarter 2008). Without taking into account the one-off payment to all employees of German group companies in return for more flexibility of the future collective agreement ("Zukunftstarifvertrag"), this sum would have been EUR 8.3 million higher. The implementation of improvement measures incurred EUR 2.0 million in costs in the fourth quarter of 2010 (4th quarter 2009: EUR 0.2 million).

In the full fiscal year 2010, the saving from turnaround measures achieved by Dräger Group were EUR 41.0 million higher than in the previous year (2009: EUR 69.0 million compared to 2008). Dräger Group generated the largest cost savings in the purchasing of production materials, other costs for goods and services as well as marketing and sales. The closure of the site in Best, Netherlands, and the subsequent transfer of the production of emergency ventilators and other functions to Lübeck also created considerable savings. The turnaround program's earnings contribution also included increases in the efficiency of services, in turn leading to increases in net sales and margins. The resulting effect amounted to EUR 1.3 million (2009: EUR 5.2 million). Dräger Group spent EUR 2.6 million

(2009: EUR 18.5 million) on implementing improvement measures in fiscal year 2010.

Drägerwerk AG & Co. KGaA achieved savings under the turnaround program of EUR 5.7 million in 2010. This was offset by implementation costs for improvement measures of EUR 0.5 million.

After margins and earnings had been stagnating or even dropping for several years, Dräger Group made the "turnaround" in 2010. Consequently, the program was discontinued at the end of fiscal year 2010. Individual, not yet fully implemented turnaround measures are being integrated in other improvement measures or in the course of day to day business activities of each business function.

CHANGES IN THE EXECUTIVE BOARD OF DRÄGERWERK VERWALTUNGS AG

On May 6, 2010, the Supervisory Board of Drägerwerk Verwaltungs AG extended the contract of Gert-Hartwig Lescow, CFO, by five years until the end of March 2016. Gert-Hartwig Lescow has been a member of the Executive Board of Drägerwerk Verwaltungs AG since April 2008. On the same day the Supervisory Board of Drägerwerk Verwaltungs AG appointed Anton Schrofner as member of the Executive Board responsible for Production and Logistics as from September 1, 2010. Dr. Herbert Fehrecke, Vice-Chairman of the Executive Board formerly headed this area of responsibility and in addition to Purchasing, Quality and IT took on the responsibility for Research & Development from Dr. Ulrich Thibaut on July 1, 2010. Dr. Ulrich Thibaut left on his own request on June 30, 2010, to take up new professional challenges.

At its meeting on September 15, 2010, the Supervisory Board of Drägerwerk Verwaltungs AG appointed Dr. Carla Kriwet as member of the Executive Board for Marketing and Sales. As part of the strategic realignment moving Dräger Group to a shared functional structure, management positions in charge of the functions Finance, Research & Development, Purchasing, Production as well as Marketing & Sales across the entire group have now been filled. Dieter Pruss, member of the Executive Board of Drägerwerk Verwaltungs AG and CEO of Dräger Safety AG & Co. KGaA, left Dräger Group at his own request on December 31, 2010, to take on new professional challenges. He was appointed as a member of the Executive Board on April 1, 2008, and responsible for Marketing and Sales in the safety division.

Dividend proposal

The general partner and the Supervisory Board of Lübeck based Drägerwerk AG & Co. KGaA propose to distribute out of the net earnings of Drägerwerk AG & Co. KGaA of EUR 75.7 million for fiscal year 2010 a cash dividend of EUR 1.19 per preferred share and EUR 1.13 per common share, hence a total EUR 19,0 million, and carry forward the balance of EUR 56.7 million. The preferred share dividend also governs the dividend for participation certificates.

Business activities

Drägerwerk AG & Co. KGaA, Lübeck, directly holds the shares in the parent companies of the medical division and the safety division. With the focus being placed on the core business of the two divisions, medical and safety, the Company now only has a few other small shareholdings.

Apart form fulfilling the core tasks of the Company, Drägerwerk AG & Co. KGaA provides services to the divisions and their Group companies and monitors their risk management. This includes the services provided by the

Legal, Tax, Insurance, Treasury, Corporate Communications, Marketing Communications, Investor Relations, Group Controlling, Group Accounting, Corporate IT, Corporate Human Resources, Corporate Purchasing, Internal Audit and Basic Research departments. The services to the divisions are closely coordinated with them and invoiced in accordance with arm's length principles, as between unrelated parties.

Corporate Communications, Marketing Communications, Corporate IT, Corporate Purchasing as well as Corporate Human Resources (since January 1, 2011) are organized as shared services for all Group companies at Drägerwerk AG & Co. KGaA. In order to make even better use of economies of scope it is planned to extend the shared service activities to other suitable functions.

Control systems

The internal control system supports management in securing the long-term success of the Company. It comprises budgets, actual cost calculations and forecasts with strategic and operative elements. The strategic company planning created in 2010 is based on value-driven company management. Its aim is to continuously and sustainably increase the Company's value. As part of the strategic planning process, Drägerwerk AG & Co. KGaA determines a medium-term target for the value of the whole Dräger Group and the divisions. The value-driven key figure is called "Dräger Value Added" (DVA). It is the difference between EBIT and interest on capital employed. In the sense of value-driven company management, a rising DVA is equivalent to a rising Company value.

The expected market developments, technological trends and their influence on products and services as well as the financial means of Dräger Group flow into the strategic plan. The results are condensed in a four-year plan and projected onto the fifth planning year. Dräger Group sets out strategic measures and continuously monitors their implementation and value added.

As from 2011, the Company is using DVA as the main key figure for calculating variable remuneration for members of the Executive Board and executive employees. In order to improve its forecasts and ability to act, Dräger Group will develop the forecast calculation into a rolling forecast calculation.

Forecasts for estimating the overall net earnings for the year are produced at regular intervals during the fiscal year. Reports prepared at least every six months which address Dräger Group's significant risks are a further component of the control system. These reports are discussed during Executive and Supervisory Board meetings and are important as a basis for key decisions.

The most important key figures used to monitor the development of Dräger Group and its divisions are net sales, EBIT, EBIT margin, return on capital employed (ROCE), as well as cash flow and key figures for capital employed. Order intake, orders on hand, sales outlooks and project forecasts are important early indicators for future operating performance. Early indicators for strategic development are development projects and their status, market response to new products and Dräger Group's development and competitive position within the various regional markets.

Further information on the management and control structure can be found in the corporate governance report and online at **www.draeger.com/investor_relations**.

Main accounting features of the internal control and risk management system as it relates to the financial reporting process

DEFINITIONS AND ELEMENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control system includes all principles, processes and measures for guaranteeing the effectiveness, efficiency and correctness of the financial reporting system and ensuring compliance with all relevant legal requirements.

The internal control system comprises internal controls as well as the monitoring system. The Executive Board of Drägerwerk Verwaltungs AG, in its role as management of Drägerwerk AG & Co. KGaA, specifically appointed Group Controlling and Group Accounting as responsible for the group financial control system.

The control system comprises both process-integrated and process-independent measures. Manual process controls, such as a system of checks and balances and automated IT process controls are both essential parts of the process-integrated measures. In addition, bodies like the Compliance Committee and specific group functions like the central tax and group legal departments ensure process-integrated monitoring.

The Supervisory Board, particularly the Audit Committee of Drägerwerk AG & Co. KGaA, and Group Internal Audit implement audit activities as part of the internal monitoring system. The group internal audit department carries out regular audits at foreign group companies and in Lübeck. The auditor of the financial statements carries out process-independent audit activities and is therefore part of the control system of the Company.

The risk management system is aimed at avoiding incorrect entries during the accounting process and the external reporting process. It comprises operational risk management and a systematic early-warning system.

USE OF IT SYSTEMS

Data relevant to financial reporting is recorded during the accounting process using the SAP standard software. Dräger Group uses a uniform accounts structure throughout the Group, which also stipulates the reconciliation methods for items in the financial statements.

The internal audit department assesses the IT environment, identifies potential risks, regularly records them in the risk management system and reports them at least twice a year to the Executive Board. In addition, the auditor of the group financial statements carries out an independent audit of the entire IT control system, change management, IT operations, access to programs and data and system development once a year.

In fiscal year 2004, all IT activities at the Lübeck site were outsourced to the service provider Capgemini. Since 2007, Dräger Group started carrying out selected tasks in-house again or outsourced them to other service providers. As a result, the central Corporate IT department developed its own capacities in selected areas and will continue to do so in the future. External partners will continue operating technical systems at their computer centers.

ESSENTIAL REGULATORY MEASURES AND CONTROLS FOR ENSURING COMPLIANCE AND RELIABILITY OF THE FINANCIAL REPORTING SYSTEM

Drägerwerk AG & Co. KGaA has an internal control system to ensure the compliance and reliability of the financial reporting system and also to ensure that business transactions are recorded completely and promptly and in accordance with commercial and tax laws. Pursuant to these regulations, Dräger carries out inventories, measures assets and liabilities and recognizes them in the group financial statements

Amounts reported in the income statement are checked to ensure they were recognized in the correct period. The company ensures that reliable and traceable documentation for the business transaction is attached to the records. It is ensured that accounting transactions are promptly and completely recorded by clearly allocating responsibilities and control of the process for preparing the financial statements, by providing transparent accounting and reporting guidelines, and by using reliable IT accounting systems. In addition, monthly financial statements are checked by Controlling and reconciled with the plans.

Separating administrative, executive and authorization functions by issuing different access profiles in the accounting systems reduces the potential for fraudulent acts against the Company.

Overall economic environment

The overall economic environment in 2010 was marked by a surprisingly strong recovery of the global economy as well as increasingly restrictive monetary policies of governments in many countries as a result of the debt crisis in the eurozone.

GLOBAL ECONOMY: UP 5.0 PERCENT

The global economy returned to an impressive growth path in 2010. According to the International Monetary Fund (IMF), the global economy grew by 5.0 percent (2009: -0.6 percent). The economies of the industrialized and emerging countries recorded strong growth, with momentum being considerably higher in emerging markets such as China (10.3 percent) and India (9.7 percent). Especially the dynamic global trade, driven by the emerging countries, and the economic stimulus packages issued by governments created momentum in the industrialized countries. In the opinion of the Kiel Institute for the World Economy (IfW), the global economy entered into a “period of moderate expansion” in the second half of the year. The stimuli lost their power and at the same time an increasing number of governments had to go back to restricting their monetary policies to counteract high government debt during the course of the year. To a large extent, unemployment figures developed steadily around the world. The central banks supported the real economy and the financial sector by providing an extremely large supply of liquidity. The European Central Bank (ECB) kept its key interest rate for the eurozone at a historical low of 1 percent. The US Federal Reserve (Fed) also supported the entire economic development and the banking sector in particular by setting their key interest rate at 0.00 to 0.25 percent and by issuing additional stimulus packages as well as acquiring a huge amount of bonds (“quantitative easing”). The People’s Bank of China, on the other hand, increased the reference rates for bank deposits and loans with maturities of one year on two occasions by a total of 50 basis points to almost 2.75 percent and 5.81 percent respectively due to the rising pressure of inflation. Global industrial production lost much of its momentum during the course of 2010. While growth slowed down in the emerging markets, it stagnated in the industrialized countries.

GERMANY: GROWTH DRIVER IN THE EUROZONE

The global economic recovery greatly stimulated the German economy as it is largely dependent on exports. According to Destatis, the positive international impulses and steep rise in domestic demand led to 3.6 percent growth (2009: -4.7 percent). The German economy therefore recorded the largest growth in the eurozone and also the steepest rise since the reunification. In comparison, the gross domestic product (GDP) in the eurozone went up by just 1.8 percent in 2010 according to the IMF (2009: -4.1 percent). The economies in Greece, Ireland, Portugal, Italy and Spain, which had to seriously cut their budgets, considerably slowed down growth in the eurozone. Industrial production in Germany also increased the most compared to other European countries. Overall, the economic recovery in the eurozone stabilized the labor market. The imbalances within the eurozone were reflected in a sinking unemployment rate in Germany and continuously high rates in countries such as Spain.

USA: GROWTH HAS LESS MOMENTUM THAN IN GERMANY

After shrinking by 2.6 percent in 2009, the US economy grew by just 2.8 percent in 2010 despite extensive economic stimulus packages and an expansive monetary policy, according to the IfW. The positive economic recovery was driven by corporate investments and a steep rise in private and government spending. But the high trade deficit due to a significant rise in imports slowed down this development.

EMERGING COUNTRIES: DYNAMIC GROWTH

The emerging countries once again developed very dynamically in 2010. Halle Institute for Economic Research (IWH) even pointed out various signs of the economies overheating, resulting in the central banks restricting their monetary policies. In addition, currency appreciation slowed down the momentum. The Asia/Pacific region grew by 9.3 percent in 2010, compared to 7.4 percent in 2009. The Japanese economy also profited from the strong growth in the emerging countries and the export in other Asian markets. The country's GDP exceeded that of the previous year by 4.3 percent after shrinking by 6.3 percent the year before.

INFLATION: UP 1.5 PERCENT IN THE INDUSTRIALIZED COUNTRIES

While inflation in China reached a relatively high level of 5.1 percent in November according to official information (December 2009: 4.6 percent), prices went only up moderately in the eurozone and the US in 2010. The annual inflation rate went up by an average 1.5 percent in the eurozone. In December, it reached 2.2 percent, for the first time in about two years exceeding the ECB target (2.0 percent). Prices for energy and food increased in particular. In Germany, the average annual inflation rate was 1.1 percent. In the US, the inflation rate also rose to 1.5 percent in the wake of the economic recovery.

COMMODITY PRICES: UP 30.7 PERCENT (IN EUR)

Commodity prices rose steeply in 2010 on account of the economy taking an upturn. The HWWI [1] commodity price index (excluding energy prices) climbed by 21.0 percent in US dollars and 30.7 percent in euros between January and December. The rise in demand occasioned by the economic recovery around the world particularly pushed up prices for commodities such as non-ferrous metals considerably. In addition, supply shortages and speculations in the commodity markets boosted prices.

CURRENCY: EURO DROPS 5.4 PERCENT AGAINST US DOLLAR

The eurozone had had to throw a EUR 750 billion safety net to catch several EU member states and save them from their increasing debt crises. The liquidity problems of Greece came to light in the spring of 2010 and several other EU economies followed suit during the year. This led to high fluctuations of the euro at times. After incurring considerable losses until mid June, the euro was able to make up a lot of ground compared to the US dollar until the beginning of November. But the common currency dropped again in the wake of the rising insecurity in the eurozone at the end of the year. On the first day of trading in 2010, the euro closed at USD 1.4413 compared to USD 1.3362 on the last trading day. The euro reached its high on January 11, 2010, at USD 1.4514 and its low on June 7, at USD 1.1917. The average euro exchange rate was USD 1.32, around 5.4 percent lower than in the prior year. Measured against the currencies of the 20 most important eurozone trade partners, the

[1] Hamburg Institute of International Economics (Hamburgisches WeltWirtschaftsInstitut)

euro's nominal effective exchange rate was 4.0 percent down on the average value in 2009 on January 12, 2010.

Effects of the economic environment on the Dräger Group

In fiscal year 2010, Dräger profited in particular from the emerging countries' rapid return to growth and the corresponding catch-up effects in the industrialized countries after the economic downturn in 2009. Low interest rates created additional stimuli for demand as they provided customers with favorable financing terms. The debt-induced restrictive monetary policies of some countries like Italy and Spain however slowed down demand from customer groups such as hospitals, fire fighting services and the police force. The weakness of the euro had a positive impact on Dräger. Net of currency effects, net sales would have risen by 9.5 percent instead of 13.9 percent and order intake by just 4.1 percent instead of 8.5 percent. Purchasing conditions were improved as part of the turnaround program and were able to make up for higher commodity prices.

Industry performance

MEDICAL DIVISION

Medical technology markets around the world were impacted by at times strong catch-up effects after the crisis year 2009. The market in Germany and other parts of Europe recovered considerably. In South Europe, on the other hand, governments efforts to consolidate their budgets made developments stagnate and many European governments cut their healthcare budgets. In the US, demand developed slowly in the first half of 2010, then rose again to levels last seen in 2008. In the Asian and South American emerging markets, strong population growth made it necessary to invest in their healthcare infrastructures. As the GDP of these countries is increasing significantly, they are increasingly able to meet this need for investment themselves. Especially in China, the medical technology market continued growing strongly. Customers' main investment criterion around the world is increasing the efficiency of processes to remain competitive. The growing demand for all-in-one system solutions led to further consolidations on the supply side.

SAFETY DIVISION

Demand in the safety technology markets increased again after stagnating in the previous year.
Strong growth of the German economy revived demand accordingly, among industrial customers and public authorities alike. In South Europe, on the other hand, the market continued to stagnate as a result of the financial crisis. The situation in the US leveled out again at pre-crisis levels after industry inventories were stockpiled during the course of 2010. Public authority customers started placing an increasing number of orders again. In Asia, China and India developed a lot of momentum and were the main drivers of strong economic growth. The expansion of the industrial value added chain in the quickly growing emerging markets drove demand in industries such as the steel and chemical sectors. Globally, demand rose the most in countries with the strongest GDP growth, i.e. China, India and Brazil. Due to the economic development as well as rising living standards in these countries, investments were made in their infrastructures and their fire fighting services and police forces. The consolidation of suppliers, which has been going on for some years now, continued in 2010.

Accounting changes

The distribution for series A, K and D participation certificates is recognized in the income statement. The distribution for series A and K participation certificates has been recognized in interest expense as from fiscal year 2010. The distribution for series D continues to be shown in a separate line, "Distribution for participation capital". The effects from the adjustment of the balance sheet as from January 1, 2011, to the new regulations of German commercial law in accordance with the German Accounting Law Modernization Act (Bilanzierungsmodernisierungsgesetz – BilMoG) are reflected in the extraordinary result and in retained earnings.

Business trend and results of operations

In fiscal year 2010, Drägerwerk AG & Co. KGaA's business trend and net profit of EUR 19.5 million (2009: net loss of EUR 21.2 million) was particularly impacted by:

a) a high negative result from operating activities of Drägerwerk AG & Co. KGaA,
b) a large contribution to earnings from the subsidiaries,
c) a high negative interest result, and
d) the impact on earnings from the first-time application of BilMoG for the preparation of the financial statements.

A) A HIGH NEGATIVE RESULT FROM OPERATING ACTIVITIES OF DRÄGERWERK AG & CO. KGAA

In fiscal year 2010, the negative result from the operating activities of Drägerwerk AG & Co. KGaA – excluding earnings from a profit transfer agreement, interest result and taxes plus the extraordinary result – went up by EUR 43.3 million year on year. Higher consultancy costs and an increase of other external services – including the higher bonus to the members of the Executive Board of Drägerwerk Verwaltungs AG – impacted the result of Drägerwerk AG & Co. KGaA. Since the change to the Company's legal form, the Executive Board receives its remuneration from the general partner while their pension obligations are handled by Drägerwerk AG & Co. KGaA. Transaction costs totaling EUR 6,364,000 pushed up expenses in 2010. EUR 4,586,000 of these transaction costs pertain to the listing of the 3,810,000 new common shares and EUR 1,778,000 to the listing of the 6,350,000 existing common shares on the regulated market.

The positive development of the preferred share compared to December 31, 2009, increased the value of the originally agreed option component during the course of the fiscal year. In the period from January 1 to August 30, 2010, Drägerwerk AG & Co. KGaA recognized EUR 20.3 million in other operating expenses for this purpose. The income from the debt reduction of tranche III of the vendor note from Siemens to the amount of EUR 8.5 million due to the high fair value was recognized in other operating income. As from August 30, 2010, the option component did not have any further negative effect on earnings.

Cash compensation that may have to be paid to holders of all three series participation certificates of EUR 7.8 million was recognized in other operating expenses.

Drägerwerk AG & Co. KGaA provides services to the divisions and their Group companies. Corporate Communications, Marketing Communications, Corporate IT, Corporate Purchasing as well as Corporate Human Resources (since January 1, 2011) are organized as services for all Group companies at Drägerwerk AG & Co. KGaA. This includes the services provided by the Legal, Tax, Insurance, Treasury, Corporate Communications, Marketing Communications, Investor Relations, Group Controlling, Group Accounting, Corporate IT, Corporate Purchasing, Internal Audit and Basic Research departments. The services to the divisions are closely coordinated with them and invoiced in accordance with arm's length principles, as between unrelated parties.

B) A LARGE CONTRIBUTION TO EARNINGS FROM THE SUBSIDIARIES

Earnings from profit and loss transfer agreements (including intragroup tax allocations) came to EUR 120.8 million in fiscal year 2010 (2009: EUR 32.9 million). It includes the distribution of EUR 70.4 million by Dräger Medical AG & Co. KG to Dräger Medical Holding GmbH for fiscal year 2009 (2009: EUR 32.3 million). Due to the integration of Dräger Medical AG & Co. KG in Dräger Medical Holding GmbH and the subsequent renaming of the company to Dräger Medical GmbH, the control and profit and loss transfer agreement with Drägerwerk AG & Co. KGaA was transferred to Dräger Medical GmbH. Dräger Medical GmbH therefore transferred its profit (less approximately EUR 86 million in expenses incurred by the integration) of EUR 19.0 million in 2010 to Drägerwerk AG & Co. KGaA. Dräger Safety AG & Co. KGaA transferred EUR 30.9 million (2009: EUR 1.3 million).

C) A HIGH NEGATIVE INTEREST RESULT

The interest result dropped by EUR 18.1 million year-on-year, mainly due to the additional note loans taken out in April 2009 totaling EUR 140.0 million and the vendor note from Siemens, which started carrying interest as from April 2010. The interest on tranches I and II of the vendor note was recognized in the interest result until the repayment date on Tuesday, July 20, 2010, and the interest on tranche III until September 30, 2010. In addition, Drägerwerk AG & Co. KGaA included loan origination fees for the loan agreement concluded in September 2009 with the Kreditanstalt für Wiederaufbau (KfW) until August 2010 and the syndicated loan concluded in March 2010 until December 2010 in the interest result. The initial recognition of the distribution for series A and K participation certificates of EUR 5.0 million in this item also had a negative impact on the interest result. In the previous year, “Distribution for participation certificates” also included distributions for series A and K.

D) THE IMPACT ON EARNINGS FROM THE FIRST-TIME APPLICATION OF BILMOG FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

Extraordinary income and expenses include the impact on earnings from the first-time application of BilMoG for the preparation of the financial statements as per January 1, 2010, mainly relating to additions to pension provisions and unrealized earnings from currency translations. The first-time application of deferred tax assets resulted in tax income of EUR 6.7 million.

Investments

In fiscal year 2010, the Company invested EUR 3.2 million (2009: EUR 2.5 million) in software and prepayments made as well as software still being developed. Investments in property, plant and equipment came to EUR 1.3 million (2009: EUR 2.2 million). These investments mainly related to replacements.

Net assets and financial position

As a result of its function within the Dräger Group, Drägerwerk AG & Co. KGaA’s balance sheet is characterized by high financial assets and liabilities from group financing as well as intercompany receivables and liabilities. The shares in the restricted fund set up exclusively for Dräger, which were recognized in financial assets for tax purposes in the previous year, were netted with pension obligations under the new pension plan. The remainder was recognized in the excess of plan assets over pension liability.

After deducting cash and cash equivalents, net financial liabilities to banks amounted to EUR 129.0 million (2009: EUR 135.0 million); group financing of group companies came to EUR 134.7 million (2009: EUR 37.8 million).

Drägerwerk AG & Co. KGaA's equity rose on account of the capital increase (EUR 105.0 million), the conversion of the variable option component (EUR 26.5 million) and the capitalization of deferred taxes from the first-time recognition. As of December 31, 2010, the equity ratio was therefore 40.5 percent (2009: 26.5 percent).

Provisions went up mainly as a result of the adjustment of pension provisions in accordance with BilMoG, potential cash compensation for participation certificate holders and the profit share to employees. The payment of the cash component and the vendor note of EUR 235.0 million and the reduction of the remaining liability from the purchase of the 25 percent Siemens share in Dräger Medical AG & Co. KG reduced the other liabilities. As the option rights issued to Siemens had a higher fair value than the original cash settled option, Drägerwerk AG & Co. KGaA received a EUR 8.5 million reduction on tranche III of the vendor note from Siemens, as agreed.

Borrowing / financing measures

The capital increase, which was successfully carried out in June 2010, with net proceeds of around EUR 100 million, increased cash and cash equivalents. Dräger Group's short-term operating requirements are self-funded by means of cashpooling – equalizing liquidity within the Group – and via bilateral credit lines with various banks. On December 31, 2010, short-term loans amounted to around EUR 54.9 million.

The Company took out a syndicated loan of EUR 240 million with a term of three years on March 16, 2010, to secure its working capital requirements in the medium term. Drägerwerk AG & Co. KGaA terminated this loan on December 31, 2010, and replaced it with a bilateral credit line of EUR 240 million – also with renowned international banks – and a term of five years.

BILATERAL CREDIT LINES

Type of credit	in € million	Use	Creditor
Cash	150	Providing required working capital	Commerzbank, Deutsche Bank, HSBC, Helaba, HSH Nordbank plus another four banks
Surety	90	For use in daily business operations	Commerzbank, Deutsche Bank, and HSBC

Dräger Group regularly utilized the syndicated credit line during its daily operations in the form of current accounts, guarantees and sureties in Germany and abroad. In addition, one withdrawal of EUR 20 million was made from the cash credit for a period of one month in the first half of 2010. This amount was fully repaid by the end of June 2010. As a result of the capital increase successfully carried out in June 2010 (please refer to page 2 of this management report for further information on the capital increase) and the positive business development of the Group, the Company was able to return the EUR 50 million tranche that was intended for financing note loans in August 2010. The Company also terminated the loan agreement concluded with the KfW (Kreditanstalt für Wiederaufbau) in September 2009 for a loan totaling EUR 50 million under the bank's 2009 special program "Investitionen". The high volume of cash and cash equivalents and strong cash inflow from operating activities made this additional option unnecessary. Drägerwerk AG & Co. KGaA also fully repaid the vendor note of EUR 68.5 million, which was included in the purchase price of the 25 percent share in Dräger Medical AG & Co. KG and utilized as from the end of April 2010, by the end of September 2010 (please refer to page 3 of this management report for details on the purchase of the 25 percent share in Dräger Medical AG & Co. KG).

Dräger Group uses note loans to finance its operations in the medium and long term. This financing instrument has a low minimum volume and is highly flexible. The costs for issuing note loans are usually lower than those for issuing bonds. A note loan is rather more suited to smaller refinancing volumes than a bond, for which a credit rating has to be obtained. At present, Dräger does not have a rating from agencies such as Standard & Poor's, Moody's or Fitch.

Basic features of the remuneration system for the Executive Board of Drägerwerk Verwaltungs AG and the Supervisory Board of Drägerwerk AG & Co. KGaA

EXECUTIVE BOARD REMUNERATION

All employment contracts of the Executive Board members of Drägerwerk Verwaltungs AG have been concluded with Drägerwerk Verwaltungs AG. The Supervisory Board of Drägerwerk Verwaltungs AG determines the remuneration of the Executive Board. Each contract expires after a different period of time between three and five years. Based on the resolution adopted at the annual shareholders' meeting of Drägerwerk AG & Co. KGaA on June 2, 2006, the remuneration of individual members of the Executive Board for fiscal year 2010 may not be disclosed, with the exception of that of the Chairman. This resolution had a term of five years and applies for the last time to fiscal year 2010. As from fiscal year 2011, remuneration of all Executive Board members will be disclosed individually.

During the course of fiscal year 2010, Dräger implemented a holistic value management approach with the aim of managing the Company with the long-term and sustainable growth of its value in mind. Dräger Value Added (DVA) was introduced as a key performance indicator for measuring the Company value. DVA corresponds to Group net profit less capital costs. DVA-driven management forms an integral part of all management processes. The maxim of value added is particularly important for the definition of strategies, planning, regular reporting and when making investment and business decisions. Consequently, performance-related variable remuneration of the Dräger management also reflects DVA. In the reporting period, the Company already adjusted the existing top management remuneration systems and included them in all Executive Board contracts extended in 2010 by setting all quantitative targets so as to have a direct and positive impact on DVA. Dräger decided to implement a standard remuneration system for top management and the Executive Board in 2011; its quantitative targets are mainly DVA targets. Targets can also be defined on the basis of key performance indicators for individual functions.

The Executive Board remuneration system applicable in the reporting period and also the system applicable as from 2011 orient themselves by essential general conditions within the Company. These include Dräger's size and global activities as well as its economic development. The general development of the economy and industries are also taken into account. Another major aspect affecting the remuneration of Executive Board members and top managers is the range of tasks, areas of responsibility and performance of each individual person.

In the reporting period, total remuneration for Executive Board members comprised non-performance-related as well as performance-related components. Non-performance related components include fixed basic remuneration and additional benefits and pension plans. Fixed basic remuneration and additional benefits are paid monthly. The percentage of fixed basic remuneration in total Executive Board remuneration amounts to around 22 percent for the Chairman of the Executive Board and at least 35 percent for all other Executive Board members. The focus for all Executive Board members is therefore on the performance-related component. The performance-related component of the remuneration of active Executive Board members is pegged to individual targets. These targets include targets that can be quantified in terms of business and also individual quality targets. Quantifiable targets pertain to key performance indicators such as Group net profit, days of net working capital and profit margin. One example for a quality target is the planned phase-out of old products. Dräger pays an annual pre-defined bonus for meeting these targets, which can be increased or decreased, depending on whether the target has been exceeded or missed. If a target has been exceeded to a considerable extent, this bonus will be capped at double its original amount. If the target has been missed by a long way, the bonus is not paid at all. The original amount of the individual bonus comes to around 50 percent to 60 percent of fixed annual remuneration for all Executive Board members. In addition, individual Executive Board members receive a percentage-based share in net profit. This is 1 percent for the Chairman of the Executive Board and between 0.2 percent and 0.3 percent for all other Executive Board members entitled to a share in net profit. The share is distributed annually after net profit has been calculated.

Long-term incentive components were added to employment contracts that were extended in fiscal year 2010 in line with the Act on the Appropriateness of Executive Board Remuneration (VorstAG). These targets also include qualitative and quantitative criteria. The timeframe in which these targets have to be met depends on the term of the contract of each Executive Board member. At the end of the contractual period, a pre-defined bonus is paid which can be increased or decreased depending on whether the targets have been exceeded or missed. Dräger may issue a part payment according to the expected target achievement at the earliest after three fifth of the contractual period has expired.

The original amount of the long-term bonus over the entire contractual period (three to five years) is around 175 percent of basic remuneration for one year for the Chairman of the Executive Board and between 100 percent and 150 percent for all other members of the Executive Board, for whom long-term targets were agreed in 2010. Dräger will pay the long-term incentive components earned in 2010 together with the other variable remuneration once the Executive Board remuneration system is being changed over. The Supervisory Board may choose to pay a special bonus for extraordinary performance or services rendered by individual Executive Board members in the respective reporting year. No further payments have been promised in the event of termination of appointment to the Executive Board. The Executive Board contracts do not provide for any severance entitlements. As from fiscal year 2011, payments made due to the early termination of an employment contract are capped at one annual salary.

Obligations from the pension plan remain at Drägerwerk AG & Co. KGaA pursuant to the terms and conditions of individual contracts. Defined benefit plans for members of the Executive Boards are agreed individually, based on “Führungskräfteversorgung 2005”, which has been in effect within the Group since January 1, 2006. The defined benefits under the pension plans offered to the members of the Executive Board are either fixed or based on the basic annual salary and years of service on the Executive Board. The defined benefit is based on an annual contribution of up to 15 percent of the basic annual salary. Under the deferred compensation option, an additional annual contribution of up to 20 percent of the basic annual remuneration can be made. Stefan Dräger receives a further contribution of 50 percent from the Company on deferred compensation, but no more than 8 percent of his basic annual salary. This top-up payment is only made if consolidated EBIT equals 8 percent or more of net sales.

NEW VARIABLE REMUNERATION STRUCTURE FOR EXECUTIVE BOARD MEMBERS AND TOP MANAGERS

A new, standardized variable remuneration system for Executive Board members and top managers, the "Top Management Incentive" (TMI), has come into force as from fiscal year 2011. It applies exclusively to the variable remuneration component. Basic remuneration, additional benefits and any special bonuses remain unaffected. The "profit share", "individual bonus" and "long-term bonus" components have been combined into two new target component. The following illustrations show the increase of DVA and personal targets.

Increase of DVA

Variable remuneration for Executive Board members focuses on increasing the Company value within the scope of TMI. Dräger has made it its goal to increase DVA between 2010 and 2014. This value is divided into four equal parts. 80 percent of the variable remuneration component for Executive Board members is essentially dependent on achieving this DVA goal and is therefore based on a long-term, sustainability-focused measurement period. This portion corresponds to around 60 percent of total remuneration of the Chairman of the Executive Board and roughly 35 percent to 50 percent of total remuneration of all other Executive Board members. If a target has been exceeded to a considerable extent, the bonus payment will be capped at double its original amount. If the target has been missed by a long way, the bonus may not be paid at all. If the DVA target is exceeded by more than 200 percent or performance drops below 0 percent, a corresponding amount is recognized in the bonus reserve. This component is described in more detail in a later part of this report.

KPI targets for operating functions

Dräger may set additional targets based on key performance indicators (KPI) for Executive Board members who are responsible for operating functions (Research & Development, Purchasing, Production, Logistics, Quality and IT). These targets are to relate to the areas of responsibility of each member of the Executive Board and have a positive impact on Dräger's company targets. Each year, the Supervisory Board determines KPI targets in consultation with each member of the Executive Board. They should not exceed five individual targets. 20 percent of variable remuneration can be linked to KPI targets, corresponding to around 12 percent of total remuneration for the Executive Board members responsible for operating functions.

If KPI targets are set, the percentage of DVA targets is reduced by the percentage of KPI targets. Again, if a target has been exceeded to a considerable extent, the bonus payment will be capped at double its original amount. If the target has been missed by a long way, the bonus may not be paid at all. If the target is exceeded by more than 200 percent or performance drops below 0 percent, a corresponding amount is recognized in the bonus reserve. This component is described in more detail in a later part of this report.

Personal targets

Each year, the Supervisory Board sets personal targets in consultation with each member of the Executive Board. This may include targets such as creating a sustainable organizational structure and increasing customer satisfaction. 20 percent of variable remuneration is linked to personal targets. This corresponds to around 15 percent of total remuneration for the Chairman of the Executive Board and roughly 12 percent of total remuneration for all other Executive Board members. If a target has been exceeded to a considerable extent, the bonus payment will be capped at double its original amount. If the target has been missed by a long way, the bonus may not be paid at all. There are no plans to recognize a bonus reserve for personal targets.

The same target structure as for Executive Board members applies to the members of the extended management team who are not part of the Executive Board. Their variable remuneration therefore also depends to 80 percent or 60 percent on the Group DVA. The system applies to around 170 managers in the Group and has a descending structure.

Bonus reserve

A bonus reserve was integrated in the future joint remuneration system for Executive Board members and top managers to further emphasize its sustainability. Bonuses corresponding from 0 percent to 200 percent target achievement are paid annually. If DVA and KPI targets are exceeded (between 200 to 300 percent) or missed (between 0 and 100 percent), the corresponding bonus amount is recognized in the bonus reserve. The bonus reserve is held and netted over the entire target period of four years so that it is possible to compensate for cases of exceeded or missed targets. The positive net amount of the bonus reserve is only distributed with the last bonus payment at the end of the target period. A negative amount is carried forward to the next target period. The bonus reserve therefore lets Executive Board members and top managers share in the opportunities and risks of Dräger's medium term business performance. Particularly excellent performance receives additional incentives but at the same time the taking of inappropriately high risks is discouraged as such activities could deplete the bonus reserve.

Long-term measurement period

In future, Dräger will continue to set the period for DVA targets at four years. This ensures that the remuneration of Executive Board members and top managers is always based on a long-term measurement period over several years, therefore creating an incentive to aim for a sustainable positive business development. The Executive Board regularly determines the four-year target as part of strategic development. The Supervisory Board approves the defined target value and applies it as the basis for Executive Board remuneration.

SUPERVISORY BOARD REMUNERATION

Supervisory Board remuneration is the remuneration of the members of the Supervisory Board of Drägerwerk AG & Co. KGaA . Every member of the Supervisory Board receives basic remuneration pro-rata, which is made up of a fixed amount of EUR 10,000.00 (2009: EUR 10,000.00) and a variable component of EUR 31,500.00 (2009: EUR 9,750.00). This variable component amounts to 0.03 percent of net profit.

Pursuant to Sec. 21 (1) of the articles of association of Drägerwerk AG & Co. KGaA, the distribution of the remuneration of members of the Supervisory Board is determined by a Supervisory Board resolution. The Supervisory Board has adopted the following principles for distribution: Its chairman is entitled to three times (previous year: four times) and the vice chairman to one and a half times (previous year: two times) the amount. The members of the Audit Committee receive an additional EUR 5,000.00, and the chairman of the Audit Committee an additional EUR 10,000.00. Since fiscal year 2009, Supervisory Board members have not been receiving a per diem any more.

Personnel

On December 31, 2010, Drägerwerk AG & Co. KGaA employed 423 people, 65 more than on December 31, 2009 (358). A major reason for this change was the transfer of 39 employees in the Company's medical service and Purchasing from the divisions for organizational reasons. Employees were also added in administrative functions such as Group Controlling and the Tax department.

Highly qualified and dedicated employees are a scarce resource and essential to the success of the Company. Positioning the Company as an attractive employer is the main key in competing for skilled workers and managers. According to a Trendence study (2010), Dräger ranks 43rd for engineers and 71st for skilled IT workers among the most popular employers across Germany.

Dräger once again presented itself to its target groups by means of advertisements and media relations on career topics as well as attendance and presentations at university fairs in 2010. However, the opinions of the target groups – even on topics related to employment – are increasingly formed in social networks. This is why conditions for an expanded future presence on social platforms such as XING and facebook were created in 2010.

FUTURE COLLECTIVE AGREEMENT

In December 2010, Dräger concluded the negotiations for a future collective agreement ("Zukunftstarifvertrag") for employees working under collective agreements in Germany. These negotiations had commenced in the previous year. In the future, the Company will be able to hire new employees with more flexible working hours in order to respond to future market fluctuations more quickly. The main working conditions of all German Dräger companies will also be standardized on the basis of the collective agreements of the metal processing and electrical industry in northern Germany. In the future, both Christmas and vacation pay will be variable and classed as a special payment, taking into account Group net profit and income groups. The 2.7 percent pay rise planned for April 1, 2011 is being implemented one month early. Furthermore, all employees are receiving a one-time payment of up to EUR 1,250 for the extremely successful 2010 fiscal year. Dräger will also determine the number of new trainees at the rate of 1.5 percent of the number of full-time employees starting in 2011 and hire all trainees who complete their training for at least twelve months. The collective agreement is in force until December 2015.

Research and development

The research and development (R&D) department at Drägerwerk AG & Co. KGaA employs 48 people (2009: 51 people). The Company incurred EUR 3.3 million (2009: EUR 2.3 million) in research and development costs in fiscal year 2010.

The basic research department's main task is to investigate new technologies and develop technical solutions for potential applications. These technologies are transferred to product development only once they have reached a sufficiently high level of maturity. In 2010, basic research gave six applications to the product development departments of the divisions (2009: five applications). The focus in 2010 was on improving the efficiency of the development processes. To this end, the strict portfolio management for technology development projects introduced in 2008 was continued. This method makes it possible to prioritize the Group's strategic development projects on the basis of a comprehensive assessment in the medium to long term.

Corporate IT

Corporate IT operates as a shared service centre from Drägerwerk AG & Co. KGaA.

IT STRATEGY

In line with its IT strategy 2010, Dräger Group continued improving the support of business processes by IT systems. The main focus was on the introduction and further development of the strategic applications SAP in China and Microsoft CRM (customer relationship management) in Germany, Great Britain, Denmark, Sweden and Norway. Dräger Group also restructured the global IT organization.

IT HEADCOUNT

The number of people employed in the central service function Corporate IT in Lübeck dropped from 97 to 93 in 2010 due to some employees being transferred to Corporate Purchasing and Group Controlling under the new organizational structure. Until 2012, the Group plans to significantly increase its workforce in the SAP and CRM application management segment. The main focus is on providing comprehensive support to end users as well as maintaining and repairing these systems. With these measures, Dräger Group is increasing its internal know-how in these strategic areas and will also considerably reduce the amount of work carried out by external service providers. Dräger Group will recruit part of the new workforce at foreign sites within the scope of the expansion of the global IT organization.

MAJOR IT PROJECTS IN 2010

Apart from the above-mentioned introduction of SAP and Microsoft CRM, Dräger Group started a comprehensive project to pool the applications implemented by various external service providers with one new, global service provider. The new operating concept uses state-of-the-art hardware and visualization technology. This project will enable Dräger Group to considerably lower costs, reduce the complexity of the technological and organizational IT landscape and further increase IT security. Dräger Group will continue to update desktop hardware every 36 months.

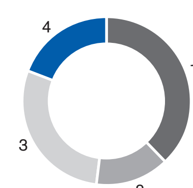
Environmental protection

Environmental protection was once again an important issue at Dräger Group in 2010. Apart from the Dräger companies at headquarters in Lübeck, another 18 Dräger companies are now DIN EN ISO 14001:2005 certified. The health and safety management systems of the safety division's subsidiaries also received the BS OHSAS 18001:2007 certificate.

In 2009, the Company introduced a Group-wide climate reporting system. It continued these measures in 2010 and in turn was involved once again in the Carbon Disclosure Project (CDP). A total of 65 Dräger companies used the reporting system to determine their direct and indirect carbon dioxide emissions generated by their energy consumption, heating, use of (company) vehicles and air travel.

DIRECT AND INDIRECT CO_2 EMISSIONS IN 2009 [1]

38 % (26,400 t) Electricity	1
14 % (9,600 t) Heating	2
29 % (19,900 t) Vehicles	3
19 % (13,000 t) Air travel	4



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

ENERGY MANAGEMENT

As in the previous years, consumption figures for electricity, water, natural gas, heating oil and waste volumes remained important for measuring the direct environmental aspects at the Lübeck site. These key figures indicate that relative consumption dropped further in 2010.

Although the comparatively cold winter months led to a significant rise in energy consumption, this was more than compensated by the net sales of the Dräger production companies growing by approximately 21 percent.

The volume of natural gas and heating oil purchased at the Lübeck site in 2010 increased disproportionately little compared to net sales but still more than in the previous year, amounting to 57.6 million KWh and divided into 97 percent natural gas and 3 percent heating oil. In absolute terms, CO_2 emissions of around 11,700 t rose by 4 percent compared to the previous year. This rise is exclusively due to the increased need for heating oil during cold weather periods. Taking into account all different types of weather conditions, the average heating energy consumption was even reduced by 5 percent thanks to the systematic energy management efforts of Dräger Gebäude und Service GmbH. This corresponds to mathematical savings of almost 600 t in CO_2 emissions.

Dräger's own, local gas-fuelled cogeneration plant produced a steady 6.3 million kWh/a of environmentally-friendly electricity. The effectiveness of the cogeneration plant was therefore more than 86 percent. It is not economically viable to increase its operating time and therefore annual electricity output as the Company has no use for the byproduct heat during the summer months.

Water consumption rose steeply to over 94,000 m^3, almost the same level as in 2006. Net sales in the production of filter fleece and suction filters increased disproportionately caused the rise in water consumption despite production water being partially reused. The amount of waste recorded by Dräger Abfallwirtschaftsverbands w. V. dropped to 3,950 t, 2 percent down on the previous year. More than 98 percent of waste is being reused or recycled. Improvements to the waste separation system reduced household waste by almost 10 percent to 614 t.

PRODUCT-RELATED ENVIRONMENTAL PROTECTION

In 2010, product-related environmental protection focused on compliance with statutory requirements resulting from the REACH EC Regulation, the EU GHS (CLP) Regulation [1], and the laws and regulations on packaging and the disposal of batteries.

By successfully registering calcium hydroxide, Dräger Group created an important condition for the legally compliant production and sales of soda lime within the statutory deadline. Similarly, the registration of certain chemical in accordance with EU GHS ensured that purchasing will continue to comply with legislation.

New raw materials and impregnating chemicals were introduced for the production of impregnated activated carbon. By taking this action, Dräger took preventative measures for the impending restrictions on SVHC [2] materials. In addition, the use of important raw coal made of coconut shells is based on renewable raw materials.

In the medical division, Dräger Group also takes ecological aspects into account for its product development and the sale of systems and devices. Life Cycle Assessments (LCAs) determine and evaluate the impact on the environment from the production, use and disposal of several devices on the basis of recognizes standards. Another LCA now provides an ecological assessment of the gas supply systems installed in many hospitals.

As in the previous year, there were no environmental risks that would have made it necessary to recognize provisions as of the reporting date.

EMISSIONS OF HAZARDOUS SUBSTANCES AND TOXIC MATERIALS

Installation and service work in most of the production departments does not release any hazardous emissions into the air. For process security and product safety rea-

[1] Reach: registration, evaluation, authorization and restrictions of chemicals [VO (EG) No. 1907/2006]; EU GHS: European globally harmonized system of classification and labeling of chemicals [VO (EG) No. 1272/2008; more often referred to as CLP Regulation].

[2] Substances of very high concern

sons, cleaning agents, adhesives and coatings that contain solvents are used in certain areas of some production departments at the Lübeck site only. The associated emissions total less than 2.7 tons per year and are therefore below the reporting thresholds established by the regulatory authorities. This also applies to the anesthetic gases used by the Company in small quantities for the purpose of calibrating anesthesia equipment. A recycling process reduces these emissions by approximately 60 percent.

Powerful extraction systems in the respective production departments ensure that safe work conditions are maintained for the employees working there. This is underscored by the results of exposure measurements which fall far below the legal workplace concentration limits. Regular examinations by a Company doctor and occupational safety training are also provided.

The Company does not release any hazardous, reportable air emissions pursuant to the European hazardous emission registry EPER.

Risks and opportunities relating to future development

RISK AND OPPORTUNITY MANAGEMENT

The risk policies pursued by Dräger serve to effectively increase the value of the Company by consistently taking advantage of opportunities while recognizing and managing risks in a timely manner.

Risk and opportunity management at Dräger Group ensures a responsible approach to dealing with the inevitable uncertainties of doing business. The system enables Dräger to meet its targets by consistently taking advantage of opportunities without losing sight of the associated risks. Since risks are identified early and updated regularly as part of risk management, Dräger Group can implement measures in a timely manner in order to ensure that the Company's objectives are met. This applies in particular to identifying developments that could threaten the existence of Dräger. The risk management system therefore meets the requirements of the Control and Transparency Act (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich – KonTraG).

The long-term basis for our opportunity management is the strategic planning process and the resulting development and market positioning plans for products over their respective life cycles. In order to respond to market changes in a flexible manner, Dräger Group pursues the continuous improvement of Company structures and processes.

The risk management system comprises all measures that allow us to identify, measure, monitor and manage potential strategic and operational risks at an early stage. Strategic corporate planning constitutes the basis for recognizing potential risks: even during the planning process, potential uncertainties are specified in the assumptions underlying the plans. The internal control system (see page 6) continuously monitors these uncertainties and communicates potential uncertainties as part of regular reporting. Controlling prepares the regular risk report twice a year; this is supplemented by ad-hoc reporting. Material risks can therefore be addressed very quickly. The risks are reported using a bottom-up approach based on specified risk categories and aggregated at the Company level. Information on risks and opportunities flows to the respective process owners, the Executive and Supervisory Boards and, if necessary, enables action to be taken at short notice. Risk management is complemented by the Internal Auditing department and the Supervisory Board, which regularly verifies the effectiveness of the risk management system pursuant to the regulations of Sec. 107 (3) of the German Stock

Corporation Act (Aktiengesetz – AktG). The Dräger early risk identification system is a part of the Dräger risk management system and remains part of the annual audit.

As a matter of course, the medical and safety divisions submit their products and services to quality inspections and ongoing checks in accordance with stringent national and international standards, always in keeping with the special quality and risk orientation of these sectors. The risks that may have an impact on Dräger Group as described below are not necessarily the only risks Dräger Group is exposed to. Risks that are not known or have been considered immaterial as of the reporting date may also affect the business activities of Dräger in the future.

OVERALL ECONOMIC RISKS

In the wake of the 2009 financial and economic crisis, global economic growth was strong in 2010. Notwithstanding the pronounced recovery, capacity utilization in the processing industry remained below the long-term average in 2010. While the financial markets have largely stabilized, the aftermath of the financial crisis has probably not been fully overcome. Major volatility in the currency market continues. The possibility of a negative impact caused by the financial difficulties of certain European countries cannot be excluded. In view of the fact that global growth has slowed down considerably, the economic situation in most industrial countries remains highly uncertain.

Natural disasters in countries rich in raw materials as well as the artificial scarcity of commodities due to speculative transactions could lead to rising costs and supply bottlenecks in the commodities market.

By strengthening its global business, Dräger has achieved a broad regional diversification of net sales. The growth targets of the Dräger Group are still focused on the Americas and Asia. The production sites in the US, Great Britain and China are instrumental in reducing the currency risks associated with global business.

Numerous other factors such as global, political and cultural conflicts, including the situation in the Middle East, can affect macroeconomic factors and international capital markets and shape demand for products and services.

STRATEGIC RISKS

The industries in which Dräger operates are considered future-oriented with strong growth. Within these industries, further consolidation processes are expected that are likely to affect the structure and intensity of competition. The pooling of purchasing volumes due to the consolidation of hospitals or the establishment of purchasing cooperatives provides customers with more market power. The Company has also noticed a trend towards outsourcing secondary and tertiary services (e.g. maintenance and repair), meaning that Dräger Group might only be able to act as a subcontractor. Dräger faces strong competitors, some of whom have access to extensive resources. New competitors, especially in Asia, have made significant quality improvements over the last few years and are offering products in the lower and middle performance and price ranges. The Dräger Group depends on the investment budgets of public authorities in both divisions since domestic and foreign public institutions make up a large proportion of the customer base. These include public hospitals, fire fighting services, the police force, the military and disaster management. Public spending cuts were evident in numerous industrialized countries over the last few years, for example in the US and Europe. This trend could continue given the current market environment. Dräger Group is meeting these challenges through customer orientation, innovation, high product and service quality and reliability as well as active consolidation where applicable in order to protect and strengthen the Company's market position.

Operational risks

SUPPLIER AND MATERIAL PRICE RISKS

The current and planned product portfolio requires extensive coordination with reliable and competent suppliers. The suppliers are integrated into processes, since the level of vertical integration in our business model has been reduced to the necessary core technologies and the assembly of purchased parts and components. To manage the risks this entails, information processes are structured, the necessary internal and external interfaces in the global processes are optimized and the performance of external partners is carefully reviewed. Quality standards safeguard the supplier selection and procurement processes. The operating processes are continuously being improved.

Existing risks due to increases in the cost of metals in fiscal year 2010 are expected to continue in 2011. The supply situation in the area of electronic components remains difficult. As a safeguard against price increase, Dräger Group has concluded annual contracts with suppliers of electronic components, electricity and, to a large extent, commodities.

PRODUCT LIFECYCLE RISKS

It is important for the profitability of the Company that the product portfolios of both divisions are up to date. Experience has shown that new products are more profitable than products in a later phase of the product lifecycle. This is why Dräger Group continuously invests in research and development in order to keep the proportion of new products as high as possible. This necessitates making both top technological products and products which appeal to a large section of the market available in a timely manner. Together with technology, an excellent cost position is important for the market position and economic success of the Company. This requires not only a high quality product portfolio in line with market requirements but also the ability to control operating processes, from development, sales and order fulfillment through to maintenance of the product portfolio. Risks may therefore result from delayed product launches as well as changing market requirements.

PROJECT RISKS

Projects account for a material proportion of business in the divisions. Large-scale projects that require the highest technical standards and specific know-how bear particularly high levels of risk. The expected profit margins may deviate from the actual margins for reasons such as cost changes or lost productivity. Possible risks include quality problems, the loss or shortage of qualified skilled workers, delivery problems on the part of suppliers or payment difficulties on the part of customers. If specific contractual obligations are not met in a timely manner or at all, this can lead to contractual penalties, compensation claims or temporary measures. Risks are kept as low as possible with the help of project management standards and ongoing project controlling.

IT RISKS

Business processes require reliable, cost-effective IT systems. The breakdown of IT systems could compromise critical business processes (e.g. production shutdown). Breakdowns could be caused by factors such as overload or external hazard (virus attack).

Dräger Group has launched an initiative to further enhance IT security. Focal points include improving numerous internal IT business processes and risk management procedures. With the switch to a new service provider for the operation of the computer center, which commenced in 2010, comprehensive measures were also launched to improve security standards.

PERSONNEL RISKS

The remuneration systems and personnel development programs are geared towards retaining employees, enhancing their identification with Dräger Group and motivating them for maximum performance. Dräger Group invests in employee qualification measures in order to counteract risks due to employee turnover and the loss of know-how associated with retirement. Among other things, Dräger Group maintains close contact with universities and actively pursues recruitment efforts in the face of increasing competition for highly qualified skilled workers and senior management. Positioning the Company as an attractive employer is the main key to be successful in the competition for professional employees and managers.

Remuneration risk with regards to the development of personnel expenses exists due to the possible cancellation of the collective pay agreement applicable to the German Dräger companies effective March 31, 2012. New collective agreements are to be expected for the subsequent period. The terms and duration of pending collective agreements in the planning period are uncertain.

REGULATORY AND LEGAL RISKS

Dräger companies are subject to various and frequently changing legal provisions in all countries in which they operate. The measures required for compliance can generate considerable operating costs. The obligations can arise from public law, such as tax law, or from civil law. Laws to protect intellectual property and third-party concessions, varying approval and licensing regulations for products, competition rules, regulations in connection with awarding contracts, export control regulations and more are also relevant to business operations. Drägerwerk AG & Co. KGaA is also subject to legal regulations governing capital markets.

The Dräger companies are currently involved in legal disputes and may be involved in legal disputes within the scope of their business activities in the future. To counter such legal risks, Dräger has taken out liability insurance policies with coverage which the Executive Board of the general partner considers appropriate and customary for the industry.

In some regions, legal uncertainty could result from Dräger only having limited possibilities to assert its rights.

The control and prevention mechanisms of the compliance structure may not have been sufficient in the past or may not be sufficient in the future to effectively protect Dräger Group against legal violations. Dräger Group has implemented compliance rules that apply throughout the Company. The business policies and a code of conduct are intended to ensure that business is conducted responsibly and in accordance with legal requirements.

Distribution partners may assert compensation or equalization claims against Dräger Group pursuant to the respective applicable laws when their contracts are terminated. Such claims are excluded in the distribution agreements to the extent permitted by law. Contracts are concluded with short terms, especially with new distribution partners.

The Dräger Group endeavors to comply with all legal and regulatory obligations and corresponding internal regulations and directives are in place.

RISKS FROM FINANCIAL INSTRUMENTS

The aim of the Dräger Group is to minimize liquidity risk and risk from financial instruments, i.e. interest rate, currency and credit risk. Liquidity risk and interest rate risk are hedged centrally by Drägerwerk AG & Co. KGaA, whereas currency risk is the joint responsibility of

Drägerwerk AG & Co. KGaA and the divisions. The credit risk with regard to cash investments and derivatives is mitigated centrally, while the credit risk from receivables from operating activities is the responsibility of the divisions. The only financial derivatives we use are marketable hedging instruments contracted with reputable banks as counterparties. Derivatives may only be traded by members of the Dräger Group if they are covered by the treasury guideline or have been approved by the Executive Board.

Dräger Group relies on various financing instruments to reduce the level of liquidity risk: in addition to participation certificates, Dräger Group has outstanding note loans with remaining terms of one to five years. Drägerwerk AG & Co. KGaA has also entered into an agreement with select banks in 2010 to grant binding lines of credit to secure liquidity. The volume of this line of credit is EUR 240 million. The respective bilateral agreements have a term of five years.

The Dräger Group is mainly exposed to interest rate risks in relation to the euro. The Company counteracts these risks with a mix of financial liabilities at fixed and variable interest rates. Part of the variable interest is hedged by interest rate caps [1]. Cash investments are only made in the form of overnight money at commercial banks with high credit ratings. Dräger Group manages currency risks associated with currencies other than the euro by entering into forward [2] and swap [3] hedging transactions with select banking partners, wherein the payment streams are hedged on a transaction-specific basis.

OTHER RISKS

Dräger Group does not have unlimited liability coverage and therefore the risk exists that the liability insurance does not sufficiently cover any claims against the Company (e.g. in case of a class action lawsuit). However, the probability of such a risk materializing is very remote.

Dräger Group's production facilities are subject to operating and accident risks. Dräger Group addresses these risks with suitable measures. In addition to investments in occupational safety and fire protection, these also include obtaining comprehensive industrial insurance cover to financially secure the insurable operating risks and resulting sales risks.

OVERALL RISK

Overall, the most important risks facing the Group, and therefore Drägerwerk AG & Co. KGaA, are the strategic risks, especially those stemming from consolidation processes in the market that affect the competitive structure. However, this risk is mitigated both by the regional spread and the diversification of the product and service offerings of the Dräger Group. The performance risks from the completion of orders are well spread and are therefore limited.

All in all, risks are limited and, based on the information currently available, the continued existence of Dräger Group and the Company as a going concern is not at risk.

Opportunities

EXPANSION OF LEADING MARKET POSITIONS

Based on net sales, Dräger Group considers itself one of the global market leaders in many areas and product groups of its two divisions. Dräger Group sees opportunities for the continued growth of its market share by building on outstanding technological know-how, high product quality, brand awareness and long-term customer relationships. In this context, Dräger Group focuses on attractive market segments and niches where the Company sees above-average profitability and growth opportunities. Dräger Group also strives to develop new markets by developing new products.

[1] Option transaction in the form of a contractually stipulated maximum interest rate. Buying a cap protects the buyer against possible interest rate increases.
[2] Currency future. Contractual agreement between two parties to exchange two agreed currency amounts on a specified future date and at an agreed exchange rate.
[3] Simultaneous conclusion of a cash currency transaction and a currency future with the same counterparty. The amount purchased in cash is sold on the future date or vice versa.

EXPANSION IN DEVELOPING AND EMERGING COUNTRIES

Dräger Group is favorably positioned based on investments and restructuring over the last few years, especially in sales and service. Building on this foundation, Dräger Group sees opportunities for profitable and sustained expansion in the rapidly growing developing and emerging countries.

EXPANSION OF THE SERVICE AND ACCESSORIES BUSINESS

Dräger Group intends to pursue the further growth of sales in the stable and attractive service and accessories business; here both divisions of the Company stand to benefit from the large number of Dräger devices already in use. Growth of the service business is to be achieved through the further development of customer support following equipment sales as well as service and product offerings in the accessories and consumables business.

SYNERGIES BETWEEN THE DIVISIONS

Dräger Group strives to realize additional synergy potential between both the medical and safety division. Among other things, this is to be achieved through the organizational merger of marketing and sales activities, which have been separated to date, in keeping with the functional management structure, and through the implementation of a uniform Group-wide CRM (customer relationship management) system for both divisions. Dräger Group expects the implementation of the CRM will enhance customer loyalty and allow target groups to be addressed more effectively in order to achieve additional sales growth. In this context, Dräger Group also sees potential for higher margins and a greater market share by improving efficiency in sales.

Disclosures pursuant to Sec. 289 (4) HGB and explanations by the general partner

The following disclosures pursuant to Secs. 289 (4) and 315 (4) of the German Commercial Code (Handelsgesetzbuch – HGB) describe the conditions as they were on the balance sheet date. These disclosures are explained in individual sections in accordance with Sec. 176 (1) Sentence 2 of the German Stock Corporation Act (Aktiengesetz – AktG).

COMPOSITION OF CAPITAL STOCK

The capital stock of Drägerwerk & Co. KGaA amounts to EUR 42,265,600. It consists of 10,160,000 voting bearer common shares and 6,350,000 bearer preferred shares, each with a EUR 2.56 share in capital stock. Shares of the same type carry the same rights and obligations. The rights and obligations of the shareholders are laid down in the German Stock Corporation Act, in particular in Secs. 12, 53a et seq., 118 et seq. and 186 AktG, as well as in the articles of association of the Company. As compensation for the lack of voting rights, an advance dividend of EUR 0.13 per preferred share is distributed from net earnings. If sufficient profits are available, a dividend of EUR 0.13 per common share is then paid. Any profit in excess of this amount, if distributed, is allocated so preferred shares receive EUR 0.06 more than common shares. If the profit is not sufficient to distribute the advance dividend for preferred shares in one or more years, the amounts are paid from the profit of subsequent fiscal years before a dividend is paid on common shares. If amounts in arrears are not paid in the next year along with the full preferred dividend for that year, the preferred shareholders have voting rights until the arrears have been paid. In the event of liquidation, the preferred shareholders receive 25 percent of net liquidation proceeds in advance. The remaining liquidation proceeds are distributed evenly to all shares.

RESTRICTIONS RELATING TO VOTING RIGHTS OR THE TRANSFER OF SHARES

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

DIRECT OR INDIRECT SHAREHOLDINGS EXCEEDING 10 PERCENT

Approximately 67.19 percent of the common shares of Drägerwerk AG & Co. KGaA, equivalent to 6,826,000 common shares or 41.34 percent of the total capital stock, belong to Dr. Heinrich Dräger GmbH, Lübeck. 58.73 percent of its shares are held by Stefan Dräger GmbH, Lübeck, 23.15 percent by the Dräger Foundation Munich/ Lübeck, and the remainder by various members of the Dräger family. Stefan Dräger GmbH is wholly owned by Stefan Dräger, Lübeck. Stefan Dräger GmbH and Dr. Heinrich Dräger GmbH informed us in accordance with Sec. 21 of the German Securities Trade Act (WpHG) that their share in the voting rights of Drägerwerk AG & Co. KGaA, Lübeck, equals 67.19 percent. Stefan Dräger and the Dräger Foundation Munich / Lübeck informed us in accordance with Sec. 21 WpHG (Wertpapierhandelsgesetz – German Securities Trading Act) that their share in the voting rights of Drägerwerk AG & Co. KGaA, Lübeck, equals 68.36 percent (Stefan Dräger) and 67.31 percent (Dräger Foundation), respectively. In accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG, the voting rights of Dr. Heinrich Dräger GmbH are attributed to Stefan Dräger GmbH as the majority shareholder as well as the Dräger Foundation, Munich / Lübeck based on provisions at the level of Dr. Heinrich Dräger GmbH. The voting rights of Stefan Dräger GmbH are to be attributed to the shareholder Stefan Dräger pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. Through Stefan Dräger GmbH, Stefan Dräger also holds all shares in Drägerwerk Verwaltungs AG, Lübeck, the general partner of Drägerwerk AG & Co. KGaA. This means Stefan Dräger is both a shareholder of the general partner and also common shareholder of Drägerwerk AG & Co. KGaA. In the cases covered by Sec. 285 (1) Sentence 2 AktG he would therefore not be entitled to vote. Legal structures at Dr. Heinrich Dräger GmbH ensure that, for such resolutions, Stefan Dräger does not exert any influence on the exercise of the voting rights of limited shares held by Dr. Heinrich Dräger GmbH.

SHARES WITH SPECIAL RIGHTS CONFERRING CONTROL

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

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

The common shares are traded on German stock exchanges since June 21, 2010. If employees of the Company or the Dräger Group wish to acquire shares in the Company, they can purchase common shares with voting rights or preferred shares without voting rights on the stock exchange. Preferred shares do not confer any control rights. Employees can exercise the control rights to which they are entitled through the ownership of common shares with voting rights directly like other shareholders, subject to the applicable legal regulations and the provisions of the articles of association.

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

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

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

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

Pursuant to Secs. 133, 179, 278 (3) AktG, amendments to the articles of association must be approved by the annual shareholders' meeting, which requires a simple majority of votes cast as well as a majority of at least three quarters of the capital stock represented upon adoption of the resolution. The articles of association may stipulate a different majority of capital stock, but for changes in the purpose of the Company this can only be a greater majority (Sec. 179 (2) Sentence 2 AktG). At Drägerwerk AG & Co. KGaA, pursuant to Article 30 (3) of the articles of association, resolutions by the Shareholders' Meeting are adopted by a simple majority of votes cast (simple voting majority) if this does not conflict with any legal provisions, and if the law additionally requires a majority of capital they are adopted by a simple majority of the capital stock represented upon adoption of the resolution (simple capital majority). The Company has not made use of the possibility pursuant to Sec. 179 (2) Sentence 3 AktG to define further requirements in the articles of association for amendments to the same agreement. As well as the relevant majority of limited shareholders, amendments to the articles of association also require the approval of the general partner (Sec. 285 (2) AktG). Pursuant to Article 20 (7) of the articles of association of the Company, the Supervisory Board is authorized to make amendments and additions to the articles of association which relate only to its wording.

POWER OF THE GENERAL PARTNER TO ISSUE OR BUY BACK SHARES

According to the resolution passed by the annual shareholders' meeting of May 7, 2010 the general partner is authorized and instructed to issue 25 bearer warrant bonds with a total nominal value of EUR 1,250,000 and a nominal value of EUR 50,000 each, with option rights and subject to the exclusion of subscription rights. The option rights entitle the holder to receive 50,000 new no-par preferred bearer shares (no-par shares) of the Company with a pro-rata share in capital stock of EUR 128,000 each.

For this purpose, the annual shareholders' meeting resolved to conditionally increase the Company's capital stock by up to EUR 3,200,000 by issuing up to 1,250,000 new no-par preferred bearer shares (no-par shares) in return for cash and / or contributions in kind (conditional capital). The conditional increase in capital is only to be implemented if warrant bonds with option rights guaranteed in the form of warrants are issued, the warrant holders exercise their option rights and the conditional capital is required for said transactions.

The annual shareholders' meeting also instructed the Executive Board and Supervisory Board of the general partner to issue the warrant bonds over a period of three months after the resolution to create conditional capital had been entered in the commercial register. The resolution was recorded on August 5, 2010. The warrant bonds issued on August 30, 2010 were redeemed early by Drägerwerk AG & Co. KGaA on September 30, 2010. The option rights remain in effect.

In accordance with the resolution agreed upon at the annual shareholders' meeting on May 8, 2009, the general partner is entitled to increase the Company's capital until May 7, 2014, with the approval of the Supervisory Board, by up to EUR 16,256,000.00 (approved capital) by issuing new bearer common shares (no-par value shares) in return for cash and / or contributions in kind, in either one or several tranches. The shareholders must be given subscription rights. Under certain circumstances, the general partner is entitled to exclude the shareholders' subscription right, with approval of the Supervisory Board. The general partner utilized this authorization when increasing the Company's capital to EUR 9,753,600 on June 30, 2010, by issuing 3,810,00 new no-par bearer shares (no-par shares) in return for cash with subscription rights.

The authorization granted by the annual shareholders' meeting on May 8, 2009, to the general partner to buy back preferred shares up to 10 percent of capital stock expired on November 7, 2010.

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

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

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

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

Subsequent events

There were no significant events in the new fiscal year up to the time the management report was prepared.

Outlook

In fiscal year 2011 and thereafter, Drägerwerk AG & Co. KGaA will continue to provide services to its Group companies. Net profit or loss in 2011 and thereafter will principally be impacted by profit and loss transfers from the medical and safety divisions. The future development of the medical and safety divisions as well as Dräger Group is reflected in the situation of Drägerwerk AG & Co. KGaA. The company is therefore expected to be able to distribute a dividend in the next two years.

FUTURE MARKET ENVIRONMENT

Overall economic conditions in 2011 are expected to be defined by moderate but stable growth of the global economy, fiscal policies that tend to be restrictive and ongoing uncertainty about the stability of the eurozone.

According to World Bank forecasts, global economic growth will slow down in 2011 compared to the previous year after the catch-up effects in 2010. The global gross domestic product is expected to increase by approximately 3.3 percent. Growth is once again expected to be driven by the highly dynamic economies of developing countries, so that the International Monetary Fund (IMF) expects a global economic recovery of the two tiers. According to the forecast, the economy of China will grow by a disproportionate 8.7 percent. The World Bank expects growth of 8.0 percent for the South Asia / Pacific region as a whole. Economic growth in the industrialized countries is expected to be robust at a rate of 2.4 percent, even though it will slow down as the impact of catch-up effects in regards investments continues to decline. While the US should be able to sustain its growth rate of 2.8 percent, the Japanese economy is expected to lose speed noticeably (1.8 percent). However, the US government has announced plans to reduce its deficit to USD 533 billion or 3 percent of the gross domestic product by 2013 (2010: USD 1.65 trillion). This is to be achieved by reducing military spending, raising taxes for high earners and cutting certain government programs.

The World Bank forecasts global economic performance to improve by an average of 3.6 percent in 2012. The main contributions will come from the emerging and developing countries with growth of 6.1 percent, whereby China (+8.4 percent) and India (+8.7 percent) are expected to make major contributions. The World Bank only expects a plus of 2.7 percent in the major industrialized countries for 2012. With growth of 2.0 percent, the World Bank considers the potential of the eurozone for 2012 to be even weaker.

STRONG GROWTH IN GERMANY CONTINUES

The high divergence of economic developments in the eurozone is expected to continue in 2011. In the view of Allianz Global Investors, solid economic developments in the core countries with Germany as the driving force within Europe are expected, while this trend may be overshadowed by the consolidation of public budgets required in other countries. The overall economic recovery is therefore anticipated to remain slow. Allianz Global Investors believes that monetary policies will tend to continue supporting expansion as the pace of global economic growth slows down in 2011 and pressure from inflation will be comparatively low as a result.

For Germany, the banks and research institutes surveyed by the Centre for European Economic Research (Zentrum für Europäische Wirtschaftsforschung – ZEW) expect GDP in 2011 to increase by 2.4 percent on average (as of January 2011). While the German government is forecasting comparatively rapid growth in the range of 2.1 to 2.4 percent in 2011, government estimates for 2012 are lower with a plus of just 1.6 to 1.9 percent.

In addition to the dynamic development of exports, private consumption is expected to make a bigger contribution towards economic expansion in 2011. The German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung – DIW) expects GDP growth in the eurozone to slow down slightly to 1.3 percent compared to 1.7 percent last year. However, the DIW points out that the risks associated with economic development remain high. The measures implemented to stabilize the eurozone to date merely address the symptoms, rather than eliminating the underlying causes of the debt crisis in the eurozone.

FUTURE SITUATION OF THE MEDICAL TECHNOLOGY INDUSTRY

Countries in the EU have implemented consolidation programs in the wake of the economic crisis. Among other things, these programs also aim at enhanced efficiency in hospital operations. This results in rising demand for systems and services. Dräger is favorably positioned in this market segment compared to the competition. The market trend already observed in Germany over the last few years is expected to continue in 2011. The EU is also subsidizing the regional expansion of healthcare systems with programs such as the European Regional Development Fund, which has earmarked EUR 5 billion for investments in the healthcare infrastructure during the period from 2007 to 2013. In contrast to the overall trend, South Europe, which is still struggling with the effects of the financial crisis, is expected to record rather little growth.

Healthcare reforms in the US, the world's largest sales market for the medical division, are not expected to affect Dräger since the program mainly focuses on improving basic medical care of Americans who are currently uninsured and is therefore typically outside the hospital market.

According to the German professional association Spectaris and the German Healthcare Export Group, the medical division can expect the positive trend in demand from the emerging and developing countries to continue. This is based on investment programs focusing on the respective healthcare systems.
For example, Latin America is focusing on growth in many parts of the healthcare sector so that sales opportunities are expected to be favorable. Positive developments are also anticipated in other developing countries.
The positive trend in Asia is likely to continue as well. Analysts are convinced that the trend in China will be sustained over the long term and expect the healthcare sector to grow by 20 percent annually. However, some of these investments are earmarked for the development of basic medical care which is frequently inaccessible to imported products. Forecasts for the Middle East and North Africa cannot be made at this time based on current political events. However, a slump in demand appears highly likely until new power structures have become established.

From an overall perspective, competition in the medical technology market is expected to remain high. Nevertheless, Dräger expects developments for the medical division to be positive in 2011.

FUTURE SITUATION OF THE SAFETY TECHNOLOGY INDUSTRY

Dräger expects restrained positive developments in the safety technology markets for 2011. The cautious expectations are based on continued high and fluctuating raw material prices as well as the ongoing global economic and financial risks, among other factors. Since the current situation differs widely between regions, developments in the customer segments of the safety division are also expected to be inconsistent.

The steel trade association expects an increase in global demand for 2011, driven by consumption in the emerging Asian countries. Even though it is not expected to reach the pre-crisis level in 2011, the recovery of the steel industry in Germany and the US should continue. The umbrella association of the electrical engineering and electronics industry expects growth of 4 percent for the industrialized countries while the emerging and developing countries should grow by 10 percent and 8 percent respectively. The chemical industry association has expressed similar expectations. Due to the limited growth opportunities of the industrialized countries, it expects slower growth in Germany. The petrochemical industry is facing the possibility of consolidation.

This is based on falling demand for oil products as more fuel-efficient engines and heating systems are implemented in the industrialized countries. Refinery capacities are no longer fully utilized so that closures appear likely if demand remains flat. The Financial Times Deutschland is predicting that refineries in Asia will supply the European market in the future. According to a statement released by Business Monitor International, this also applies to the US where a significant reduction in capacity is expected by 2015. A long-term market shift to the emerging and developing countries in Asia is therefore expected for Dräger Group in this customer segment.

Dräger Group expects global demand for fire fighting equipment to stagnate, although with regional differences. With a volume of USD 390 million in government subsidy programs for rescue organizations and fire departments up to the end of 2011, the US has reduced investments in 2010 compared to average spending over the previous years. The development and expansion of the fire fighting services in China continues, albeit at a lower level compared to the US. Stable demand is expected in the saturated environment of Germany. The overall outlook for the markets in the industry mix is positive, with differences by customer segments.

FUTURE SITUATION OF THE DRÄGER GROUP

Dräger Group expects its order volume in fiscal year 2011 to grow at least at the pace of overall economic growth (World Bank forecast: +3.3 percent). This is based on the assumption of a stabilizing economy in Europe, continued economic recovery in North America, sustained market growth in developing countries and stable exchange rates. Lifecycle Solutions and Infrastructure Projects will drive growth in the medical division and compensate for the expected slowdown in the equipment business. Dräger Group expects further increases in the business volume for the safety division, especially in the fields of gas and alcohol measuring technology. While the Light Respiratory Protection business could reach the previous year's level, the volume for Engineered Solutions is expected to decrease.

Net sales growth in 2011 is expected to be one to two percentage points down on order intake growth as net sales in 2010 benefited from above-average order intake in the fourth quarter of 2009.

The gross margin of the medical division may drop slightly in 2011. This is due to the expected changes in the product mix and some one-off transactions in the previous year with above-average margins such as the sale of ventilators in connection with the H1N1 virus. While the new products of both divisions brought to market in previous years as well as a higher proportion of transactions with industrial customers in the safety division should generally improve the margin, Dräger Group does not expect to fully offset the effects in the medical division with a negative margin impact. Based on planned increases in product development investments, the expansion of the sales organization and improvements to the Group-wide IT infrastructure, Dräger expects a Group EBIT margin between 7.5 percent and 8.5 percent for fiscal year 2011 (2010: 8.9 percent).

Following the significant reduction in financial liabilities and the refinancing transactions in December, interest expense in 2011 will come in below the previous year's value – assuming that interest rates remain constant – and is expected to total approximately EUR 30 million (2010: EUR 39.1 million). The tax rate in fiscal year 2011 is expected to be in the range of 32 percent to 34 percent thanks to the simplification of the tax structure in 2010 (including the creation of a tax group between Drägerwerk AG & Co. KGaA and Dräger Medical GmbH).

Dräger Group forecasts sustained high cash inflow from operating activities based on the expected profitability trend in 2011. The investment volume is expected to slightly exceed depreciation and amortization, as it has in previous years, and should total approximately EUR 60 million to EUR 70 million. Positive net cash flow is expected after the planned redemption of two note loans with a total of EUR 54.5 million in 2011 and the planned distribution.

Net debt of Dräger Group should continue to decrease in fiscal year 2011 with an overall stable capital structure (December 31, 2010: EUR 90.3 million). Based on the expectation of high operating cash flow and the existing credit lines, additional refinancing should not be required in 2011. However, Dräger Group continues to pursue efforts to improve capital efficiency and reduce financing costs.

For fiscal year 2012, Dräger Group expects sales growth slightly in excess of market developments and an increase in the Group EBIT margin compared to 2011 in both divisions, assuming the economic recovery in the markets relevant to the Group continues. In the medium term, Dräger Group aims at growing stronger than the market and achieving an EBIT margin of at least 10 percent.

Declaration of corporate governance

The Executive Board prepared the single entity financial statements and management report of Drägerwerk AG & Co. KGaA and is responsible for the contents of both documents and the objectivity of the information provided therein.

The financial statements were prepared in accordance with the German Commercial Code (Handelsgesetzbuch – HGB). The Executive Board has implemented effective internal control systems and relevant employee training measures to ensure that the Group's financial reporting system is correct and complies with legal requirements. The Company's principles are based on integrity and social responsibility in all areas such as environmental protection, quality, product and process safety, and compliance with local laws and regulations. The internal audit department continuously monitors the implementation of these principles as well as the reliability and functionality of the control systems.

The Executive Board governs the Group in the interest of its shareholders and is aware of its responsibility to employees, society and the environment. We have made it our goal to use the resources entrusted to us for increasing the value of Dräger Group.

According to the resolution passed by the annual shareholders' meeting on May 7, 2010, the Supervisory Board appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as the independent auditor of the single entity financial statements of Drägerwerk AG & Co. KGaA. The auditing firm also examined the existing risk management system with regard to the Control and Transparency in Business Act (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich – KonTraG) and issued a corresponding audit opinion. Representatives of the statutory auditor attended the Audit Committee's meeting as well as the Supervisory Board's meeting to discuss the financial statements, during which the single entity and group financial statements including management report and auditor's report were deliberated on. The Supervisory Board has issued a separate report on this subject in the report of the Supervisory Board in the annual report 2010.

DECLARATION OF CONFORMITY

The joint declaration of conformity by the general partner and the Supervisory Board of Drägerwerk AG & Co. KGaA was discussed and approved in the meeting of the

Supervisory Board of the Company on Wednesday, December 15, 2010. It states that the recommendations of the German Corporate Governance Code Government Commission were applied with only a few exceptions.

The declaration was published on December 17, 2010, with the following wording:

“The recommendations of the German Corporate Governance Code Government Commission were designed with stock corporations in mind. Dräger applies these recommendations to Drägerwerk Verwaltungs AG wherever they are relevant to the general partner and bodies of the AG & Co. KGaA following the change in legal form. The general partner, represented by its Executive Board, and the Supervisory Board declare that Drägerwerk AG & Co. KGaA acted on the recommendations of the German Corporate Governance Code Government Commission, as amended on June 18, 2009, from the date of the issue of its previous declaration of conformity on December 16, 2009 until July 2, 2010 and that since July 3, 2010, it has acted and will act on the recommendations as amended on May 26, 2010. This applies subject to the following exceptions:

1. Until the last annual shareholders’ meeting, the voting common shares was solely owned directly or indirectly by the Dräger family.
   Therefore, the recommendation to appoint a corporate voting proxy for exercising the voting right of shareholders on their instructions at the annual shareholders’ meeting was unnecessary (2.3.3 clause 3 of the Code). A corporate voting proxy will be appointed in the future.

2. When appointing the members of the Executive Board, the Supervisory Board of the general partner exclusively takes into account qualifications of the available persons and not their gender. In this respect, the Supervisory Board of the general partner does not comply with the recommendations stated in 5.1.2. clause 3 of the Code. As of January 1, 2011, one member of the Executive Board will be a female who was chosen on the grounds of her qualifications.”

The reasons for the aforementioned exceptions from certain recommendations of the Code are largely explained in the declaration of conformity.

SUPERVISORY BOARD

The Supervisory Board of Drägerwerk AG & Co. KGaA has twelve members, half of whom are elected by shareholders and half by employees in accordance with the German Codetermination Act. Several members of the Supervisory Board hold or held high-ranking positions at other companies. The majority of the members of the Supervisory Board are independent of the Company for the purposes of the Corporate Governance Code. Where business relationships exist with Supervisory Board members, transactions are conducted on an arm’s length basis as between unrelated parties and do not affect the independence of the members. The Supervisory Board of Drägerwerk Verwaltungs AG has six members who are also the shareholder representatives on the Supervisory Board of Drägerwerk AG & Co. KGaA. The Supervisory Boards of Drägerwerk AG & Co. KGaA and Drägerwerk Verwaltungs AG each appoint four members to the Joint Committee.

In its meeting on December 15, 2010, the Supervisory Board resolved to apply the following objectives when selecting its members pursuant to 5.4.1 of the Code: When proposing a new member, the Supervisory Board will be guided by the following criteria that take into account diversity:

– Professional and personal qualifications regardless of gender

- Business management experience in German and foreign companies with a global presence in various cultural regions
- Experienced representatives of family-owned as well as listed companies
- Persons with proven track record in finance and accounting and know-how in financing and capital market communication
- Experience in marketing and sales in diversified technology companies
- Intellectually and financially independent persons with a high degree of personal integrity who do not have a conflict of interest with the Company
- Re-elected or newly elected members must be under 70 years of age at the time of the election

The Supervisory Board of Drägerwerk AG & Co. KGaA monitors and advises the Executive Board of the general partner in the management of the partnership limited by shares. The Supervisory Board regularly discusses business performance and plans as well as the implementation of the business strategy based on written and oral reports by the Executive Board of the general partner. It reviews the financial statements of Drägerwerk AG & Co. KGaA and the Dräger Group. In doing so, it takes into account the audit reports of the statutory auditors and the results of the review by the Audit Committee. The Supervisory Board makes a recommendation to the annual shareholders' meeting for a resolution to approve the financial statements and the group financial statements. The Joint Committee makes decisions on extraordinary management transactions by the general partner: The individual transactions requiring approval are defined in Sec. 23 (2) of the articles of association of the Company. Appointing and removing members of the Executive Board of Drägerwerk Verwaltungs AG, which manages the operations of Drägerwerk AG & Co. KGaA as the legal representative of the general partner, is the task of the Supervisory Board of Drägerwerk Verwaltungs AG.

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

MANAGEMENT

In its role as managing body of Drägerwerk AG & Co. KGaA and of the Dräger Group, the Executive Board of Drägerwerk Verwaltungs AG governs corporate policy. It determines the Company's strategic focus, plans and sets budgets, approves resource allocation and monitors business performance. The Executive Board compiles

Dräger Group's quarterly reports, the financial statements of Drägerwerk AG & Co. KGaA and the group financial statements. It works closely with the oversight bodies. The Chairman of the Supervisory Boards of the Company and of the general partner works closely with the Chairman of the Executive Board of the general partner. He regularly provides up-to-date and comprehensive information on all issues relevant to the Company: strategy and its implementation, planning, business performance, financial position and results of operations as well as business risk. The Supervisory Board of Drägerwerk Verwaltungs AG approved the rules of procedure for the Executive Board at its meeting on December 14, 2008.

INVESTOR RELATIONS

The capital increase with subscription rights concluded on June 30, 2010, increased the number of issued common shares by 3,810,000 to 10,160,000. The newly issued common shares have been traded on the German stock exchange since Friday, July 02, 2010, after the existing 6,350,000 common shares had been admitted to the market on June 21, 2010. An additional 6,350,000 preferred shares are also being traded on the German stock exchange. Drägerwerk AG & Co. KGaA has a current total of 16,510,000 shares, of which 71.46 percent are common shares held by the Dräger family. Dräger reports to its shareholders on business performance, net assets, financial position and results of operations of Dräger Group in two quarterly reports, one half-yearly report and the annual report. The annual shareholders' meeting is held in the first eight months of the fiscal year. The resolution on the approval of the financial statements of Drägerwerk AG & Co. KGaA is adopted at the annual shareholders' meeting. In addition, the annual shareholders' meeting votes on profit appropriation, the exoneration of the general partner and of the Supervisory Board and the election of the statutory auditors. In addition, it also elects the shareholder representatives to the Supervisory Board, approves amendments to the articles of association and changes in capital, which the general partner implements. The shareholders exercise their rights at the annual shareholders' meeting in accordance with the legal requirements and the Company's articles of association. Insofar as the resolutions of the annual shareholders' meeting relate to extraordinary transactions and core business, they also require the approval of the general partner. In the course of our investor relations work, the Chairman of the Executive Board and the CFO, as well as the other Executive Board members hold regular meetings with analysts and institutional investors. Besides an annual analysts' conference, a conference call also takes place when the quarterly figures are announced or for other important events.

COMPLIANCE

The general partner of Drägerwerk AG & Co. KGaA has established guidelines in the form of business policies and a code of conduct which should ensure that business is conducted responsibly and in accordance with legal requirements. These binding policies on law-abiding conduct, conflicts of interest, company property and insider trading apply to all employees, as well as the Executive and Supervisory Boards.

FORWARD-LOOKING STATEMENTS

This management report contains forward-looking statements. The statements are based on the current expectations, presumptions, and forecasts of the Executive Board of Drägerwerk Verwaltungs AG as well as the information available to it to date. The forward-looking statements do not provide any warranty for 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 which could prove to be incorrect. The Executive Board is under no obligation to update the forward-looking statements contained in this report.

Lübeck, Germany, March 8, 2011

Drägerwerk AG & Co. KGaA

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Carla Kriwet
Gert-Hartwig Lescow
Anton Schrofner

Single entity financial statements of Drägerwerk AG & Co. KGaA

INCOME STATEMENT OF DRÄGERWERK AG & CO. KGAA FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31

	Note	2010	2009
		€ thousand	€ thousand
Other operating income	24	123,369	97,746
Personnel expenses	25	–36,114	–30,315
Amortization of intangible assets and depreciation of property, plant and equipment	26	–6,435	–7,306
Other operating expenses	27	–143,888	–94,474
Income from a profit transfer agreement	28	120,751	32,930
Income from other investments		271	280
Interest result	29	–36,173	–18,081
Results from ordinary operations		**21,781**	**–19,220**
Extraordinary income		1,957	0
Extraordinary expenses		–16,482	0
Extraordinary result	**30**	**–14,525**	**0**
Income taxes	31	24,335	3,403
Other taxes		–315	311
Profit before distribution for participation capital		**31,276**	**–15,506**
Distribution for participation capital	42	–11,812	–5,654
Net profit/loss		**19,464**	**–21,160**
Profit brought forward from previous year		56,280	82,139
Net earnings	**44**	**75,744**	**60,979**

BALANCE SHEET OF DRÄGERWERK AG & CO. KGAA AS OF DECEMBER 31

	Note	December 31 2010	December 31 2009
		€ thousand	€ thousand
Assets			
Intangible assets	7	5,598	4,524
Property, plant and equipment	8	38,125	41,672
Financial assets	9	852,567	855,794
Non-current assets		**896,290**	**901,990**
Trade receivables		347	114
All other receivables and other assets		135,195	150,277
Receivables and other assets	**10**	**135,542**	**150,391**
Cash and cash equivalents	11	196,415	236,738
Current assets		**331,957**	**387,129**
Prepaid expenses	12	6,541	6,323
Deferred tax assets	13	69,421	0
Excess of plan assets over pension liability	14	1,113	0
Total assets		**1,305,322**	**1,295,442**

	Note	December 31 2010	December 31 2009
		€ thousand	€ thousand
Equity and liabilities			
Capital stock, conditional capital: EUR 3,200,000	15	42,266	32,512
Capital reserves	16	161,266	39,449
Retained earnings	17	199,191	160,477
Other retained earnings		199,191	160,477
Net earnings		75,744	60,979
Participation capital – par value: € 25,371,000 (2009: Series D)	19	49,929	49,929
Equity		**528,396**	**343,346**
Provisions for pensions and similar obligations		85,871	73,910
Tax provisions		8,395	2,242
Other provisions		32,390	18,193
Provisions	**20**	**126,656**	**94,345**
Participation capital – par value: € 10,756,000 (2009: Series A+K)	19	24,868	24,868
Liabilities to banks		325,399	371,732
Trade payables		15,153	15,652
All other liabilities		284,850	445,499
Liabilities	**21**	**650,270**	**857,751**
Total equity and liabilities		**1,305,322**	**1,295,442**

ANALYSIS OF NON-CURRENT ASSETS OF DRÄGERWERK AG & CO. KGAA

					Cost
	As of Jan. 1, 2010	Additions	Disposals	Reclassifications	As of Dec. 31, 2010
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Franchises, concessions, industrial property and similar rights and assets, as well as licenses thereto	19,860	2,111	126	21	21,866
Prepayments made	0	1,042	0	0	1,042
Intangible assets	**19,860**	**3,153**	**126**	**21**	**22,908**
Land, equivalent titles and buildings (incl. on leased land)	131,997	207	3,318	0	128,886
Production plant and machinery	2,164	3	35	0	2,132
Other plant, factory and office equipment	20,108	842	933	119	20,136
Prepayments made and assets under construction	49	246	0	0	295
Property, plant and equipment	**154,318**	**1,298**	**4,286**	**119**	**151,449**
Intangible assets and property, plant and equipment	**174,178**	**4,451**	**4,412**	**140**	**174,357**
Shares in Group companies	855,916	10	455	0	855,471
Loans to Group companies	472	0	0	0	472
Investments	170	3	0	0	173
Non-current securities	3,210	0	0	–3,210	0
Other loans	35	0	30	0	5
Financial assets	**859,803**	**13**	**485**	**–3,210**	**856,121**
	1,033,981	**4,464**	**4,897**	**–3,070**	**1,030,478**

The addition of intangible assets and property, plant and equipment from Group companies can be found in the reclassification column with their historical values.

Non-current securities were reclassified to “Excess of plan assets over pension liability”.

Amortization, depreciation and write-downs						Carrying values	
As of Jan. 1, 2010	Additions	Disposals	Write-ups	Reclassifications	As of Dec. 31, 2010	Dec. 31, 2010	Dec. 31, 2009
€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
15,336	2,079	126	0	21	17,310	4,556	4,524
0	0	0	0	0	0	1,042	0
15,336	**2,079**	**126**	**0**	**21**	**17,310**	**5,598**	**4,524**
93,638	2,845	2,822	0	0	93,661	35,225	38,359
1,810	122	35	0	0	1,897	235	354
17,198	1,389	918	0	97	17,766	2,370	2,910
0	0	0	0	0	0	295	49
112,646	**4,356**	**3,775**	**0**	**97**	**113,324**	**38,125**	**41,672**
127,982	**6,435**	**3,901**	**0**	**118**	**130,634**	**43,723**	**46,196**
3,506	0	455	0	0	3,051	852,420	852,410
472	0	0	0	0	472	0	0
26	0	0	0	0	26	147	144
0	0	0	0	0	0	0	3,210
5	0	0	0	0	5	0	30
4,009	**0**	**455**	**0**	**0**	**3,554**	**852,567**	**855,794**
131,991	**6,435**	**4,356**	**0**	**118**	**134,188**	**896,290**	**901,990**

Notes to Drägerwerk AG & Co. KGaA single entity financial statements 2010

1 GENERAL

Drägerwerk Verwaltungs AG, Lübeck, is the sole general partner of Drägerwerk AG & Co. KGaA. Drägerwerk Verwaltungs AG, Lübeck holds no shares.

The single entity financial statements of Drägerwerk AG & Co. KGaA have been prepared in accordance with the provisions of the Commercial Code (Handelsgesetzbuch – HGB). The switch to the new law mainly resulted in changes in the measurement and recognition of pension provisions as well as plan assets, in the measurement of provisions, in the translation of foreign currencies and in the recognition of deferred taxes. The Company made use of the option not to adjust the previous year's figures in accordance with Sec. 67 (8) of the Introductory Act to the Commercial Code (Einführungsgesetz zum Handelsgesetzbuch – EGHGB). A comparison with the previous year is therefore only possible to a limited extent. With a view to enhancing the transparency of presentation, certain items of the balance sheet and income statement have been summarized, but are detailed further down in these notes. For the income statement, the nature of expense method of presentation has consistently been used. The financial statements were prepared in euros. Unless stated otherwise, all figures are disclosed in thousands of euros (EUR thousand); rounding differences may arise as a result.

2 CORPORATE GOVERNANCE

Drägerwerk AG & Co. KGaA's declaration of conformity under the terms of Sec. 161 of the German Stock Corporation Act (Aktiengesetz – AktG) has been issued and made available to the shareholders (in the annual report of the Dräger Group or **www.draeger.com/GC/en/investor_relations/corporate_governance**).

3 CHANGES TO ACCOUNTING POLICIES

The distribution for series A, K and D participation certificates is recognized in the income statement. The distribution for series A and K participation certificates has been recognized in interest expense as from fiscal year 2010. The distribution for series D continues to be shown in a separate line.

The effects from the **adjustment** of the balance sheet as from January 1, 2010, to the new regulations of German commercial law in accordance with the German Accounting Law Modernization Act (Bilanzierungsmodernisierungsgesetz – BilMoG) are reflected in the extraordinary result and in retained earnings.

4 CURRENCY TRANSLATION

Foreign currency receivables and liabilities are stated at the historical exchange rate.

Exchange gains and losses resulting from different currency exchange rates are recognized at the rate prevailing on the balance sheet date for assets and liabilities with a remaining term of up to one year. Losses resulting from different currency exchange rates are recognized for assets and liabilities with a remaining term of more than one year.

5 ACCOUNTING POLICIES

Purchased **intangible assets** are carried at cost less straight-line amortization over an estimated useful life of no more than four years. Internally developed intangible assets that are part of non-current assets and development expenses were not recognized.

Property, plant and equipment are carried at cost less straight-line depreciation over the assets' estimated useful life. Cost is recognized in accordance with the provisions of Sec. 255 (1) HGB. Consequently, it includes incidental purchase costs and post-acquisition expenses, duly allowing for acquisition cost deductions. Factory and office buildings are depreciated over a maximum period of 50 years, production plant and machinery over eight years, and other plant, factory and office equipment over 15 years, but mainly between two and five years. Movable items of property, plant and equipment recognized prior to January 1, 2010 are depreciated according to the declining balance method, applying the maximum rates permitted by tax regulations. After that date, the declining balance method is only applied any more if it corresponds with the actual impairment of non-current assets. Low-value assets with a value between EUR 150 and EUR 500 are posted under a collective item and fully expensed in the year of acquisition. Assets with a value between EUR 500 and EUR 1,000 are recognized separately and depreciated over their respective useful lives.

Within **financial assets**, the **shares in Group companies, investments and non-current securities** are stated at the lower of cost or realizable value.

Non or low-interest bearing **loans** are disclosed at their present value. Discounting and compounding are shown as write-downs or write-ups respectively. Non-current assets whose values, when determined according to the aforesaid principles, exceed the lower current values are written down accordingly.

Receivables and other assets are stated at principal or par, less any necessary allowances for bad debts, etc. Adequate general allowances provide for the normal collection risk. Non or low-interest receivables with a remaining term of more than one year are discounted.

Prepaid expenses do not include loan discounts as these are directly expensed.

As from 2010, **deferred taxes** are calculated for temporary differences between the values of non-current and current assets as well as prepaid expenses, provisions and liabilities under commercial law and tax law, which in all probability will be reversed in the future. Drägerwerk AG & Co. KGaA, in its role as a parent company, includes the differences from its own balance sheet items as well as those from Group companies. Tax loss carryforwards and interest carryforwards are recognized in addition to these temporary differences. Deferred taxes are determined on the basis of the income tax rate applicable to Drägerwerk AG & Co. KGaA's fiscal unit. The deferred taxes are measured at the amount expected to be paid or recovered in subsequent fiscal years. Deferred tax assets from loss and interest carryforwards are only recognized if it is sufficiently probable that they will be realized.

For accounting purposes, **series D participation capital** is reported as equity due to the terms and conditions upon which the participation certificates are based. Therefore, it is shown in a separate line additional to the statutory classification format, under equity and after Drägerwerk AG & Co. KGaA's net earnings. The par value of this participation capital is disclosed in the previous column. Although participation capital is treated as accounting equity, the underlying participation rights maintain their obligatory nature under law. Therefore, the premium yielded over and above the par value can be neither transferred to the capital reserve nor allocated otherwise. Hence it follows that this premium continues to form an integral part of the caption "Participation capital". Consequently, the dividends for series D participation certificates reduce the net profit or increase the net loss for the period. The underlying dividend distribution is shown in a separate line immediately preceding net profit / loss.

Series A and K participation capital is reclassified as non-current debt because the terms and conditions of these participation certificates includes a minimum dividend and no loss transfer. Civil law considerations require that any profit distributed in favor of participation capital must be offset against net profit. The dividends for series A and K participation certificates are recognized in the interest result.

As from 2010, the actuarial calculations for determining **pension obligations** are based on biometric probability (2005 G Heubeck mortality table) and use the projected unit credit method. The calculation also takes into account future expected pay and pension increases. The underlying interest rate for compounding and discounting of pension obligations is based on the average market rate of the past seven fiscal years for an anticipated remaining term of 15 years determined and published by Deutsche Bundesbank. Until December 31, 2009, pension provisions provided for the present value of pension obligations on the basis of actuarial calculations, using an imputed interest rate of 6 percent.

The new company pension plan for the German Group companies introduced on January 1, 2005, are composed of three levels – the employer-funded basic level, employee-funded top-up level and employer-funded supplementary level. The pension cost for the employer-funded basic level is based on the respective employee's income. The employee funded top-up level allows employees to increase their pension entitlement through deferred compensation. The contribution made at the employer-funded supplementary level depends on the employee contribution through deferred compensation and on Dräger Group's business performance (EBIT).

The funds resulting from the new pension plan are invested in a restricted fund set up especially for Dräger that is subject to special restraints on disposal. The employees' pension accounts have a minimum guaranteed return of 2.75 percent. As from 2010, the measurement is carried out at fair value, which is offset against the respective underlying obligations. If the result is a backlog of obligations, this amount is recognized in pension provisions. If the value of plan assets exceeds the obligations, it is recognized in "Excess of plan assets over pension liability". In the previous year, plan assets were recognized at cost under financial assets. They were not offset against provisions.

Other provisions adequately allow for all identifiable risks in accordance with prudent business judgment and contingent liabilities. The amount recognized reflects the sum required to fulfill the obligations according to prudent business judgment. As from January 1, 2010, future price and cost increases are taken into consideration if there is sufficient evidence to substantiate their actual occurrence. Non-current provisions are discounted at the market rate relating to their remaining terms published by Bundesbank as from January 1, 2010.

Expenses incurred from the compounding of provisions are recognized separately in "Interest and similar expenses". **Liabilities** are stated at the amount repayable.

Contingent liabilities and other financial obligations are valued at the respective volume as of the balance sheet date. For contingent liabilities from guarantees, suretyships and warranty/indemnity contracts, the loan sums actually drawn as of the balance sheet date are disclosed in addition to the guaranteed ceilings.

The **other financial obligations** under contracts are measured at their nominal value and disclosed in the notes.

Notes to the balance sheet

(amounts in EUR thousand unless stated otherwise)

6 NON-CURRENT ASSETS

The breakdown and development of non-current assets in fiscal year 2010, including cost and accumulated amortization, depreciation and write-downs is shown in the analysis of non-current assets.

7 INTANGIBLE ASSETS

The additions to this item relate to the purchase of software in the amount of EUR 2.1 million (2009: EUR 2.5 million) as well as prepayments made and software still being developed of EUR 1.1 million.

8 PROPERTY, PLANT AND EQUIPMENT

Investments in property, plant and equipment amounted to EUR 1.3 million. They focused on server systems as well as factory and office equipment (EUR 0.9 million). Various conversion work was also carried out (EUR 0.2 million). Prepayments made and assets under construction amounted to EUR 0.2 million as of December 31, 2010. Investments in low-value assets came to EUR 0.3 million.

9 FINANCIAL ASSETS

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. The transaction was executed on April 30, 2010. Dräger was already entitled to the acquired shares on December 31, 2009, from a financial point of view.

Siemens Medical Holding GmbH was merged with Dräger Medical Holding GmbH in fiscal year 2010. After the subsequent integration of Dräger Medical AG & Co. KG in Dräger Medical Holding GmbH and the subsequent renaming of the company to Dräger Medical GmbH, Drägerwerk AG & Co. KGaA held all shares in Dräger Medical GmbH as of December 31, 2010. The control and profit and loss transfer agreement between Dräger Medical Holding GmbH and Drägerwerk AG & Co. KGaA was transferred to Dräger Medical GmbH. The shares of Dräger Beheer B. V. were sold to Dräger Medical Netherlands B.V. at the end of fiscal year 2010.

In addition, DRENITA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Fertigung Dräger Medizintechnik KG was founded in fiscal year 2010. DRENITA Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, is the general partner and has not contributed to capital; Drägerwerk AG & Co. KGaA, Lübeck, is the limited partner with a capital contribution of EUR 10,000.

The shares in the restricted fund set up exclusively for Dräger, which were recognized in financial assets for tax purposes in the previous year, were netted with pension obligations under the new pension plan.

10 RECEIVABLES AND OTHER ASSETS

EUR 9,634,000 in receivables from Group companies resulted from cash management, EUR 110,000 from a current loan, and from trade receivables.

Other assets include taxes receivable which stem from income tax and VAT credit and miscellaneous non-trade receivables. The rise in VAT credit originated from the fiscal unit with Dräger Medical GmbH, which was established in September 2010. In addition, the cap premiums from interest rate hedges are recognized in this item.

RECEIVABLES AND OTHER ASSETS

	2010	2009
Trade receivables	**347**	**114**
thereof due in more than one year	(0)	(0)
All other receivables and other assets		
Receivables from Group companies	123,528	141,479
thereof due in more than one year	(0)	(0)
Receivables from companies in which participating interests are held	0	203
thereof due in more than one year	(0)	(0)
Other assets	11,667	8,595
thereof due in more than one year	(1,775)	(5,883)
	135,195	**150,277**
Receivables and other assets	**135,542**	**150,391**

11 CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS

	2010	2009
Cash and cash equivalents	196,415	236,738

This item comprises cash on hand and in the bank. As of December 31, 2010, cash and cash equivalents dropped due to the payments in connection with the purchase of the 25 percent share in Dräger Medical AG & Co. KG (now: Dräger Medical GmbH) from Siemens. Net proceeds of EUR 100.4 million from the issuance of the 3,810,000 new no-par bearer common shares in June 2010 also pushed up the value of this item.

In 2009, EUR 10 million had been deposited in an account subject to special restraints on disposal within the scope of the purchase of the Siemens share. This restriction was lifted in fiscal year 2010.

12 PREPAID EXPENSES

These exclusively comprise transitory items.

13 DEFERRED TAX ASSETS

Due to the first-time application of the provisions of the German Accounting Law Modernization Act (Bilanzierungsmodernisierungsgesetz – BilMoG), the deferred tax assets recognized on January 1, 2010, were transferred to other retained earnings in accordance with Sec. 67 (6) Sentence 1 of the Introductory Act to the Commercial Code (Einführungsgesetz zum Handelsgesetzbuch – EGHGB).

In total, Drägerwerk AG & Co. KGaA, in its role as parent company, expected future tax relief of EUR 69,421,000 from temporary differences and from tax loss carryforwards as of December 31, 2010. Deferred taxes are determined on the basis of a 30.92 percent income tax rate.

Income taxes include corporate income tax and the solidarity surcharge as well as trade tax.

For tax purposes, the integration of Dräger Medical AG & Co. KG in Dräger Medical Holding GmbH resulting from the mergers became effective in retrospect. The fiscal unit, including Group companies, of Dräger Medical AG & Co. KG therefore came into effect on January 1, 2010. The previous Dräger Medical Holding GmbH was already a Group company of Drägerwerk AG & Co. KGaA prior to January 1, 2010.

Deferred tax liabilities were recognized at a tax rate of 15.83 percent (investments in the legal form of a partnership; tax rate takes into account only corporate income tax and solidarity surcharge) for temporary differences of Dräger Medical AG & Co. KG that were incurred prior to the establishment of the fiscal unit, whose reversal is treated as a shortfall in terms of tax law.

DEFERRED TAX ASSETS / LIABILITIES

	Deferred tax assets 2010	Deferred tax liabilities 2010
Non-current assets	12,579	0
Current assets	2,953	4,059
Prepaid expenses	0	0
Provisions	16,629	0
Liabilities	0	343
Tax loss and interest carryforwards	41,662	
Gross amount	**73,823**	**4,402**
Netting	–4,402	–4,402
Carrying amount	**69,421**	**0**

The Company made use of the option in accordance with Sec. 274 (1) Sentence 2 of the German Commercial Code (Handelsgesetzbuch – HGB) to recognize deferred tax assets for the surplus.

14 EXCESS OF PLAN ASSETS OVER PENSION LIABILITY

In fiscal year 2010, plan assets were offset for the first time against the underlying obligations from the new pension plan in accordance with the BilMoG regulations (Sec. 246 (2) Sentence 2 HGB). If the fair value of plan assets exceeds the amount of pension obligations, the difference is recognized in "Excess of plan assets over pension liability"

The fair value of plan assets stated in the table below was derived from the stock exchange price of the plan assets, if these pertained to fund shares.

The plan assets are shares in a restricted fund set up exclusively for Dräger (WKN – securities identification number – A0HG1B) and a settlement account. They are managed by AllianzGI-Fonds as a trustee for Drägerwerk AG & Co. KGaA and their access is restricted for other creditors. On July 1, 2010, their management was transferred from Commerztrust GmbH to Allianz GI.

The fund and the settlement account serve to safeguard pension obligations made under the new pension plan and are subject to special restraints on disposal.

EXCESS OF PLAN ASSETS OVER PENSION LIABILITY

	2010
Fair value of plan assets	4,577
Pension obligations under the pension plan 2005	–3,464
Excess of plan assets over pension liability	**1,113**
Cost of plan assets	4,404

15 CAPITAL STOCK

In accordance with the resolution agreed upon at the annual shareholders' meeting on May 8, 2009, the general partner is entitled to increase the capital of Drägerwerk AG & Co. KGaA until May 7, 2014, with the approval of the Supervisory Board, by up to EUR 16,256,000.00 (approved capital) by issuing new bearer common shares (no-par value shares) in return for cash and/or contributions in kind, in either one or several tranches.

With effect from June 30, 2010, Drägerwerk AG & Co. KGaA increased its capital stock by issuing 3,810,000 new no-par bearer shares (no-par shares) and raised the number of no-par bearer shares from 6,350,000 to 10,160,000. The number of no-par preferred shares remains 6,350,000.

At the same time, the existing 6,350,000 no-par bearer shares were admitted to the regulated market of Frankfurt Stock Exchange on June 18, 2010.

The capital increase put up the capital stock of Drägerwerk AG & Co. KGaA from EUR 32,512,000 to EUR 42,266,000. The general partner is entitled to increase the capital of Drägerwerk AG & Co. KGaA until May 7, 2014, with the approval of the Supervisory Board, by a further EUR 6,502,400.00 (existing authorized share capital). Drägerwerk Verwaltungs AG, the general partner, holds no shares in capital.

All shares have been fully paid in. As before, the preferred shares are traded on the capital market. The new common shares were first admitted to the regulated market (Prime Standard) on July 2, 2010.

Other than voting rights, the preferred shares have the same rights as those attached to the common shares. As compensation for the lack of voting rights, an advance dividend of EUR 0.13 per preferred share is distributed from net earnings. If sufficient profits are available, a dividend of EUR 0.13 per common share is then paid. Any profit in excess of this amount, if distributed, is allocated so preferred shares receive EUR 0.06 more than common shares.

If the profit is not sufficient to distribute the advance dividend for preferred shares in one or more years, the amounts are paid from the profit of subsequent fiscal years before a dividend is paid on common shares.

If amounts in arrears are not paid in the next year along with the full preferred dividend for that year, the preferred shareholders have voting rights until the arrears have been paid.

In the event of liquidation, the preferred shareholders receive 25 percent of net liquidation proceeds in advance. The remaining liquidation proceeds are distributed evenly to all shares.

The annual shareholders' meeting on May 7, 2010, resolved to conditionally increase the Company's capital stock up to EUR 3,200,000 by issuing up to 1,250,000 new no-par preferred bearer shares (no-par shares) in return for cash and/or contributions in kind (conditional capital). The conditional capital was used for issuing the option rights to Siemens. On August 30, 2010, 25 bearer warrant bonds with option rights and excluding subscription rights with a total nominal value of EUR 1.25 million and a nominal value of EUR 50,000 per unit were issued to Siemens in a one-off transaction.

16 CAPITAL RESERVE

CAPITAL RESERVE

Drägerwerk AG & Co. KGaA's capital reserves originated from the share premiums from	Betrag
The Company's establishment (transformation)	2,556
The increases in capital stock of	
March 1979	5,726
June 1981	7,016
July 1991	23,569
	38,867
Dividend waiver by Stefan Dräger	582
Capital reserves as of Dec. 31, 2009	**39,449**
3,791,037 common shares of EUR 24.94 each placed on Jun. 30, 2010	94,548
18,963 common shares of EUR 38.44 each placed on Jul. 5, 2010	729
Increase of capital reserves in 2010 by issuing 3,810,000 new common shares	**95,277**
Replacement of variable option component with equity instrument	**26,540**
Capital reserves as of Dec. 31, 2010	**161,266**

The new ordinary shares were offered to the shareholders at a ratio of 10:3 at a subscription price of EUR 27.50 each by way of an indirect subscription right (Sec. 186 [5] AktG ["Aktiengesetz": German Stock Corporation Act]). In the subscription period from June 17, 2010, to June 30, 2010, all previous subscription rights for common shares (1,905,000) as well as 1,886,037 of a total 1,905,000 subscription rights for preferred shares were exercised. The subscription rate therefore totals 99.5 percent.

The premium of the shares placed on June 30, 2010, is the difference between the issue price of EUR 27.50 and the par value of EUR 2.56. The capital reserve therefore went up by EUR 94,548,000.

The 18,963 unsubscribed new common shares were sold for EUR 41.00 each on July 2, 2010. After deducting the par value of EUR 2.56 per share, the premium totaled EUR 729,000.

The originally agreed cash settled option was replaced with an equity instrument on August 30, 2010. This action increased the capital reserve, therefore strengthening the equity base by EUR 26,540,000.

17 RETAINED EARNINGS

The retained earnings of EUR 160,477,000 recognized on December 31, 2009, pertained to additions from previous years.

The deferred taxes incurred from the first-time application of Sec. 274 of the German Commercial Code (Handelsgesetzbuch – HGB) in the version of the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz – BilMoG) from May 25, 2009, were offset against retained earnings in accordance with Sec. 67 (6) Sentence 2 of the Introductory Act to the Commercial Code (Einführungsgesetz zum Handelsgesetzbuch – EGHGB). In addition, deferred taxes were also offset against retained earnings on account of the transition guidelines of Sec. 67 EGHGB. Retained earnings increased accordingly by EUR 38,714,000 as of January 1, 2010. These are deferred taxes from temporary differences and tax loss carryforwards and interest carryforwards of Drägerwerk AG & Co. KGaA and its Group companies, including deferred taxes of Dräger Medical GmbH incurred prior to the fiscal unit, as of January 1, 2010.

RETAINED EARNINGS

	Amount
Retained earnings as of Dec. 31, 2009	**160,477**
Deferred taxes from the first-time application of BilMoG	38,714
Retained earnings as of Dec. 31, 2010	**199,191**

18 DISCLOSURES ON AMOUNTS RESTRICTED FROM DISTRIBUTION IN ACCORDANCE WITH SEC. 268 HGB (8)

The amount restricted from distribution in accordance with Sec. 268 (8) HGB (new version) amounted to EUR 69,541,000.

DISCLOSURES ON AMOUNTS RESTRICTED FROM DISTRIBUTION IN ACCORDANCE WITH SEC. 268 HGB (8)

Account	Dec. 31, 2010	Deferred taxes	Restricted amount
Fair value of plan assets exceeding cost	173	–53	120
Positive amount of deferred taxes (net)		69,421	69,421
Total of amounts restricted from distribution in acc. with Sec. 268 (8) HGB	173	69,368	69,541
Equity interests available to cover amounts			275,517
Freely available equity interests			**205,976**

The measurement of the special fund assets of the new pension plan is carried out in accordance with Sec. 253 (1) Sentence 4 HGB at fair value. On December 31, 2010, this amounted to EUR 4,577,000, EUR 173,000 up on costs of EUR 4,404,000. This amount in excess of costs less related deferred taxes of EUR 120,000 as well as the positive amount of deferred taxes of EUR 69,421,000 are covered by a total of EUR 275,517,000. This amount is comprised of freely available retained earnings of EUR 199,191,000, free capital reserves of EUR 582,000 and net earnings of EUR 75,744,000. A total of EUR 205,976,000 of equity was therefore freely available as of December 31, 2010.

PARTICIPATION CERTIFICATES

19 PARTICIPATION CAPITAL

Participation capital from the participation certificates issued and floated up to June 30, 1991 form part of securities series A and is recognized as debt. Participation capital created after June 30, 1991 covering securities series K is also stated as debt. The terms and conditions underlying the series K participation certificates differ from those for the (series A) certificates outstanding up to June 30, 1991 in that their holders may give five years' notice of termination, however, not to take effect prior to December 31, 2021; the period of termination thereafter is again five years.

Since the 1997 annual shareholders' meeting, series D participation certificates have been floated; their terms and conditions have been amended in order to qualify as accounting equity, mainly to adapt to the terms defined by the Institute of Public Auditors ("Institut der Wirtschaftsprüfer"): waiver of minimum yield, loss-sharing concept for participation certificates and adequate cumulative, compensatory terms. The cases in which the minimum return is not paid are the same as those in which the preferred dividend is not paid. As with the subsequent payment of preferred dividends, the dividend for participation certificates is paid in arrears. Series D participation certificates share in losses. The proportionate loss attributable to the participation capital is offset by future profits. Series D participation certificate holders may exercise their calling right every five years with five years' notice as of calendar year-end, however, not to take effect prior to December 31, 2026. Series D participation certificates are stated in equity.

Since December 1, 1999, the par value of participation certificates has amounted to EUR 25.56. Drägerwerk AG & Co. KGaA does not intend to terminate the participation certificates. If the participation certificate holder exercises the calling right, the amount repayable shall equal the average mean rate of the last three months at the Hamburg Stock Exchange or a maximum of the weighted average issue price of this tranche.

The dividend for participation certificates is 10 times the preferred share dividend, as the par value of the securities was originally identical, but the arithmetic par value of the preferred share has since been reduced to one tenth of the original par value. For details, please refer to the terms and conditions of series A, K and D participation certificates

PARTICIPATION CAPITAL

	Number	Par value	Premium	Participation capital
		€	€	€
As of December 31, 2009	**1,413,425**	**36,127,143.00**	**38,670,225.37**	**74,797,368.37**
(No new participation certificates were issued in 2010.)				
Series A	315,600	8,066,736.00	12,353,585.70	20,420,321.70
Series K	105,205	2,689,039.80	1,758,718.44	4,447,758.24
disclosed in debt	**420,805**	**10,755,775.80**	**14,112,304.14**	**24,868,079.94**
disclosed in equity				
Series D	**992,620**	**25,371,367.20**	**24,557,921.23**	**49,929,288.43**

The capital increase carried out in 2010 also affects participation certificates, as the terms and conditions for participation certificates provide similar subscription rights for holders of series A, K and D participation certificates in the case of a capital increase with subscription rights for shareholders. Holders of participation certificates have the right to acquire further participation certificates with subscription rights similar to those of the capital increase. The participation capital has to be increased accordingly. The subscription right and increase of participation capital are subject to the approval of the Company's annual shareholders' meeting as well as the exclusion or limitation of any other legal subscription rights, if this is necessary. In accordance with the terms and conditions of participation certificates, if the annual shareholders' meeting does not approve of participation certificate holders exercising their subscription rights or if other legal subscription rights cannot be excluded or limited to the required extent, the company must issue cash compensation to the amount of the loss it deems participation certificate holders would incur through the capital increase (Sec. 315 BGB ["Bürgerliches Gesetzbuch": German Civil Code]). Dräger recognized EUR 7.8 million in provisions for this contingency in 2010.

PARTICIPATION CAPITAL CONDITIONS

PARTICIPATION CAPITAL CONDITIONS

	Termination right of Drägerwerk AG & Co. KGaA	Termination right of participation certificate holders	Loss share	Minimum return	Dividend for participation certificates
				€	
Series A	Yes	No	No	1.30	Dividend on preferred share x 10
Series K	Yes	Yes	No	1.30	Dividend on preferred share x 10
Series D	Yes	Yes	Yes	–	Dividend on preferred share x 10

Please refer to the explanations in Note 5.

20 PROVISIONS

PROVISIONS

	2010	2009
Provisions for pensions and similar obligations	85,871	73,910
Tax provisions	8,395	2,242
Other provisions	32,390	18,193
Provisions	**126,656**	**94,345**

Pension provisions increased by EUR 16,121,000 due to the changes in measurement resulting from the new Commercial Code, on the one hand. On the other hand, the difference between the pension provisions for the new pension plan and plan assets were recognized in assets under "Excess of plan assets over pension liability". This resulted in pension provisions dropping by EUR 3,464,000.

The pension obligations for fiscal year 2010 were calculated using the generally recognized projected unit credit method. The calculation also takes into account future expected pay and pension increases. The underlying interest rate for compounding and discounting of pension obligations is based on the average market rate of the past seven fiscal years for an anticipated remaining term of 15 years determined and published by Deutsche Bundesbank. The pension obligations were calculated using an interest rate of 5.17 percent. Until December 31, 2009, pension provisions provided for the present value of pension obligations on the basis of actuarial calculations, using an imputed interest rate of 6 percent.

The difference of EUR 16,121,000 resulting from the changes in valuation methods at the time of first application on January 1, 2010, was fully recognized in income in the reporting year under “Extraordinary expenses”. The Company did not use the option of spreading the amount over future periods in accordance with Sec. 67 (1) EGHGB.

The measurement of direct pension provisions is based on the following mathematical principles:

ACTUARIAL ASSUMPTIONS

	Balance sheet date 31.12.2010	Balance sheet date 01.01.2010
Discount rate	5.17% *	5.25%
Future wage and salary increases	3.00%	3.00%
Future pension increases	1.00–2.00%	1.00–2.00%
Average employee turnover	3.00%	3.00%

* Using the interest rate published by Bundesbank on September 30, 2010

Other provisions provide for personnel-related risks, mainly from profit shares/incentives to employees, accrued vacation pay and phased retirement, as well as for supplier invoices not yet received, lawsuit costs/risks and various other risks.

The risk of properties with long-term lease contracts standing empty as a result of the medical division’s new building has been accounted for in other provisions with EUR 10.9 million.

Potential cash compensation to be paid to holders of series A, K and D participation certificates of EUR 7.8 million was added to other provisions.

Provisions for the profit share to employees as well as provisions for supplier invoices not yet received increased significantly year on year on account of the very positive result.

21 LIABILITES

LIABILITIES

	2010	thereof due within 1 year	thereof due within 1–5 years	thereof due in more than 5 years	2009	thereof due within 1 year	thereof due within 1–5 years	thereof due in more than 5 years
Participation capital series A+K	24,868			24,868	24,868			24,868
Liabilities to banks	325,399	54,899	270,500		371,732	46,732	238,500	86,500
Trade payables	15,153	15,153			15,652	15,652		
Liabilities to Group companies	248,425	248,425			173,697	173,697		
Other liabilities	36,425	36,240	185		271,802	196,708	40,378	34,716
thereof for taxes	(827)	(827)			(1,479)	(1,479)		
thereof for social security	(0)				(0)			
Liabilities	**650,270**	**354,717**	**270,685**	**24,868**	**857,751**	**432,789**	**278,878**	**146,084**

There were no liabilities secured by pledges or similar rights.

LIABILITIES TO BANKS

Liabilities to banks decreased due to the repayment of two note loans totaling EUR 45 million. Consequently, total liabilities of EUR 325 million were recorded from promissory note loans with remaining terms of up to five years as of December 31, 2010.

LIABILITIES TO GROUP COMPANIES

Liabilities to Group companies mainly resulted from cash management in the amount of EUR 254,287,000 and from goods and services received.

Liabilities to Group companies increased by around EUR 75 million on account of a much improved cash and receivables management.

OTHER LIABILITIES

The liabilities recognized on December 31, 2009, in connection with the purchase of the 25 percent share in Dräger Medical AG & Co. KG by way of acquiring Siemens Medical Holding GmbH were fully repaid in fiscal year 2010 or recorded in profit or loss. The cash component of EUR 175 million was fully repaid on April 29, 2010, and tranches I and II of the vendor note totaling EUR 58.75 million on July 20, 2010.

As agreed, EUR 1.25 million of tranche III was paid on September 30, 2010, and the remaining EUR 8.5 million were written off within the scope of the transformation into a stock option and recognized in profit or loss.

22 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

	2010	2009
Contingent liabilities from suretyships and guarantees	7,709	4,758
Contingent liabilities under warranty/indemnity contracts	67,411	210,546
thereof from Group companies	0	0
thereof loan amounts actually drawn	23,418	29,262

EUR 7,709,000 (2009: EUR 4,758,000) of guarantees were given as part of phased retirement agreements.

In fiscal year 2007, Drägerwerk AG & Co. KGaA took on an order completion guarantee, which is still in place, for an order totaling EUR 27.3 million placed with Dräger Safety AG & Co. KGaA.

Guarantees of around EUR 67.4 million were issued for Group companies.

The financial situation of the Group companies ensures that they will meet their obligations. There is therefore no risk of these guarantees being called upon.

OTHER FINANCIAL OBLIGATIONS

Rental and lease agreements

As of the balance sheet date, other financial obligations from long-term rental and lease agreements came to around EUR 74.4 million (2009: EUR 76.0 million), of which around EUR 35.8 million (2009: EUR 34.1 million) were to Group companies. The annual amount came to some EUR 7.5 million (2009: EUR 6.7 million).

Purchase obligations

In line with the usual requirements, Drägerwerk AG & Co. KGaA has also entered into purchase obligations with other service providers in order to guarantee the availability of IT services.

Due to the centralization of IT activities at Drägerwerk AG & Co. KGaA, the Company has assumed all existing long-term obligations to IT service providers of the medical and safety divisions.

Other

As a result of outstanding orders, the Group had obligations to purchase intangible assets of EUR 208,000 (2009: EUR 340,000) and items of property, plant and equipment of EUR 69,000 (2009: EUR 4,000) as of December 31, 2010.

In connection with the construction of a building for Dräger Medical AG & Co. KG (now: Dräger Medical GmbH), Drägerwerk AG (now: Drägerwerk AG & Co. KGaA) entered into a rental obligation in respect of MOLVINA Vermietungsgesellschaft mbH & Co. Objekt Finkenstrasse KG under a real estate lease agreement.

As of December 31, 2010, Drägerwerk AG & Co. KGaA was not obligated to make any capital payments on interests held.

At present, no significant opportunities and risks arise from the investments in the special purpose entities

- Optio Grundstück-Verwaltungsgesellschaft mbH & Co. KG,
- Hamus Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Lübeck KG,
- MOLVINA Vermietungsgesellschaft mbH & Co. Objekt Finkenstrasse KG,
- Fimmus Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Lübeck KG, and
- DRENITA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Fertigung Dräger Medizintechnik KG.

23 LEGAL RISKS

Drägerwerk AG & Co. KGaA is involved in certain legal disputes and claims arising in the ordinary course of business. The Executive Board believes that the outcome of such litigation and claims will not have any material adverse effect on the Company's net assets, financial position or results of operations.

Notes to the income statement

(amounts in EUR thousand unless stated otherwise)

24 OTHER OPERATING INCOME

This item chiefly covers income from services rendered to Group companies. Otherwise, this item basically includes rental income, income from the reversal of allowances, income from the disposal of non-current assets, and gains from foreign exchange and currency translation, as well as many individual amounts not allocable to other items.

Corporate IT, Corporate Communications, Marketing Communications and Strategic Purchasing were established as shared services at Drägerwerk AG & Co. KGaA. The increase in other operating income mainly resulted from the allocation of higher other operating expenses arising from these shared services provided by Drägerwerk AG & Co. KGaA to the relevant Group companies. Other operating income was significantly impacted by marketing and licensing costs of around EUR 5.7 million being offset against the divisions – a higher rate than in the previous year.

Income from currency translation in accordance with Sec. 256a HGB recognized in this item came to EUR 8,037,000. This corresponds to a year-on-year increase of EUR 5.8 million.

The income from the reduction of the debt from tranche III of the vendor note issued by Siemens of EUR 8.5 million in fiscal year 2010 was recognized in this item.

25 PERSONNEL EXPENSES/HEADCOUNT

PERSONNEL EXPENSES/HEADCOUNT

	2010	2009
Salaries	30,376	23,648
Social security, pension expenses and related employee benefits	5,738	6,667
thereof pension expenses	(1,606)	(3,136)
Personnel expenses	**36,114**	**30,315**
Annual average headcount		
Production operations	0	0
Other operations	387	354
Headcount as of the balance sheet date		
Production operations	0	0
Other operations	423	358

The interest portion of pension provisions is recognized in interest expense. See Note 29 “Interest result”.

The increase in personnel expenses results from the expansion of shared services with new employees. Variable remuneration for employees increase on account of the positive business development.

Pension plans were offered to the members of the Executive Board of Drägerwerk Verwaltungs AG by Drägerwerk AG & Co. KGaA, with the related expenses being recognized as personnel expenses at Drägerwerk AG & Co. KGaA.

26 AMORTIZATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Depreciation charged in previous years solely for tax purposes improved net profit for fiscal year 2010 by EUR 1,676,700 (2009: EUR 637,300).

27 OTHER OPERATING EXPENSES

These primarily include administrative expenses, such as rent and lease expenses, insurance premiums, contributions, fees and public levies, travel expenses, provisions, losses from foreign exchange and currency translation, as well as from the disposal of non-current assets. In addition, they cover many individual items not allocable elsewhere.

The increase in other operating expenses also stems from the increase in outside services purchased in connection with the shared services of Drägerwerk AG & Co. KGaA. The rise in expenses is offset by the increase in other operating income.

Higher consultancy costs and an increase of other external services – including the bonus to the members of the Executive Board of Drägerwerk Verwaltungs AG – also increased this item.

In addition, expenses from currency translation in accordance with Sec. 256a HGB of EUR 7,462,000 are included in this item. Expenses from currency translation rose by EUR 5.9 million year on year.

The following one-off business transactions further increased other operating expenses:

Transaction costs totaling EUR 6,364,000 were recognized in this item. EUR 4,586,000 of transaction costs pertain to the listing of the 3,810,000 new no-par bearer common shares and EUR 1,778,000 to the listing of the 6,350,000 existing no-par bearer common shares on the regulated market at Frankfurt Stock Exchange.

The positive performance of the preferred share compared to December 31, 2009, increased the value of the cash settled option originally agreed in connection with the purchase of the 25 percent share in Dräger Medical AG & Co. KG from Siemens during the course of the fiscal year. In the period January 1, 2010 until August 30, 2010, Dräger recognized EUR 20.3 million in other operating expenses for this. As from August 30, 2010, the option component did not have any further negative effect on earnings.

Cash compensation that may have to be paid to holders of all three series of participation certificates of EUR 7.8 million was recognized in other operating expenses.

28 INCOME FROM A PROFIT TRANSFER AGREEMENT

This item includes the distribution of EUR 70.4 million by Dräger Medical AG & Co. KG to Dräger Medical Holding GmbH for fiscal year 2009 (2009: EUR 32.2 million) in the third quarter 2010. Due to the integration of Dräger Medical AG & Co. KG in Dräger Medical Holding GmbH and the subsequent renaming of the company to Dräger Medical GmbH, the control and profit and loss transfer agreement with Drägerwerk AG & Co. KGaA was transferred to Dräger Medical GmbH.

Dräger Medical GmbH therefore transferred its profit (less approximately EUR 86 million in expenses incurred by the integration) of around EUR 19.0 million in 2010 to Drägerwerk AG & Co. KGaA.

Dräger Safety AG & Co. KGaA transferred about EUR 29.6 million more than in the previous year (2009: EUR 1.3 million). The intragroup tax allocation is calculated based on the taxable income of each company.

29 INTEREST RESULT

The interest portion of pension provisions is recognized in interest expense.

As from fiscal year 2010, interest expense from pension obligations is offset against income from plan assets in accordance with Sec. 246 (2) Sentence 3 HGB. In fiscal year 2010, income from plan assets amounted to EUR 87,000 and interest expense from pension obligations to EUR 4,542,000, resulting in a net amount of EUR 4,455,000.

INTEREST RESULT

	2010	2009
Income from other non-current securities and loans	8	31
thereof from Group companies	(8)	(31)
Other interest and similar income	2,636	3,743
thereof from Group companies	(1,795)	(2,784)
Interest and similar expenses	–34,362	–17,636
thereof to Group companies	(–1,902)	(–766)
thereof from compounding of non-current provisions	(–818)	(0)
thereof from distribution for series A and K participation certificates	(–5,008)	(0)
Interest expense from pension provisions	–4,542	–4,219
Income from plan assets	87	
Net amount	**–4,455**	
Interest result	**–36,173**	**–18,081**

Interest income from Group companies dropped by EUR 1.0 million due to lower interest rates and less receivables from Group companies. Interest expense to Group companies however went up by EUR 1.1 million as a result of higher liabilities to Group companies. The rise in interest and similar expenses by EUR 15.6 million is due to costs incurred for unused loans of the syndicated loan and the unused loan from Kreditanstalt für Wiederaufbau (KfW) in the total amount of EUR 8.2 million, the initial recognition of the distribution for series A and K participation certificates of EUR 5.0 million in interest result as well as interest on the Siemens vendor note of EUR 1.9 million. In addition, interest was charged on the vendor notes taken up in 2009.

30 EXTRAORDINARY RESULT

The extraordinary result originates from the adjustment of accounting methods to the new regulations of German commercial law in accordance with the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz – BilMoG) as of January 1, 2010.

EXTRAORDINARY RESULT

	2010
Unrealized earnings from currency translations	1,957
Extraordinary income	**1,957**
Additions to pension obligations and similar obligations	–16,121
Income from fair value measurement of plan assets	144
Additions to other personnel provisions	–55
Additions to other provisions	–450
Extraordinary expenses	**–16,482**
Extraordinary result	**–14,525**

Due to the first-time application of the provisions of the German Accounting Law Modernization Act (Bilanzierungsmodernisierungsgesetz – BilMoG), the measurement of other provisions as of January 1, 2010, resulted in an addition of EUR 505,000, which was taken into account in extraordinary expenses. The additions to other provisions mainly resulted from changes in interest rates.

31 INCOME TAXES

Income taxes comprise corporate income tax, trade tax and the corresponding solidarity surcharge as well as deferred taxes for the fiscal unit of Drägerwerk AG & Co. KGaA.

In fiscal year 2010, Drägerwerk AG & Co. KGaA, in its role as parent company, recognized deferred tax income of EUR 30,707,000 from temporary differences and from tax loss carryforwards. Deferred taxes are determined on the basis of a 30.92 percent income tax rate. Income taxes include corporate income tax and the solidarity surcharge as well as trade tax.

Tax income of EUR 6,733,000 resulted from deferred taxes on the adjustments in profit and loss due to the change to the new regulations of German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz – BilMoG).

INCOME TAXES

	2010
Current taxes	**–6,372**
Deferred tax income from temporary differences	13,154
Deferred tax income from loss and interest carryforwards	17,553
Deferred tax income	**30,707**
Income taxes	**24,335**

32 DERIVATIVE FINANCIAL INSTRUMENTS

To hedge against currency and interest rate risks, derivatives are used, particularly currency forwards and options, as well as interest rate hedges (caps). Such contracts are only transacted with banks of prime standing and confined to finance transactions. The volume of currency forwards substantially includes exchange rate hedges on behalf of Group companies for operations-related underlying transactions. At Drägerwerk AG & Co. KGaA, these only involve closed positions. Interest rate hedges comprise caps. The determination of the fair values is based on a mark-to-market valuation as of the balance sheet date. The caps have maturities up to 2013 and a residual carrying amount of EUR 249,000 after write-downs (2009: EUR 168,000) and are contained in other assets. Other provisions include obligations from currency forwards totaling EUR 113,000 (2009: EUR 44,000). In fiscal year 2010, as in the prior year, no income was achieved through interest rate swaps.

DERIVATIVE FINANCIAL INSTRUMENTS 2010

	Nominal amount	Term in years	Fair value	Carrying amount
Interest rate hedges	153,500	up to 5	249	249
Interest rate hedges	0	more than 5	0	0
Currency forwards	34,156	up to 1	–55	–113

Remuneration report

33 REMUNERATION REPORT

All employment contracts of the Executive Board members of Drägerwerk Verwaltungs AG have been concluded with Drägerwerk Verwaltungs AG. The Supervisory Board of Drägerwerk Verwaltungs AG is responsible for determining the remuneration of the general partner's Executive Board members. Each contract expires after a different period of time between three and five years. Based on the resolution adopted at the annual shareholders' meeting of Drägerwerk AG & Co. KGaA on June 2, 2006, the remuneration of individual members of the Executive Board may not be disclosed, with the exception of that of the Chairman, in fiscal year 2010. This resolution is valid for a period of five years and applies for the last time to fiscal year 2010. As from fiscal year 2011, remuneration of all Executive Board members will be listed individually.

34 EXECUTIVE BOARD REMUNERATION

In the reporting period, total remuneration for Executive Board members comprised non-performance-related as well as performance-related components. Non-performance related components include fixed basic remuneration and additional benefits and pension plans. Fixed basic remuneration and additional benefits are paid monthly.

The total remuneration for Executive Board members is shown in the following table:

EXECUTIVE BOARD REMUNERATION

				2010				2009
in €	Fixed	Variable	Other	Total	Fixed	Variable	Other	Total
Incumbent members of the Executive Board	1,367,781	3,415,500	112,683	4,895,964	1,655,279	1,893,380	109,564	3,658,223
thereof: Chairman of the Executive Board	(571,451)	(1,987,500)	(10,648)	(2,569,599)	(426,213)	(766,768)	(10,523)	(1,203,504)
Executive Board members departing during the fiscal year 2010	481,392	776,375	1,385,417	2,643,184	0	6,236	46,504	52,740
Total	**1,849,173**	**4,191,875**	**1,498,100**	**7,539,148**	**1,655,279**	**1,899,616**	**156,068**	**3,710,963**

Variable remuneration includes long-term incentive components of EUR 315,000. Fringe benefits awarded to members of the Executive Board encompass private use of the company car they are each provided with and payment of health, care and pension insurance premiums. The Company has taken out group accident insurance for Executive Board members. The Company pays the premium for the D&O liability insurance policy and legal expense insurance policy for economic loss claims for members of the Executive Board. In the opinion of the German tax authorities, this does not constitute part of the Executive Board's remuneration. The financial loss liability insurance includes a deductible, which was adjusted as from 2010 to one and a half times the amount of gross fixed annual remuneration in accordance with VorstAG.

In fiscal year 2010, other remuneration of EUR 1,385,417 was recognized under the severance agreements concluded in 2010.

In the fiscal year, no payments were made or promised by a third party to any member of the Executive Board in relation to his or her duties as member of the Executive Board. If Executive Board remuneration is paid by Drägerwerk Verwaltungs AG, pursuant to Sec. 11 (1) and (3) of the articles of association of Drägerwerk AG & Co. KGaA it is entitled to claim reimbursement from Drägerwerk AG & Co. KGaA monthly. Pursuant to Sec. 11 (4) of the Company's articles of association, for the management of the Company and the assumption of personal liability the general partner receives a fee, independent of profit and loss, of 6 percent of the equity disclosed in its financial statements, payable one week after the general partner prepares its financial statements. For fiscal year 2010, this remuneration amounts to EUR 71,000 (2009: EUR 67,000) plus any VAT incurred.

Obligations from the pension plan remain at Drägerwerk AG & Co. KGaA pursuant to the terms and conditions of individual contracts. Defined benefit plans for members of the Executive Boards are agreed individually, based on "Führungskräfteversorgung 2005", which has been in effect within the Group since January 1, 2006. The defined benefits under the pension plans offered to the members of the Executive Board are either fixed or based on the basic annual salary and years of service on the Executive Board. The defined benefit is based on an annual contribution of up to 15 percent of the basic annual salary. Under the deferred compensation option, an additional annual contribution of up to 20 percent of the basic annual remuneration can be made. Stefan Dräger receives a further contribution of 50 percent from the Company on deferred compensation, but no more than 8 percent of his basic annual salary. This top-up payment is only made if consolidated EBIT equals 8 percent or more of net sales.

Obligations to Executive Board members under pension plans are stated in the financial statements 2010 at EUR 683,186 (2009: EUR 891,058), of which EUR 514,128 (2009: EUR 597,727) for the Chairman. Pension obligations to Executive Board members who retired in fiscal year 2010 are recognized in provisions for former members of the Executive Board and their surviving dependents. In fiscal year 2010, the Company made pension provisions contributions of EUR 178,489 for members of the Executive Board (2009: EUR 185,717). In fiscal year 2010, EUR 113,745 of this was contributions for the Chairman of the Executive Board (2009: EUR 95,878). EUR 2,963,612 was paid to former members of the Executive Board and their surviving dependants (2009: EUR 2,889,320). Pension committments to former members of the Executive Board and their surviving dependants amounted to EUR 38,071,289 (2009: EUR 30,329,159).

35 SUPERVISORY BOARD REMUNERATION

The remuneration report also includes information on the shares owned by the members of the Executive and Supervisory Boards as defined above.

At the annual shareholders' meeting of Drägerwerk AG & Co. KGaA on May 6, 2011, a proposal awarding the Supervisory Board total remuneration of EUR 631,750.00 (2009: EUR 346,000.00) will be put to vote. Every member of the Supervisory Board receives basic remuneration, which is composed of a fixed amount of EUR 10,000.00 (2009: EUR 10,000.00) and a variable amount of EUR 31,500.00 (2009: EUR 9,750.00) This variable component amounts to 0.03 percent of net profit.

Pursuant to Sec. 21 (1) of the articles of association of Drägerwerk AG & Co. KGaA, the distribution of the remuneration of members of the Supervisory Board is determined by a Supervisory Board resolution. The Supervisory Board has adopted the following principles for distribution: Its chairman is entitled to three times (previous year: four times) and the vice chairman to one and a half times (previous year: two times) the amount. The members of the Audit Committee receive an additional EUR 5,000.00, and the Chairman of the Audit Committee an additional EUR 10,000.00. As from fiscal year 2009, Supervisory Board members have not been receiving a per diem any more.

SUPERVISORY BOARD REMUNERATION

				2010				2009
in €	**Fixed**	**Variable**	**Other**	**Total**	**Fixed**	**Variable**	**Other**	**Total**
Prof. Dr. Nikolaus Schweickart (Chairman)	30,000	94,500	5,000	129,500	40,000	39,000	5,000	84,000
Siegfrid Kasang (Vice-Chairman)	15,000	47,250	0	62,250	20,000	19,500	0	39,500
Daniel Friedrich	10,000	31,500	0	41,500	10,000	9,750	0	19,750
Dr. Thorsten Grenz	10,000	31,500	10,000	51,500	10,000	9,750	10,000	29,750
Peter-Maria Grosse	10,000	31,500	0	41,500	10,000	9,750	0	19,750
Uwe Lüders	10,000	31,500	0	41,500	10,000	9,750	0	19,750
Walter Neundorf	10,000	31,500	5,000	46,500	10,000	9,750	5,000	24,750
Jürgen Peddinghaus	10,000	31,500	5,000	46,500	10,000	9,750	5,000	24,750
Dr. Klaus Rauscher	10,000	31,500	0	41,500	10,000	9,750	0	19,750
Thomas Rickers	10,000	31,500	0	41,500	10,000	9,750	0	19,750
Ulrike Tinnefeld	10,000	31,500	5,000	46,500	10,000	9,750	5,000	24,750
Dr. Reinhard Zinkann	10,000	31,500	0	41,500	10,000	9,750	0	19,750
Total	**145,000**	**456,750**	**30,000**	**631,750**	**160,000**	**156,000**	**30,000**	**346,000**

In the opinion of the German tax authorities, the premium for a D & O liability insurance policy and a legal expense insurance policy for economic loss claims is not part of the Supervisory Board's remuneration. The deductible for Supervisory Board members is one and a half times their fixed annual salary. In fiscal year 2010, the total remuneration of the six members of the Supervisory Board of the general partner, Drägerwerk Verwaltungs AG, amounted to EUR 135,000.00 (2009: EUR 135,000.00). In addition, the Supervisory Board members receive annual flat fees for out-of-pocket expenses totaling

EUR 55,000. No remuneration was paid to Supervisory Board members of Group companies.

36 SHARES OWNED BY THE EXECUTIVE AND SUPERVISORY BOARDS

As of December 31, 2010, the members of the Executive Board of Drägerwerk Verwaltungs AG and their related parties directly held 6,000 preferred shares in Drägerwerk AG & Co. KGaA, equivalent to 0.04 percent of the Company's total shares, and 119,300 common shares, corresponding to 0.72 percent of the Company's total shares.

Dr. Heinrich Dräger GmbH holds around 67.19 percent of common shares of Drägerwerk AG & Co. KGaA with 68.36 percent attributable to the Chairman of the Executive Board Stefan Dräger under the terms of Sec. 22 (1) Sentence 1 No. 1 WpHG (Wertpapierhandelsgesetz – German Securities Trading Act).

On December 31, 2010, the members of the Supervisory Board and their related parties directly or indirectly held a total of 1,150 preferred shares, equivalent to 0.01 percent of the Company's total shares and 595 common shares (directly or indirectly), or 0.004 percent of the Company's total shares.

37 RELATED PARTY TRANSACTIONS

Services were rendered for companies related to Stefan Dräger and for the Dräger Foundation totaling EUR 69,000 in fiscal year 2010 (2009: EUR 104,000). 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.

38 AUDITOR'S FEE

The auditor's fee is detailed under Note 52 of the notes to the Group financial statements.

The Company's Boards

39 THE COMPANY'S BOARDS

SUPERVISORY BOARD OF DRÄGERWERK AG & CO. KGAA

Chairman	
Prof. Dr. h. c. mult. Nikolaus Schweickart	Lawyer, Bad Homburg
	Former Chairman of the Executive Board of ALTANA AG, Bad Homburg
Supervisory Board memberships:	Drägerwerk Verwaltungs AG, Lübeck (Chairman)
	GEBB GmbH, Cologne (Chairman)
Memberships on comparable boards of German or foreign companies:	Diehl Group, Nuremberg (Chairman of the Advisory Board)
	Fraport AG, Frankfurt am Main (Economic Advisory Board)
	Max-Planck-Innovations GmbH (Advisory Board), since March 1, 2010
Vice-Chairman	
Siegfrid Kasang	Works Council Chairman of Dräger Medical GmbH, Lübeck
	Group Works Council Chairman of the medical division
	Group Works Council Chairman of Drägerwerk AG & Co. KGaA, Lübeck
Supervisory Board memberships:	Dräger Medical Verwaltungs AG, Lübeck, until September 20, 2010 (Vice-Chairman)
	Dräger Medical GmbH, Lübeck, since November 9, 2010 (Vice-Chairman)
Daniel Friedrich	District secretary of the metalworkers' union IG Metall Küste, Hamburg
Supervisory Board memberships:	Dräger Medical Verwaltungs AG, Lübeck, until September 20, 2010
	Dräger Medical GmbH, Lübeck, since November 9, 2010
Dr. Thorsten Grenz	Chairman of the management team Veolia Umweltservice GmbH, Hamburg
Supervisory Board membership:	Drägerwerk Verwaltungs AG, Lübeck
Peter-Maria Grosse	Works Council Chairman of Dräger Safety AG & Co. KGaA, Lübeck
Supervisory Board membership:	Dräger Safety AG & Co. KGaA, Lübeck
Uwe Lüders	Chairman of the Executive Board of L. Possehl & Co. mbH, Lübeck
Supervisory Board memberships:	Nordex AG, Norderstedt (Chairman), since February 24, 2009
	Drägerwerk Verwaltungs AG, Lübeck
Memberships on comparable boards of German or foreign companies:	Commerzbank AG, Frankfurt a. M. (Central Advisory Board)
Walter Neundorf	Officer of Dräger Medical GmbH, Lübeck

SUPERVISORY BOARD OF DRÄGERWERK AG & CO. KGAA

Jürgen Peddinghaus	Self-employed business consultant, Hamburg
Supervisory Board memberships:	Faber-Castell AG, Nuremberg (Chairman)
	Jungheinrich AG, Hamburg (Chairman)
	May Holding GmbH & Co. KG, Erftstadt (Chairman)
	Drägerwerk Verwaltungs AG, Lübeck
	Zwilling J. A. Henckels AG, Solingen

Prof. Dr. Klaus Rauscher	Former Chairman of the Management Board of Vattenfall Europe AG, Berlin
Supervisory Board memberships:	Endi AG, Halle (Chairman)
	Deutsche Annington Immobilien GmbH, Düsseldorf
	Drägerwerk Verwaltungs AG, Lübeck
Memberships on comparable boards of German or foreign companies:	Bayern LB, Munich (Economic Advisory Council)
	Consileon GmbH, Karlsruhe (Advisory Board)
	IVG Immobilien AG, Bonn (Advisory Board)
	Landis + Gyr AG, Zug / Schweiz (Advisory Board)
	MCF Corporate Finance GmbH, Hamburg (Advisory Board), since January 1, 2010
	Verbundnetzgas, Leipzig (Advisory Board)

Thomas Rickers	1st Delegate of the metalworkers' union IG Metall, Lübeck / Wismar, Lübeck
Supervisory Board memberships:	Dräger Medical Verwaltungs AG, Lübeck, until September 20, 2010
	Dräger Medical GmbH, Lübeck, since November 9, 2010

Ulrike Tinnefeld	Works Council Vice-Chairperson and Group Works Council Vice-Chairperson of Dräger Safety AG & Co. KGaA, Lübeck
	Group Works Council Vice-Chairperson of Drägerwerk AG & Co. KGaA, Lübeck,since March 30, 2010
Supervisory Board membership:	Dräger Safety AG & Co. KGaA, Lübeck

Dr. Reinhard Zinkann	Managing Partner of Miele & Cie. KG, Gütersloh
Supervisory Board membership:	Falke KGaA, Schmallenberg (Chairman)
	Drägerwerk Verwaltungs AG, Lübeck
Memberships on comparable boards of German or foreign companies:	Allianz Global Corporate & Specialty AG, Munich (Advisory Board)
	Ardex GmbH, Witten (Advisory Board)
	Commerzbank AG, Düsseldorf (Regional Advisory Board), previously Allianz Dresdner Bank AG
	Krombacher Brauerei GmbH & Co. KG, Kreuztal-Krombach (Advisory Board), since January 1, 2011
	Nobilia-Werke J. Stickling GmbH & Co. KG, Verl (Advisory Board)
	Unternehmensgruppe Graf von Oeynhausen-Sierstorpff GmbH & Co. KG Holding, Bad Driburg (Advisory Board)
	Viessmann-Werke GmbH & Co. KG, Allendorf (Advisory Board)

SUPERVISORY BOARD OF DRÄGERWERK AG & CO. KGAA

Members of the Audit Committee	Dr. Thorsten Grenz (Chairman)
	Walter Neundorf
	Jürgen Peddinghaus
	Prof. Dr. Nikolaus Schweickart
	Ulrike Tinnefeld

Members of the Nomination Committee	Prof. Dr. Nikolaus Schweickart (Chairman)
	Uwe Lüders
	Dr. Reinhard Zinkann

Members of the Joint Committee	
Representatives of Drägerwerk Verwaltungs AG:	Dr. Thorsten Grenz
	Uwe Lüders
	Jürgen Peddinghaus
	Prof. Dr. Klaus Rauscher

Representatives of Drägerwerk AG & Co. KGaA:	Prof. Dr. Nikolaus Schweickart (Chairman)
	Siegfrid Kasang
	Thomas Rickers
	Dr. Reinhard Zinkann

MEMBERS OF THE EXECUTIVE BOARD OF DRÄGERWERK VERWALTUNGS AG, ACTING FOR DRÄGERWERK AG & CO. KGAA

Stefan Dräger	Chairman of the Executive Board
	CEO Medical until September 20, 2010
	CEO Safety since January 1, 2011
	Chairman of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck (general partner of Drägerwerk AG & Co. KGaA)
	Chairman of the Executive Board of Dräger Medical Verwaltungs AG, Lübeck (general partner of Dräger Medical AG & Co. KG) until September 20, 2010
	Chairman of the Executive Board of Dräger Safety Verwaltungs AG, Lübeck, (general partner of Dräger Safety AG & Co. KGaA), since January 1, 2011
Supervisory Board memberships:	Dräger Safety AG & Co. KGaA, Lübeck (Chairman), until December 15, 2010
	Dräger Safety Verwaltungs AG, Lübeck (Chairman), until December 15, 2010
	Dräger Medical GmbH, Lübeck (Chairman), since October 29, 2010
	Sparkasse zu Lübeck, Lübeck, since April 27, 2010
Memberships on comparable boards of German or foreign companies:	Commerzbank AG, Hamburg (Advisory Board)
	HDI-Gerling Industrieversicherung AG, Hanover (Advisory Board)
	IKB Deutsche Industriebank AG, Düsseldorf (Advisory Board)

Dr. Herbert Fehrecke	Purchasing, Quality and IT / Research and Development since July 1, 2010 Production and Logistics until August 31, 2010
	Vice-Chairman of the Executive Board
	Vice-Chairman of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck (general partner of Drägerwerk AG & Co. KGaA)
Memberships on comparable boards of German or foreign companies:	IK Investmentpartners, Hamburg (Advisory Board), since December 2, 2010

Dr. Carla Kriwet (since January 1, 2011)	Marketing and Sales
	Member of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck (general partner of Drägerwerk AG & Co. KGaA)

Gert-Hartwig Lescow	CFO
	CFO Medical until September 20, 2010
	Member of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck (general partner of Drägerwerk AG & Co. KGaA)
	Member of the Executive Board of Dräger Medical Verwaltungs AG, Lübeck (general partner of Dräger Medical AG & Co. KG), until September 20, 2010
Supervisory Board memberships:	Dräger Safety AG & Co. KGaA, Lübeck
	Dräger Safety Verwaltungs AG, Lübeck
	Dräger Medical GmbH, Lübeck, since October 29, 2010
Memberships on comparable boards of German or foreign companies:	Deutsche Bank AG, Frankfurt (Advisory Board)

MEMBERS OF THE EXECUTIVE BOARD OF DRÄGERWERK VERWALTUNGS AG, ACTING FOR DRÄGERWERK AG & CO. KGAA

Dr. Dieter Pruss (until December 31, 2010)	Marketing and Sales safety division
	Member of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck, (general partner of Drägerwerk AG & Co. KGaA)
	Chairman of the Executive Board of Dräger Safety Verwaltungs AG, Lübeck (general partner of Dräger Safety AG & Co. KGaA)
Supervisory Board memberships:	Dräger Medical Verwaltungs AG, Lübeck, until September 20, 2010
	Dräger Medical GmbH, Lübeck, from October 29 – December 17, 2010
	Dräger Medical Deutschland GmbH, Lübeck, until December 17, 2010

Anton Schrofner (since September 1, 2010)	Production and Logistics
	Member of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck, (general partner of Drägerwerk AG & Co. KGaA)
Supervisory Board memberships:	Dräger Medical GmbH, Lübeck, from October 29 – November 26, 2010

Dr. Ulrich Thibaut (until June 30, 2010)	Research and Development
	Member of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck, (general partner of Drägerwerk AG & Co. KGaA)

Other disclosures

40 PUBLICATIONS REGARDING SIGNIFICANT VOTING RIGHTS IN ACCORDANCE WITH SEC. 25 OF THE GERMAN SECURITIES TRADING ACT (WERTPAPIERHANDELSGESETZ – WPHG)

Drägerwerk AG & Co. KGaA has not published any reports on significant voting rights in the last twelve months.

41 DIRECTORS' DEALINGS

In fiscal year 2010, the Company was informed about business transactions with executive employees pursuant to Sec. 15a WpHG (Wertpapierhandelsgesetz – German Securities Trading Act). Announcements of transactions with executive employees pursuant to Sec. 15a WpHG (Wertpapierhandelsgesetz – German Securities Trading Act) are published at **www.dgap.de** in the Directors' Dealings section.

42 DISTRIBUTION FOR PARTICIPATION CAPITAL

The distribution for series D participation certificates is shown in a separate line, "Distribution for participation capital", in the income statement, after taxes and before net profit / loss. The dividends for series A and K participation certificates are recognized in the interest result. Therefore, the participation capital dividend is determined above the line and thus reduces net profit (or increases net loss). The claim to annual dividends under the terms of Sec. 2 (1) of the participation certificate covenants corresponds to 10 times the cash dividend for the Company's preferred shares, hence EUR 11.90.

43 MAJOR DIRECT AND INDIRECT SHAREHOLDINGS OF DRÄGERWERK AG & CO. KGAA

SHARES OWNED BY DRÄGERWERK AG & CO. KGAA AS OF DECEMBER 31, 2010

	Name and registered office	Shareholdings in % direct	indirect	Equity	Earnings
Germany					
	Dräger Medical GmbH, Lübeck	100		529,797	0 [1]
	Dräger Safety AG & Co, KGaA, Lübeck	100		152,079	0 [1]
	Dräger Medical Deutschland GmbH, Lübeck		100	26,047	0 [1]
	Dräger Safety Verwaltungs AG, Lübeck	100		1,120	0 [1]
	Dräger Safety MSI GmbH, Hagen		90	1,657	651
	Dräger Medizin System Technik GmbH, Lübeck	100		1,523	15
	Dräger TGM GmbH, Lübeck		100	812	0 [1]
	MAPRA – Assekuranzkontor GmbH, Lübeck [2]	49		625	570
	Dräger Interservices GmbH, Lübeck [3]		100	304	48 [1]
	Dräger Gebäude und Service GmbH, Lübeck [3]	100		267	17 [1]
	Dräger Electronics GmbH, Lübeck	100		–10,687	–203
	Fachklinik für Anästhesie und Intensivmedizin Vahrenwald GmbH, Lübeck		100	–7,670	0 [1]
	FIMMUS Grundstücks-Verm.ges.mbH & Co, Objekt Lübeck KG, Lübeck	100		43	3
	FIMMUS Grundstücks-Verm, GmbH, Lübeck	100		30	0 [1]
	Dräger Medical International GmbH, Lübeck		100	213,546	0 [1]
	Dräger Medical ANSY GmbH, Lübeck		100	2,826	0 [1]
	Dräger Finance Services GmbH & Co, KG, Bad Homburg v. d. Höhe		95	495	3
	OPTIO Grundstücks-Verwaltungsgesellschaft mbH & Co, KG, Grünwald	98		–34	7
	HAMUS Grundstücks-Vermietungsgesellschaft mbH & Co, Objekt Lübeck KG, Düsseldorf	100		417	39
	MOLVINA Vermietungsgesellschaft mbH & Co, Objekt Finkenstraße KG, Lübeck	100		13	59
	Dräger Energie GmbH, Lübeck		100	25	0 [1]
	DRENITA Grundstücks-Vermietungsgesellschaft mbH & Co, Objekt Fertigung Dräger Medizintechnik KG, Düsseldorf	100		–36	–46

[1] Profit and loss transfer agreement

[2] Associates within the meaning of Secs. 311, 312 HGB

[3] Recognized value corresponds to the amount restricted from distribution.

SHARES OWNED BY DRÄGERWERK AG & CO. KGAA AS OF DECEMBER 31, 2010

	Name and registered office	Shareholdings in % direct	indirect	Equity	Earnings
Europe					
	Draeger Safety UK Limited, Blyth		100	34,764	9,108
	Dräger Medical Hispania SA, Madrid		100	31,654	5,284
	Dräger Médical SAS, Antony		100	17,731	2,773
	Dräger ST-Holding Nederland B.V., Zoetermeer		100	15,897	2,039
	Dräger Medical Austria GmbH, Wien		100	75,800	33,405
	Dräger Safety Hispania SA, Madrid		100	12,416	717
	Draeger Medical Italia S.p.A., Corsico-Milano		100	18,459	1,285
	Draeger Safety France SAS, Strasbourg		100	13,751	2,900
	Dräger Medical Schweiz AG, Liebefeld-Bern		100	8,403	2,788
	Dräger Medical Belgium NV, Wemmel		100	20,429	1,627
	Dräger Safety Nederland B.V., Zoetermeer		100	9,480	2,084
	Safety Service Center B.V., Rotterdam		100	4,457	633
	Dräger Polska Sp, zo.o., Bydgoszcz		100	7,399	2,826
	Dräger Safety Belgium NV, Wemmel		100	6,930	2,087
	Dräger Medical Netherlands B.V., Zoetermeer		100	24,834	4,917
	Dräger MT-Holding Nederland B.V., Zoetermeer		100	–6,315	–2,904
	Dräger Safety Danmark A/S, Herlev		100	990	–93
	Dräger Safety Austria GmbH, Wien		100	3,657	550
	Dräger Medical s.r.o., Prag		100	2,503	347
	Draeger Safety Italia S.p.A., Corsico-Milano		100	3,713	701
	Dräger Medical Croatia d.o.o., Zagreb		100	5,058	524
	Dräger Safety Schweiz AG, Dietlikon		100	4,284	1,211
	Dräger Slovensko s.r.o., Piestany		100	1,380	196
	Draeger Medizinskaja Technika OOO, Moscow		100	6,758	4,545
	Dräger Safety s.r.o, Prag		100	2,473	661
	Dräger Safety Sverige AB, Svenljunga		100	2,233	623
	ACE Protection AB, Svenljunga		100	3,811	994
	Dräger Slovenija d.o.o., Ljubljana-Crnuce		100	1,863	412
	Dräger Safety Norge AS, Oslo		100	2,485	1,066
	Draeger Medikal Ticaret ve Servis Limited Sirketi, Istanbul		67	501	–2,312
	Draeger Safety Korunma Teknolojileri Limited Sirketi, Ankara		90	1,160	566
	Draeger Medical Bulgaria EOOD, Sofia		100	609	9
	Dräger Medical Norge AS, Drammen		100	1,934	413
	Dräger Safety Hungaria Kft., Budapest		100	1,067	217
	Dräger Finanz AG, Zug	100		500	–24
	Dräger Medical Hungary Kft., Budapest		100	1,944	360
	Dräger Finance B.V., Zoetermeer	100		388	6
	Dräger Medical Romania SRL, Bukarest		100	2,471	380
	Draeger Tehnika d.o.o., Beograd		100	1,276	180
	Dräger Medical Sverige AB, Bromma		100	1,709	746
	Dräger Medical Danmark A/S, Allerod		100	394	–102
	Draeger Medical Ireland Ltd., Dublin		100	997	341
	W.S.P. Safety Equipment B.V., Rotterdam		100	20	0

SHARES OWNED BY DRÄGERWERK AG & CO. KGAA AS OF DECEMBER 31, 2010

	Name and registered office	Shareholdings in % direct	indirect	Equity	Earnings
Europe					
	Dräger Safety Romania SRL, Bukarest		100	287	13
	Dräger Medical B.V., Best		100	10,748	16,430
	AEC SAS, Antony		100	928	162
	Draeger Safety Bulgaria EOOD, Sofia		100	594	35
	Dräger Safety d.o.o., Zagreb		100	540	120
	Draeger Medical UK Ltd., Hemel Hempstead	30	70	12,091	2,377
	W,S, Poppeliers Brandblusmaterialen B.V., Rotterdam		100	20	0
	Dräger Safety Polska Sp, z o.o., Bydgoszcz		100	864	382
	Dräger-Busch Helmets Production s,r,o, Chomutov		51	53	–81
	Dräger Portugal, Lda, Lissabon		100	1,043	338
	Danisevsky spol, s r.o., Policka		100	2,365	464
	Dräger Suomi OY, Helsinki		100	798	–203
	Draeger Hellas A.E. for Products of Medical and Safety Technology, Athens		100	542	–458
Africa					
	Dräger South Africa (Pty.) Ltd., Bryanston		100	5,519	2,179
	Dräger Medical South Africa (Pty.) Ltd., Johannesburg		69	4,623	1,047
	Dräger Safety Zenith (Pty.) Ltd., King Williams Town		100	517	139
Americas					
	Draeger Medical, Inc., Telford		100	22,974	5,526
	Draeger Safety, Inc., Pittsburgh		100	10,327	–201
	Draeger Safety Diagnostics, Inc., Irving		100	8,823	1,623
	Draeger Safety Canada Ltd., Mississauga / Ontario		100	1,821	–417
	Draeger Safety S.A. de C.V., Querétaro		100	782	443
	Dräger Industria e Comércio Ltda., Sao Paulo		100	10,541	674
	Draeger Medical Canada Inc., Richmond Hill / Ontario		100	20	207
	Dräger Medical Chile Ltda., Santiago		100	1,704	477
	Dräger Medical Mexico S.A.de C.V., Mexiko D.F.D.		100	8,198	1,091
	Draeger Interservices, Inc., Pittsburgh		100	582	97
	Dräger do Brasil Ltda., Sao Paulo	100		–2,672	108
	Dräger Safety do Brasil Ltda., Sao Paulo		100	2,764	–1,998
	Draeger Medical Systems, Inc., Telford		100	137,337	52,686
	Dräger Medical Argentina S.A., Buenos Aires		100	1,476	579
	Draeger Colombia SA, Bogota D.C.		100	1,662	828
	Draeger Medical Venezuela S.A., Caracas		100	54	11
	Draeger Peru S.A.C., Piso Miraflores-Lima (Peru)		100	241	07
Asia					
	Shanghai Dräger Medical Instrument Co., Ltd., Shanghai		67,5	10,051	4,149
	Draeger Safety Asia Pte.Ltd., Singapore		100	12,318	3,699
	Draeger Safety Pacific Pty. Ltd., Notting Hill		100	10,969	4,119

SHARES OWNED BY DRÄGERWERK AG & CO. KGAA AS OF DECEMBER 31, 2010

	Name and registered office	Shareholdings in % direct	indirect	Equity	Earnings
Asia					
	Dräger Medical Equipment (Shanghai) Co., Ltd., Shanghai		100	10,163	5,691
	Beijing Fortune Draeger Safety Equipment Co., Ltd., Beijing		96.2	8,686	2,478
	Draeger Medical Australia Pty. Ltd., Notting Hill		100	4,898	–245
	Draeger Medical Japan Ltd., Tokyo		100	4,580	1,657
	Draeger Arabia Co. Ltd., Riyadh		51	764	1,789
	Joseph Leslie Drager Mfg., Pvt. Ltd., Mumbai [2]		36	1,659	302
	Draeger Medical South East Asia Pte. Ltd., Singapore		100	306	–1,044
	Draeger Safety Japan Ltd., Tokyo		100	245	187
	PT Draegerindo Jaya, Jakarta		100	725	259
	Draeger Safety Taiwan Co., Ltd,, Hsinchu City		100	1,596	68
	Draeger Medical Hong Kong Limited, Wanchai		100	1,209	485
	Draeger Safety (Thailand) Ltd., Bangkok		100	1,551	345
	Draeger Medical (Thailand) Ltd., Bangkok		100	789	344
	Draeger Medical Taiwan Ltd., Taipei		100	883	456
	Draeger Medical Korea Co., Ltd., Seoul		100	582	343
	Draeger Medical (India) Pvt. Ltd., Mumbai		100	2,823	350
	Draeger Medical Systems (Shanghai) Co., Ltd., Shanghai		100	7,802	18
	Draeger Medical Vietnam Co., Ltd., Ho Chi Minh City		100	279	239
	PT Draeger Medical Indonesia, Jakarta		100	1,362	310
	Draeger NC SARL, Noumea		100	8	0

[2] Associates within the meaning of Secs. 311, 312 HGB

44 PROPOSED APPROPRIATION OF NET EARNINGS

Net earnings for fiscal year 2010 amount to EUR 75,743,193.81. This includes profit brought forward from the prior year of EUR 56,279,939.28. Drägerwerk Verwaltungs AG, general partner of Drägerwerk AG & Co. KGaA, will propose to the annual shareholders' meeting to distribute these net earnings as follows:

PROPOSED APPROPRIATION OF NET EARNINGS

	€
EUR 1.13 cash dividend for 10,160,000 common shares	11,480,800.00
EUR 1.19 cash dividend for 6,350,000 preferred shares	7,556,500.00

The Company proposes that the remaining net earnings for fiscal year 2010 of EUR 56,705,893.81 be carried forward to new account.

Lübeck, Germany, March 8, 2011

Drägerwerk AG & Co. KGaA

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Carla Kriwet
Gert-Hartwig Lescow
Anton Schrofner

Management compliance statement

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

Lübeck, Germany, March 8, 2011

Drägerwerk AG & Co. KGaA

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Carla Kriwet
Gert-Hartwig Lescow
Anton Schrofner

Auditor's opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the accounting system, and the management report of Drägerwerk AG & Co. KGaA, Lübeck, for the fiscal year from January 1 to December 31, 2010. Maintaining the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Executive Board of the Company's managing general partner. Our responsibility is to express an opinion on the single entity financial statements, together with the accounting system, and management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 of the German Commercial Code (Handelsgesetzbuch – HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Executive Board of the Company's managing general partner, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

Based on the findings of our audit, we believe that the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks relating to future development.

Hamburg, Germany, March 9, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Andreas Borcherding
Wirtschaftsprüfer (German Public Auditor)

Dr. Andreas Focke
Wirtschaftsprüfer (German Public Auditor)

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