Dräger

Quarterly Report
January 1 to March 31, 2012
Dräger Group

Dräger. Technology for Life®

THE DRÄGER GROUP OVER THE PAST FIVE YEARS

		Three months 2008	Three months 2009	Three months 2010	Three months 2011	Three months 2012	Change on 2011 in %
Order intake	€ million	493.8	448.6	488.2	553.6	550.9	–0.5
Orders on hand [1]	€ million	467.3	424.5	472.9	462.7	479.9	+3.7
Net sales	€ million	405.7	425.2	465.9	500.3	529.3	+5.8
EBITDA [2]	€ million	23.8	21.0	50.0	55.4	61.8	+11.5
EBIT [3]	€ million	10.4	6.5	36.8	42.6	46.8	+9.8
in % of net sales (EBIT margin)	%	2.6	1.5	7.9	8.5	8.8	
Interest result	€ million	–6.3	–6.7	–7.7	–7.1	–9.9	+39.8
Income taxes	€ million	0.0	0.1	–10.3	–12.3	–11.5	–6.8
Earnings after income taxes	€ million	4.1	–0.1	18.7	23.2	25.4	+9.4
Earnings attributabel to shareholders	€ million	0.3	–1.4	17.4	20.0	24.1	+20.4
Earnings per share [5]							
per preferred share	€	0.03	–0.10	1.38	1.22	1.47	+20.5
per common share	€	0.01	–0.12	1.36	1.20	1.45	+20.8
Earnings per share on full distribution [6]							
per preferred share	€	0.10	–0.03	0.84	0.87	1.12	+28.8
per common share	€	0.08	–0.05	0.82	0.85	1.10	+29.5
Equity [1]	€ million	537.4	560.8	429.9	647.8	666.8	+2.9
Equity ratio [1]	%	33.6	34.6	21.8	33.1	32.9	
Capital employed [1,4]	€ million	939.6	969.9	715.6	875.9	879.6	+0.4
EBIT [3,8] / capital employed [1,4] (ROCE)	%	12.5	10.5	15.4	22.7	24.8	
Net financial debt [1,7]	€ million	256.3	265.0	353.7	117.6	138.9	+18.1
DVA [9]	€ million	32.6	16.0	32.4	118.0	138.9	+17.8
Headcount [1]		10,532	11,006	11,133	11,453	12,114	+5.8

[1] Value as of March 31
[2] EBITDA = earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = earnings before interest and taxes
[4] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[5] On the basis of the expected dividend
[6] On the basis of an actual full distribution of earnings attributable to shareholders
[7] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Previous years' figures were adjusted accordingly.
[8] EBIT of the last twelve months
[9] Dräger Value Added = EBIT of the last twelve months less cost of capital

SHAREHOLDER INFORMATION

MANAGEMENT REPORT

INTERIM FINANCIAL STATEMENTS OF THE DRÄGER GROUP AS OF MARCH 31, 2012

Letter from the Executive Board Chairman

Dear
Shareholders,

Fiscal year 2012 has gotten off to a good start. Our net sales grew considerably stronger than the global economy, based on the large number of orders on hand, and our profitability also increased further. This, however, is nothing more than a snapshot and we cannot draw conclusions from it for the entire year. Our order intake in the first three months of the current fiscal year, for instance, was down on the strong prior-year figures. This is a sign that we are taking seriously. It will certainly be a challenge for us to grow as strongly as the global economy this year and at the same time achieve a Group EBIT margin of 8.0 to 9.5 percent. Now and in the future, we are prepared to invest at the cost of the short-term EBIT margin if this will improve our market and competitive position in the medium to long term. Even though strict cost management for all operating processes remains a core task within our Group, we will once again increase our investments in research and development and IT in 2012 compared to the previous year. By doing so, we aim to build a foundation for future growth, which will visibly make us even more profitable.

As you know, our main concern is long-term development. Several factors are important in this respect: our employees' performance culture, customer focus, our Group-wide innovation culture, our quality standards, our readiness to change, our striving for operational excellence and the willingness to invest into our future today. We cannot emphasize enough the value of our diversity in different countries and cultures, in various customer segments and in different business mechanisms. This diversity, combined under our joint guiding philosophy "Technology for Life" makes us robust and crisis-resistant. Our brand, which has become unified around the world and across all segments, stands for our aim to become and remain first choice as well as our ability to shape this diversity in the interest of our customers, employees and shareholders. We must always remember that we will never reach our goal but instead have to ask ourselves daily if our actions today will help us reach our self-made targets tomorrow.

It goes without saying that we aim to also be your first choice, dear shareholders. We are therefore pleased that we have come a bit closer to our objective of simplifying and improving our capital structure by successfully buying back our participation certificates. Participation certificates will no longer be of importance in our medium and long-term corporate financing target structure. In the future, the share will be our equity instrument of choice for refinancing. We therefore aimed to submit a fair buyback offer, and we were successful in doing so. At the same time, we are providing our participation certificate holders and shareholders with planning security: we will not submit any further buyback offers in the medium term.

We bought back around 41 percent of the participation certificates for a total of EUR 122.1 million and redeemed them in April. This is another example of our willingness to take short-term losses when the medium and long-term advantages are greater. The buy-back of the participation certificates considerably increased earnings per share year-on-year, based on the financial statements for the first quarter of 2012. This has boosted the share's attractiveness, which will make it easier for us to use it as an equity instrument for refinancing purposes.

We would like to ask you, our shareholders, to participate in financing this advantage by approving a reduced dividend of EUR 0.19 per preferred share and EUR 0.13 per common share at the annual shareholders' meeting on May 4. We are convinced that you will show understanding for this step, which will strengthen our equity base. As you know, we are aiming for an equity ratio of 40 percent.

We plan to make Dräger robust and crisis-resistant, not only with our diversity and business model, but also with our financing structure. After all, this is an absolute must if we wish to remain first choice for our customers, employees and shareholders in the long run.

Best regards,

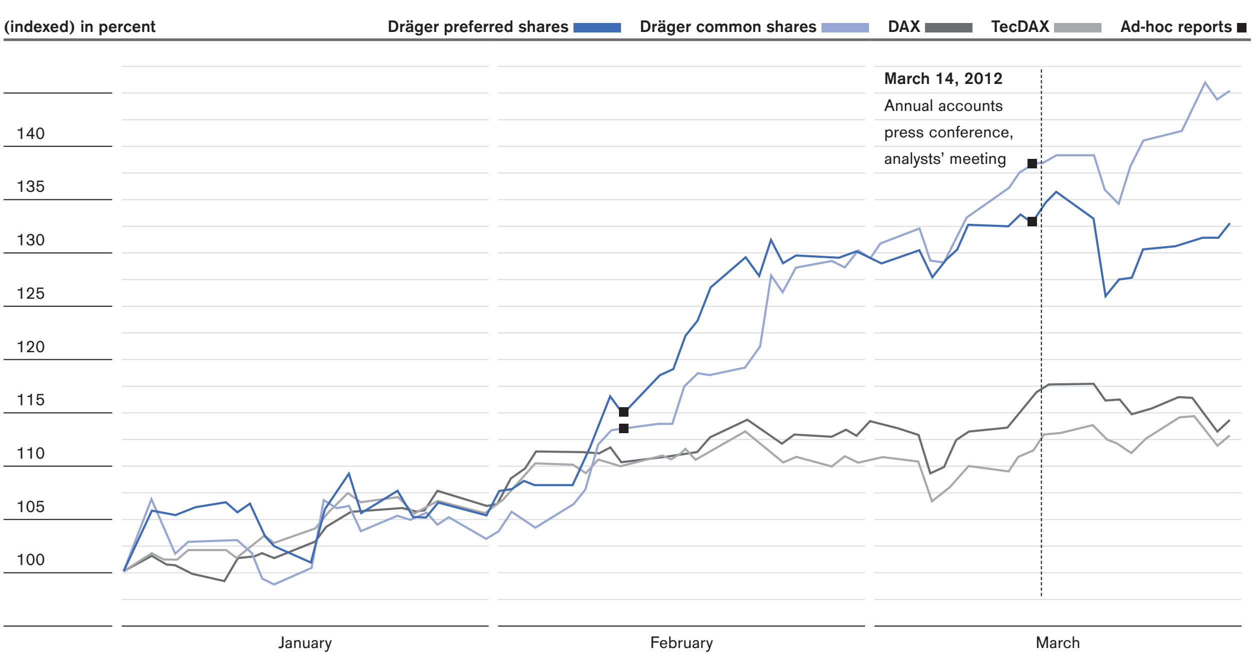
Stefan Dräger

Dräger shares

SHARE PRICE DEVELOPMENTS

The share indices DAX (+14 percent) and TecDAX (+13 percent) developed positively in the first quarter of 2012 despite continuing uncertainty in the markets regarding future global economic performance. Dräger common shares (+46 percent) and Dräger preferred shares (+33 percent) clearly outperformed the benchmark indices DAX and TecDAX in this period.

DYNAMIC PERFORMANCE OF THE DRÄGER SHARES



DRÄGER SHARES – BASIC FIGURES

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

[1] International Stock Identification Number

DRÄGER SHARES – KEY FIGURES

	Three months 2012	Three months 2011
Common shares [1]		
No. of shares on the reporting date	10,160,000	10,160,000
High (in €)	71.89	56.00
Low (in €)	48.41	48.00
Share price on the reporting date (in €)	71.50	56.00
Average daily trading volume [2]	5,268	8,476
Earnings per common share		
Undiluted (in €)	1.45	1.20
Diluted (in €)	1.44	1.20
Earnings per common share on full distribution [3]		
Undiluted (in €)	1.10	0.85
Diluted (in €)	1.10	0.85
Preferred share		
No. of shares on the reporting date	6,350,000	6,350,000
High (in €)	85.95	68.53
Low (in €)	63.55	57.05
Share price on the reporting date (in €)	84.00	68.53
Average daily trading volume [2]	40,949	31,539
Earnings per preferred share		
Undiluted (in €)	1.47	1.22
Diluted (in €)	1.46	1.22
Earnings per preferred share on full distribution [3]		
Undiluted (in €)	1.12	0.87
Diluted (in €)	1.12	0.87
Market capitalization	1,259,840,000	1,004,125,500

[1] Initial listing at Frankfurt Stock Exchange on June 21, 2010.
[2] All German stock exchanges (Source: designated sponsors)
[3] Based on an imputed actual full distribution of earnings attributable to shareholders

Management report of the Dräger Group for the first quarter of 2012

BUYBACK OF PARTICIPATION CERTIFICATES

On February 15, 2012, Drägerwerk AG & Co. KGaA asked the holders of series A, K and D participation certificates to offer these for sale to Drägerwerk AG & Co. KGaA at a price of EUR 210.00 each. During the offer period from February 20, 2012 to March 19, 2012, the following numbers of participation certificates were offered and subsequently bought by Drägerwerk AG & Co. KGaA: series A 120,355 (38.1 percent of all participation certificates in this series), series K 35,318 (33.6 percent of all participation certificates in this series) and series D 425,801 (42.9 percent of all participation certificates in this series). The total number bought was therefore 581,474 (41.1 percent of all participation certificates), corresponding to a total buyback volume of EUR 122.1 million.

General economic conditions

The global economy grew moderately in the first three months of 2012. Sentiment improved slightly, especially due to the easing tension on the international financial markets.

G7 ECONOMY: UP 1.9 PERCENT

In the first quarter of 2012, the gross domestic product (GDP) of the world's seven leading industrial nations (G7 countries) is expected to have grown by 1.9 percent compared to 1.1 percent in the last quarter of 2011, according to the OECD (Organization for Economic Co-operation and Development). The economies of the emerging countries continued to expand with more momentum than those of the industrial nations at the beginning of the year although growth slowed down somewhat, mainly on account of the global drop in demand. China's economy fell slightly short of expectations with GDP growth of 8.1 percent. The situation on the labor and real estate markets improved in the developed economies, but the necessary budget consolidations and high private debt slowed down economic momentum in many countries. The Japanese economy recovered from the slump in the last quarter of 2011 (GDP dropped by 0.8 percent) with an expected GDP growth of 3.4 percent and profited, in particular, from the weak yen, as it is highly dependent on exports. Improvements on the labor market and increasing private spending as well as the stabilizing real estate market continued to boost the US economy by an estimated 2.9 percent compared to 3.0 percent GDP growth in the last quarter of 2011.

GERMAN GDP: UP 0.1 PERCENT

The sovereign debt and banking crisis in the eurozone relaxed somewhat in the first months of 2012. Together with very low short-term interest rates and a slight increase in the momentum of foreign demand, this provided the economies in the eurozone with important impulses. While the GDP in the eurozone shrunk by 0.3 percent in the fourth quarter of 2011 compared to the previous quarter, it is expected to have grown again slightly in the first quarter of 2012. Growth was slowed by continuing tension on government bond markets in the wake of the euro debt crisis, the consolidation measures of public and private budgets, and high unemployment in South Europe and related low private spending. The German GDP is expected to have grown by 0.1 percent. Although a weak figure, at least it no longer shrunk like in the last quarter of the previous year (0.2 percent drop). The German economy received strong impulses from the expansive European monetary policy, the positive situation on the labor market, private spending and the receding uncertainty regarding the solution to the euro debt crisis.

INFLATION IN GERMANY: UP 2.1 PERCENT

The development of commodity prices increased pricing pressure again in the first quarter of the year. Oil prices skyrocketed in January and February 2012 with Brent crude costing USD 126.22 per barrel at times. In March, price performance was largely stable again. The price went up by almost 10 percent from the beginning of the year to the end of March. The prices for other commodities also rose steeply in the first two months of 2012 then stabilized in March. The rate of inflation in the eurozone went up by 2.7 percent in March and the two preceding months, therefore remaining above the 2 percent mark, which the European Central Bank regards as the limit for price stability. Consumer prices in Germany rose by 2.1 percent in March and therefore less than in the previous month (+2.3 percent); in January, prices also went up by 2.1 percent. The main reason for the increase in the rate of inflation in March was again rising energy prices.

In the first quarter of 2012, the European Central Bank (ECB) did not change the key interest rate. The ECB council had last lowered it by 25 basis points to 1.00 percent in December 2011. The central bank expects that price performance will remain stable despite the upward risks. The US Federal Reserve is also implementing expansive monetary policies. It announced at the end of January that it will keep the key interest rate between 0.00 percent and 0.25 percent until at least the end of 2014 instead of mid-2013, as previously announced. The Chinese central bank did not change the key interest rate any further, having increased it to 6.56 % at the beginning of last July due to rising inflation in China.

CURRENCY: UNCERTAINTIES AND RISKS REMAIN

Since mid-January, the euro has recovered some of its strength, particularly against the US and Japanese currencies, on account of decreasing uncertainties about the stability of the European Economic and Monetary Union and the financial sector. Exchange rates also started to fluctuate less. The considerably increased skepticism regarding the sustainability of government budgets in some eurozone countries still led to strong depreciation until mid-January. The euro's nominal effective exchange rate (measured against the currencies of 20 of the eurozone's most important trading partners) was 0.5 percent up on the figure at the end of December 2011 and 3.2 percent down on its annual average 2011, according to the ECB. At the beginning of April, the euro / US dollar exchange rate was 2.9 percent higher than at the end of December but 4.3 percent below the average value in 2011. The euro appreciated by around 9.1 percent compared to the yen since the end of the year; in 2011, the average euro / yen exchange rate was 1.5 percent higher.

EFFECTS OF THE ECONOMIC ENVIRONMENT ON BUSINESS PERFORMANCE

The slight recovery of the global economy in the first quarter of 2012 also had a positive impact on the Group's business performance. In particular, demand from the industry and the public sectors in emerging countries such as China, India and Brazil continued to have a lot of momentum, boosting business developments in this region. The surprisingly strong economic recovery in North America, particularly the US, was unable to stop demand for medical technology from dropping due to government spending cuts. The safety technology market, on the other hand, developed positively despite the generally reserved government spending policies. In South Europe, governments' restrictive investment policies continued to slow down demand among customer groups such as hospitals, fire services and the police force. In contrast, demand from the industry in these countries for safety technology developed somewhat more dynamically.

The very low interest rates created by the ECB expansive monetary policies continued to stimulate demand in the first quarter of the year on account of providing more favorable financing conditions for customers. The weakness of the euro compared to the currencies of the 20 most important trading partners in the first quarter supported this development. The Group was unable, however, to compensate for the steep rise in commodity prices. At approximately 2 percent, changes in exchange rates had a positive effect on order intake and net sales.

MEDICAL DIVISION – INDUSTRY PERFORMANCE

Growth in Germany as well as Central and North Europe was slow, while South Europe continued to struggle with the ongoing financial crisis. Demand in the US was subdued;

uncertainties about the future development of the financial markets and the refinancing of health insurance for elderly citizens (Medicare) and the healthcare benefit program for low-income persons (Medicaid) influenced activities in the market. In Asian countries such as China, for instance, the healthcare sector is continuing to grow robustly. Further investments in the expansion of the healthcare infrastructure were carried out in the other countries region. The countries on the Arabian Peninsula resolved to build numerous hospitals to adjust the level of healthcare to reflect the needs of the population. Especially Saudi Arabia and Abu Dhabi have already invested large sums into developing their healthcare systems in recent years.

SAFETY DIVISION – INDUSTRY PERFORMANCE

In the first quarter of 2012, demand from the industrial sector for work and plant safety equipment was unfalteringly high. The German steel trade association (Wirtschaftsvereinigung Stahl) expects the sector to recover on account of the improved order situation. Interest in Dräger products was lively in all segments of the European processing industry. The chemical sector's economic performance remains impacted by the US and European debt crisis. Demand developed differently in the Americas. Demand for safety technology in the US, for instance, remained low, while Brazil's increased crude oil output had a positive effect on demand. The Asian industrial sector continued to develop dynamically in the first quarter.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Three months 2012	Three months 2011	Change in %
Order intake	**€ million**	**550.9**	**553.6**	**–0.5**
Orders on hand [1]	**€ million**	**479.9**	**462.7**	**+3.7**
Net sales	**€ million**	**529.3**	**500.3**	**+5.8**
EBITDA [2]	**€ million**	**61.8**	**55.4**	**+11.5**
Depreciation	Mio. €	–15.0	–12.8	+17.0
EBIT [3]	**€ million**	**46.8**	**42.6**	**+9.8**
Interest result	€ million	–9.9	–7.1	+39.8
Income taxes	€ million	–11.5	–12.3	–6.8
Earnings after income taxes	**€ million**	**25.4**	**23.2**	**+9.4**
Earnings per share [7]				
per preferred share	€	1.47	1.22	+20.5
per common share	€	1.45	1.20	+20.8
Earnings per share on full distribution [8]				
per preferred share	€	1.12	0.87	+28.8
per common share	€	1.10	0.85	+29.5
Research and development costs	€ million	46.2	37.6	+22.8
Equity ratio [1]	%	32.9	33.1	
Cash flow from operating activities [12]	€ million	35.9	–6.3	–665.8
Net financial debt [1]	€ million	138.9	117.6	+18.1
Investments	€ million	13.0	18.0	–27.6
Capital employed [1,4]	€ million	879.6	875.9	+0.4
Net working capital [1,5]	€ million	365.6	357.7	+2.2
EBIT [3] / net sales	%	8.8	8.5	
EBIT [3,7] / capital employed [1,4] (ROCE)	%	24.8	22.7	
Net financial debt [1] / EBITDA [9]	Factor	0.50	0.53	
Gearing [6]	Factor	0.21	0.18	
DVA [8]	€ million	138.9	118.0	+17.8
Headcount [1]		12,114	11,453	+5.8

1 Value as of March 31
2 EBITDA = earnings before net interest result, income taxes, depreciation and amortization
3 EBIT = earnings before interest and taxes
4 Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
5 Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt
6 Gearing = net financial debt / equity
7 On the basis of the expected dividend
8 On the basis of an actual full distribution of earnings attributable to shareholders
9 Dräger Value Added = EBIT der letzten zwölf Monate abzüglich ›cost of capital‹
10 EBIT of the last twelve month
11 EBITDA of the last twelve months
12 The equipment leased out is recognized in the property, plant and equipment. The prior year figures were adjusted accordingly.

Business performance of the Dräger Group

ORDER INTAKE

in € million	Three months 2012	Three months 2011	Change in %	Net of currency effects in %
Germany	116.6	114.8	+1.6	+1.6
Rest of Europe	193.1	188.4	+2.5	+2.0
Americas	95.5	120.4	–20.7	–23.0
Asia / Pacific	101.3	83.9	+20.7	+12.8
Other	44.4	46.1	–3.6	–3.8
Total	**550.9**	**553.6**	**–0.5**	**–2.4**

In the first quarter of 2012, order intake was 2.4 percent (net of currency effects) down year-on-year. Overall, order intake therefore fell significantly short of global economic growth of 3.5 percent in 2012 as estimated by the IMF in April. It has to be taken into account, however, that order intake rose particularly steeply by 13.4 percent in the previous year. Strongly growing demand in the Asia / Pacific region was unable to fully offset the sharp drop in the Americas region compared to the first quarter of 2011. For the first time, order intake in this region was higher than order volume in the Americas. The large number of orders received from China for medical technology products and an increasing project business in the safety division created strong demand (also net of currency effects) in the Asia / Pacific region. In the Americas region, large orders in the first quarter of 2011 resulted in a high order volume. Adjusted for these effects, the region's development was stable as a whole.

While the safety division achieved growth of 0.8 percent (net of currency effects), order intake in the medical division dropped by 4.1 percent due to the previously mentioned development in the Americas region.

In terms of products, order intake was particularly strong in the Stationary Gas Detection as well as Ventilation and Infrastructure Projects business. The Monitoring, Systems and IT, Anesthesia, Personal Protection and Mobile Gas Detection business, on the other hand, developed less strongly than in the first quarter of 2011.

ORDERS ON HAND

in € million	March 31, 2012	March 31, 2011	Change in %	Net of currency effects in %
Germany	82.4	86.6	–4.9	–4.9
Rest of Europe	158.5	162.1	–2.3	–2.9
Americas	89.7	101.7	–11.8	–15.0
Asia / Pacific	89.2	67.4	+32.4	+24.6
Other	60.1	44.9	+33.9	+32.9
Total	**479.9**	**462.7**	**+3.7**	**+1.6**

Orders on hand came to EUR 479.9 million on March 31, 2012, 1.6 percent (net of currency effects) up year-on-year. Orders on hand in the medical division increased by 4.7 percent (net of currency effects). Particularly orders from Saudi Arabia, India and Singapore as well as the large volume of orders on hand at the beginning of the year led to this rise compared to the previous year. Orders on hand in the safety division were 5.0 percent (net of currency effects) down on the previous year. Orders on hand as of March 31, 2011 included a project for deep sea diving systems. Adjusted for this project, orders on hand in the safety division would have been up 7 percent year-on-year.

On March 31, 2012, equipment orders on hand covered a 2.6 month period (March 31, 2011: 2.7 months). This figure is based on the average net sales over the past twelve months.

NET SALES

in € million	Three months 2012	Three months 2011	Change in %	Net of currency effects in %
Germany	101.4	98.8	+2.6	+2.6
Rest of Europe	188.7	173.3	+8.9	+8.2
Americas	102.6	111.9	–8.3	–11.0
Asia / Pacific	100.0	84.2	+18.8	+10.7
Other	36.6	32.1	+14.0	+14.7
Total	**529.3**	**500.3**	**+5.8**	**+3.6**

In the first quarter of 2012, net sales went up by 3.6 percent (net of currency effects) to EUR 529.3 million (3 months 2011: EUR 500.3 million), keeping pace with global economic growth of 3.5 percent as forecast by the IMF in April. Net sales rose by 2.8 percent (net of currency effects) in the medical division year-on-year, and by 5.3 percent (net of currency effects) in the safety division. All regions developed positively, net of currency effects, except the Americas – net sales dropped in this region on account of the already mentioned projects. The Rest of Europe and Asia / Pacific regions were the strongest growth drivers. In the Rest of Europe region, net sales increased, chiefly in Russia, Belgium, France and Portugal. China and Australia were the main contributors to positive net sales growth in the Asia / Pacific region.

EARNINGS

In the first quarter of 2012, gross profit went up by EUR 12.9 percent to EUR 264.7 million, slightly below average compared to net sales. Despite net sales growth and positive currency effects, the 50.0 percent gross margin was 0.3 percentage points below the previous year. While the margin rose in the safety division, due to factors such as the shift in product mix to high-margin products, the margin in the medical division fell slightly year-on-year. The drop in margin in this division is primarily due to large low-margin projects and a slight change in product mix.

Functional costs increased by 3.9 percent in the first quarter of 2012 compared to the same period in 2011, therefore growing slightly stronger than net sales. The main reason was the rise in research and development expenses. The Group increased its research and development expenses considerably by 22.8 percent with the aim of further expanding the percentage of new, high-margin products in total net sales. The research and development (R&D) ratio therefore went up to 8.7 percent of net sales year-on-year (3 months 2011: 7.5 percent). Higher expenses arising from freight costs, additional sales activities and intensified customer care were also responsible for the rise in costs. Personnel expenses rose considerably by 8.2 percent due to headcount being increased to account for the company's growth as well as pay rises in accordance with wage agreements. The changes in exchange rates compared to the euro also had a negative effect on functional costs.

The other financial result reduced earnings by EUR 1.3 million (3 months 2011: EUR 0.7 million).

Overall, the Group generated Group earnings before interest and taxes (EBIT) of EUR 46.8 million (3 months 2011: EUR 42.6 million). The EBIT margin rose from 8.5 percent in the previous year to 8.8 percent.

The interest result worsened by EUR 2.8 million to EUR 9.9 million year-on-year. In particular the buyback of the participation certificates in March had a negative one-off impact on the interest result, in the amount of EUR 2.7 million. Compared to the prior year, the effective tax rate went down to 31.0 percent (3 months 2011: 34.6 percent). Especially the above-average earnings growth in Germany had a positive impact on the Group tax rate.

Earnings after income taxes amounted to EUR 25.4 million, up 9.4 percent on the prior-year period (2011: EUR 23.2 million).

INVESTMENTS

In the first quarter of 2012, Dräger invested EUR 1.4 million (3 months 2011: EUR 1.7 million) in intangible assets and EUR 11.6 million in property, plant and equipment (3 months 2011: EUR 16.3 million), mainly related to replacements. The year-on-year drop was due to the investment of EUR 5.6 million in the construction of the new production and logistics building for the Infrastructure Projects business in the previous year. Depreciation and amortization totaled EUR 15.0 million in the first quarter of 2012 (3 months 2011: EUR 12.8 million) and covered 86.7 percent of investments, meaning that non-current assets fell by EUR 2 million net.

CASH FLOW STATEMENT

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

In the first three months of 2012, Dräger Group's cash inflow from operating activities amounted to EUR 35.9 million compared to cash outflow of EUR 6.3 million in the previous year. This development was aided by earnings after income taxes of EUR 53.7 million (3 months 2011: 46.1 million), which was adjusted for write-downs, changes to provisions not recognized in income and other earnings not affecting profit and loss. The main effect resulted from the reduction of trade receivables to the amount of EUR 69.3 million (3 months 2011: EUR 15.8 million), which were high at the end of the prior year. The rise of other assets to the amount of EUR 39.0 million (3 months 2011: EUR 23.2 million) had an offsetting effect.

Cash outflow from investing activities of EUR 12.8 million (3 months 2011: EUR 15.2 million) decreased slightly, one of the reasons being that last year's investment volume of EUR 3.0 million included the investment in the new production and logistics building for the Infrastructure Projects business in Lübeck, which was under construction at the time. Further investments in this project to the amount of EUR 2.6 million were still classed as a non-cash expense in the past year.

The buyback of 581,474 participation certificates in March 2012 resulted in cash outflow of EUR 122.1 million (EUR 122.5 million including incidental purchase costs), EUR 15.7 million of which pertained to the debt component and EUR 106.4 million to the equity component of the bought back participation certificates.

Cash inflow from operating activities includes EUR 6.9 million in income taxes paid (3 months 2011: EUR 13.7 million), EUR 1.8 million in interest received (3 months 2011: EUR 1.0 million) and EUR 6.6 million in interest paid (3 months 2011: EUR 6.6 million).

Cash and cash equivalents as of March 31, 2012 amounted to EUR 314.1 million (December 31, 2011: EUR 412.3 million) and exclusively comprised cash, of which EUR 15.2 million are subject to restrictions (December 31, 2011: EUR 14.6 million).

Financial management

BORROWING

Compared to the financing measures described in the Annual Report 2011, the buyback of the participation certificates improved the capital structure. Dräger focuses on preferred and common shares as equity instruments. The buyback of the participation certificates increased earnings per share year-on-year, based on the financial statements for the first quarter of 2012. As described in section “Net assets”, equity dropped by EUR 87.5 million due to the buyback of the participation certificates and the equity ratio decreased from 34.5 percent as of December 31, 2011 to 32.9 percent as of March 31, 2012.

NET ASSETS

Equity fell by EUR 62.9 million to EUR 666.8 million in the first quarter of 2012. This drop is due to the buyback of the participation certificates in March, which decreased equity by EUR 87.5 million. The equity ratio went down to 32.9 percent as of March 31, 2012 (December 31, 2011: 34.5 percent).

Total assets decreased by EUR 89.1 million to EUR 2,026.0 million in the first three months of 2012, the reason being a low volume of cash and cash equivalents (EUR –98.2 million) and trade receivables (EUR –71.1 million). Increased inventories (EUR +24.1 million), other current assets (EUR +23.2 million) and deferred tax assets (EUR +21.0 million) only partly compensated for this effect. On the liabilities side, equity, in particular, went down (EUR –62.9 million) as well as trade payables (EUR –30.7 million).

As of March 31, 2012, DVA came to EUR 138.9 million (March 31, 2011: EUR 118.0 million), corresponding to a rise of 17.8 percent year-on-year. In comparison, cost of capital went down by some 2 percent by reducing the average capital invested, with the key impulse being the increased EBIT.

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Three months 2012	Three months 2011	Change in %
Order intake	**€ million**	**348.6**	**357.1**	**–2.4**
Orders on hand [1]	**€ million**	**328.8**	**307.0**	**+7.1**
Net sales	**€ million**	**337.6**	**321.6**	**+5.0**
EBITDA [2]	**€ million**	**34.5**	**36.1**	**–4.3**
Depreciation	€ million	–6.4	–5.5	+16.7
EBIT [3]	**€ million**	**28.2**	**30.6**	**–8.0**
Research and development costs	€ million	31.7	26.3	+20.2
Cash flow from operating activities [8]	€ million	27.3	9.1	+199.0
Investments	€ million	4.4	10.8	–59.2
Capital employed [1,4]	€ million	542.0	534.8	+1.3
Net working capital [1,5]	€ million	274.3	266.2	+3.1
EBIT [3] / net sales	%	8.3	9.5	
EBIT [3,6] / capital employed [1,4] (ROCE)	%	32.6	33.7	
DVA [7]	€ million	141.3	127.1	+11.2
Headcount [1]		6,790	6,481	+4.8

[1] Value as of March 31
[2] EBITDA = earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = earnings before interest and taxes
[4] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[5] Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt
[6] EBIT of the last twelve months
[7] Dräger Value Added = EBIT of the last twelve months less cost of capital
[8] The equipment leased out is recognized in the property, plant and equipment. The prior year figures were adjusted accordingly.

Business performance of the medical division

ORDER INTAKE

in € million	Three months 2012	Three months 2011	Change in %	Net of currency effects in %
Germany	81.0	82.2	–1.5	–1.5
Rest of Europe	109.2	108.4	+0.8	+0.5
Americas	64.9	89.6	–27.5	–29.6
Asia / Pacific	58.4	47.8	+22.1	+14.8
Other	35.1	29.2	+20.3	+19.4
Total	**348.6**	**357.1**	**–2.4**	**–4.1**

In the first quarter of 2012, order intake in the medical division was down 4.1 percent (net of currency effects) year-on-year in contrast to the first quarter of 2010, when it had risen extraordinarily steeply by 10.4 percent. Especially the Americas region, which had grown by 12.0 percent in the previous year, was unable to follow up on the high prior-year figure, which included large orders from the US and Venezuela. Without these large orders, order intake in the medical division was stable overall.

In terms of products, the order situation in Monitoring, Systems and IT as well as Anesthesia deteriorated on account of the above-mentioned large orders from the US and Venezuela. In Ventilation and Infrastructure Projects, on the other hand, order intake was up on the prior-year value due, among other things, to a large order from Saudi Arabia.

In Germany, the slight drop in order intake in the first quarter of 2012 primarily originated from the high prior-year figures incurred by large orders in the Infrastructure Projects business and service orders in Lifecycle Solutions. In the rest of Europe region, order intake developed soundly as a whole – despite individual countries having very different order situations. Order volumes in Great Britain, Russia and Austria, for instance, were up year-on-year, while they were down in Poland and the Czech Republic.

Order intake in the Asia / Pacific region, on the other hand, grew by almost 15 percent (net of currency effects) year-on-year in the first quarter of 2012, the main reason being continuing demand in China and the significant recovery of the Japanese medical technology market. Order intake in the other countries region also went up steeply on account of a large order from Saudi Arabia.

ORDERS ON HAND

in € million	March 31, 2012	March 31, 2011	Change in %	Net of currency effects in %
Germany	53.4	60.0	–10.9	–10.9
Rest of Europe	99.3	92.2	+7.7	+7.4
Americas	73.8	85.1	–13.3	–16.9
Asia / Pacific	56.5	42.2	+33.9	+25.8
Other	45.7	27.5	+66.3	+64.3
Total	**328.8**	**307.0**	**+7.1**	**+4.7**

On March 31, 2012, orders on hand were EUR 328.8 million, up 4.7 percent (net of currency effects) on the previous year's figure (March 31, 2011: EUR 307.0 million), the main reason being the high volume of orders on hand at the beginning of the year. The rise in orders on hand in the other countries region primarily originates from the large order in Saudi Arabia. In the Asia / Pacific region, orders on hand went up due to, among other things, orders for infrastructure projects in Singapore and strong demand in India. Orders on hand in the Americas region were down year-on-year on account of the stated prior-year orders in the US and Venezuela.

Equipment orders on hand covered a 2.8 month period – based on the average net sales over the past twelve months (March 31, 2011: 2.7 months).

NET SALES

in € million	Three months 2012	Three months 2011	Change in %	Net of currency effects in %
Germany	69.0	68.5	+0.8	+0.8
Rest of Europe	106.8	99.8	+7.1	+6.4
Americas	71.8	76.2	–5.8	–8.7
Asia / Pacific	63.6	53.7	+18.4	+10.6
Other	26.4	23.5	+12.7	+12.8
Total	**337.6**	**321.6**	**+5.0**	**+2.8**

The medical division increased net sales by 2.8 percent (net of currency effects) in the first quarter of 2012. Lifecycle Solutions and Neonatal Care were mainly responsible for this. Net sales in Ventilation as well as Monitoring, Systems and IT also showed positive development. Net sales in the Anesthesia business, on the other hand, dropped year-on-year as net sales in the US, in particular, were low. Business in anesthesia devices was relatively weak in the US in the first quarter of 2012, while large orders for dosing devices for anesthetic gases were delivered there in the previous year's first quarter.

Net sales in Germany were slightly up on the previous year with only minor fluctuations in individual business units. The rise in net sales in the Rest of Europe region was primarily due to the delivery of orders in Russia. In addition, the delivery of a large order in Portugal had a positive effect on net sales in this region. Net sales in the Americas region were down on the comparable quarter, mainly on account of the above-stated prior-year effects in the US. Net of currency effects, net sales in the US fell by 9.0 percent. In Brazil and Peru, the Group was also unable to achieve the relatively strong net sales in the previous year. In Chile, on the other hand, net sales went up considerably year-on-year.

The continuously positive market development in China had a major impact on the very positive net sales development in the Asia / Pacific region. Net sales in Australia also developed positively. In the other countries region, net sales were also up year-on-year in the first quarter of 2012. The main drivers behind this development were the above-mentioned large order from Saudi Arabia and a large heat therapy order from Iraq.

EARNINGS

In the first quarter of 2012, the gross margin of the medical division was down on the previous year. Low-margin large projects as well as a slight shift in product mix were only partly compensated by positive currency effects. Earnings were also negatively impacted by functional costs being higher than in the previous year.

In particular, planned expenses for research and development as well as sales increased so as to support future growth. Research and development expenses rose by 20.2 percent compared with the same period in 2010 (net of currency effects: 18.4 percent). In the fast-growing regions Asia / Pacific, Latin America and the Middle East, Dräger continued to invest in developing its sales organization. The euro was weak compared with the currencies of many subsidiaries; this increased functional costs overall.

In view of these developments, EBIT of the medical division went down by 8.0 percent to EUR 28.2 million in total (3 months 2011: EUR 30.6 million). The EBIT margin was therefore 8.3 percent (3 months 2011: 9.5 percent).

INVESTMENTS

In the first quarter of 2012, the medical division invested EUR 4.4 million in intangible assets and property, plant and equipment (3 months 2011: EUR 10.8 million). These mainly related to replacement. The year-on-year drop was due to EUR 5.6 million being invested in the construction of the new production and logistics building for the Infrastructure Projects business in the previous year's first quarter. In the first quarter of 2012, depreciation and amortization came to EUR 6.4 million and covered 68.8 percent of the investments and non-current assets fell by EUR 2.4 million.

NET ASSETS

As of March 31, 2012, capital employed increased by EUR 7.2 million to EUR 542.0 million (March 31, 2011: EUR 534.8 million). Inventories, among other things, went up slightly.

Dräger increased its total days working capital (coverage of working capital) by 5.6 days to 116.3 days. In the first quarter of 2012, cash flow from operating activities rose to EUR 27.3 million (3 months 2011: EUR 9.1 million) as the Group was able to reduce its receivables on a larger scale.

DVA in the medical division increased by EUR 14.2 million to EUR 141.3 million year-on-year as of March 31, 2012 (year-on-year as of March 31, 2011: EUR 127.1 million). This rise in DVA was mainly driven by EBIT, which went up by at least EUR 12 million (on a twelve-months rolling basis). Capital employed, which was low on average, also had a positive impact on DVA (around EUR 2 million).

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Three months 2012	Three months 2011	Change in %
Order intake	**€ million**	**209.9**	**204.0**	**+2.9**
Orders on hand [1]	**€ million**	**152.2**	**157.4**	**–3.3**
Net sales	**€ million**	**199.5**	**185.9**	**+7.3**
EBITDA [2]	**€ million**	**33.2**	**26.4**	**+25.8**
Depreciation / amortization	€ million	–5.8	–4.8	+20.7
EBIT [3]	**€ million**	**27.4**	**21.6**	**+26.9**
Research and development costs	€ million	13.8	10.8	+28.3
Cash flow from operating activities [8]	€ million	25.4	–5.2	–587.6
Investments	€ million	6.5	5.4	+21.9
Capital employed [1,4]	€ million	192.1	205.7	–6.6
Net working capital [1,5]	€ million	119.6	128.7	–7.0
EBIT [3] / net sales	%	13.7	11.6	
EBIT [3,6] / capital employed [1,4] (ROCE)	%	42.6	34.0	
DVA [7]	€ million	63.6	52.0	+22.2
Headcount [1]		4,642	4,423	+5.0

[1] Value as of March 31
[2] EBITDA = earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = earnings before interest and taxes
[4] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[5] Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt
[6] EBIT of the last twelve months
[7] Dräger Value Added = EBIT of the last twelve months less cost of capital
[8] The equipment leased out is recognized in the property, plant and equipment. The prior year figures were adjusted accordingly.

Business performance of the safety division

ORDER INTAKE

in € million	Three months 2012	Three months 2011	Change in %	Net of currency effects in %
Germany	42.6	40.1	+6.2	+6.2
Rest of Europe	84.2	80.1	+5.1	+4.5
Americas	30.9	30.8	+0.3	–2.6
Asia / Pacific	42.9	36.1	+18.8	+10.2
Other	9.3	16.9	–45.0	–43.8
Total	**209.9**	**204.0**	**+2.9**	**+0.8**

In the first quarter of 2012, order intake in the safety division was 0.8 percent (net of currency effects) up on the strong prior-year quarter, in which order intake rose by more than 16 percent across all product areas. Demand developed rather differently in the product areas in the first quarter of 2012. Demand for personal protection and mobile gas detection devices, for instance, fell short of the previous year's quarter. This drop was compensated by a steep rise in stationary gas detection systems, foremost from oil and gas companies. Dräger also generated growth in the Engineered Solutions business, including maintenance and equipment rental.

In Germany, the Group profited from the continuing economic upturn in the industrial sector with order volume growing by 6.2 percent. Growth was supported by factors such as demand from the petrochemical and chemical sector for mobile gas detection devices and respiratory protection, as well as the positive development of the maintenance and equipment rental business. Fire protection specialists also placed a large number of orders. Growth in the Rest of Europe region was also solid, with orders increasing by 4.5 percent (net of currency effects). A sharp drop in Spain – caused by the country's debt crisis – was compensated by positive order development, particularly in France, Italy, Russia and Great Britain.

In the Americas region, order intake went down slightly by 2.6 percent (net of currency effects). In the prior-year period, however, order intake still included orders in the lower one-digit million range for deep sea diving systems. Adjusted for the deep sea diving systems business, order intake was 1 percent down year-on-year. This drop was caused by previously subdued order intake in Brazil and Mexico. In the US, orders went up by 2.1 percent (net of currency effects), adjusted for the deep sea diving systems. The order situation in Canada developed extremely positively with growth rates repeatedly reaching two-digit figures.

The Group continued to grow by two-digit figures in the Asia / Pacific region, despite growth in China losing considerable momentum. Order intake there was 12 percent (net of currency effects) down year-on-year in the first quarter (3 months 2011: +12 percent). This decrease was compensated by order intake for Engineered Solutions projects in Vietnam and Australia. Order intake in the other countries region in the first quarter was significantly lower than in the previous year's quarter. The prior-year figure included a large project in Kazakhstan. Without this project, order intake in the first quarter was 9 percent down on the comparable period in the previous year.

ORDERS ON HAND

in € million	March 31, 2012	March 31, 2011	Change in %	Net of currency effects in %
Germany	29.7	28.3	+4.9	+4.9
Rest of Europe	59.2	70.0	–15.4	–16.4
Americas	16.2	16.6	–2.4	–3.6
Asia / Pacific	32.7	25.2	+29.8	+22.6
Other	14.4	17.3	–16.8	–16.2
Total	**152.2**	**157.4**	**–3.3**	**–5.0**

Orders on hand in the safety division dropped 5 percent year-on-year in the first quarter of 2012. Orders on hand in Germany grew at roughly the same rate as order intake. In the Rest of Europe region, orders on hand were impacted by a project for a deep sea diving system. Not taking into account this project, orders on hand were 1.4 percent (net of currency effects) below the prior-year figure. Orders on hand in the Asia / Pacific region, on the other hand, profited to a large extent from the very positive business in Engineered Solutions projects. The other countries region was impacted in the previous year by the order from Kazakhstan. Equipment orders on hand covered a 2.3 month period (March 31, 2011: 2.6 months).

NET SALES

in € million	Three months 2012	Three months 2011	Change in %	Net of currency effects in %
Germany	39,5	37,3	+5,9	+5,9
Rest of Europe	82,6	73,9	+11,8	+11,1
Americas	30,8	35,7	–13,7	–16,0
Asia / Pacific	36,4	30,5	+19,3	+10,8
Other	10,2	8,5	+20,0	+22,4
Total	**199,5**	**185,9**	**+7,3**	**+5,3**

In the first quarter of 2012, net sales of the safety division came to EUR 199.5 million, 5.3 percent (net of currency effects) higher than in the previous year's quarter. The safety division already increased net sales by more than 11 percent in the first quarter of the previous year. The impact of large deep sea diving systems projects, which had still been significant in the previous year, subsided considerably. Net sales growth came to 8.4 percent (net of currency effects) in the first quarter, not taking into account the deep sea diving systems. Net sales in the equipment business went up by solid figures in the medium one-digit percentage range. The business in stationary gas detection devices grew particularly strong.

Like with order intake, a shift from the public sector to the industry was apparent when looking at the allocation of net sales in Germany. Dräger profited from the continuing economic upturn in Germany and generated large growth, particularly in the stationary gas detection, light respiratory protection and equipment rental business.

Net sales in the Rest of Europe region went up by 11.1 percent (net of currency effects). Business developed particularly positive in France, Belgium, Turkey, Russia and the Netherlands. In the Americas region, net sales in the first quarter were clearly down on the prior-year figure (–16 percent net of currency effects). The weak net sales development in the US was primarily responsible for this. One major reason was the extraordinarily high net sales in the US in the first quarter of 2011 (3 months 2011: +60.7 %). Business with the Canadian mining industry (respiratory protection, gas detection devices, refuge chambers) continued to grow very strongly. The Group again grew considerably in the Asia / Pacific region, where it once again significantly exceeded the very positive prior-year quarter (+10.8 percent net of currency effects). This net sales growth was supported by continuing high volumes in Australia.

EARNINGS

Shifts in the product mix toward high-margin products, as well as a slight increase in product margin and favorable currency effects, led to a higher gross margin in the safety division. As planned, research and development expenses rose 28.3 percent to EUR 13.8 million year-on-year (3 months 2011: EUR 10.8 million) due to the development of new products being intensified.

Marketing, selling and administrative expenses were also slightly higher than in the previous year. Due to the steep rise in net sales volume and a slight increase in gross margin, EBIT in the safety division went up disproportionately compared to net sales by 26.9 percent to EUR 27.4 million in the first three months of 2012 (3 months 2011: EUR 21.6 million). The EBIT margin was 13.7 percent (3 months 2011: 11.6 percent).

INVESTMENTS

The safety division invested a total of EUR 6.5 million (3 months 2010: EUR 5.4 million) in intangible assets and property, plant and equipment in the first quarter of 2012. Depreciation and amortization were EUR 5.8 million in the first quarter of 2012 (3 months 2011: EUR 4.8 million) and covered 112.4 percent of investments. Net investments came to EUR 0.7 million and strengthened non-current assets.

NET ASSETS

Capital employed went down by 6.6 percent compared to the prior-year period, amounting to EUR 192.1 million at the end of the first quarter of 2012 (March 31, 2011: EUR 205.7 million). The safety division increased its total days working capital (coverage of main drivers of working capital) by 0.5 days to 98.7 days. Cash flow from operating activities amounted to EUR 25.4 million in the first quarter of 2012, due to the balance sheet date (3 months 2011: EUR –5.2 million).

DVA in the safety division increased by EUR 11.6 million to EUR 63.6 million year-on-year as of March 31, 2012 (year-on-year as of March 31, 2011: EUR 52.0 million). This rise in DVA was mainly driven by EBIT, which went up by at least EUR 12 million (on a twelve-months rolling basis).

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

		Three months 2012	Three months 2011	Change in %
Order intake	**€ million**	**3.7**	**3.8**	**–2.4**
Orders on hand [1]	**€ million**	**0.0**	**0.0**	
Net sales	**€ million**	**3.7**	**3.8**	**–2.4**
EBITDA [2]	**€ million**	**29.0**	**22.4**	**+29.4**
Depreciation	€ million	–2.9	–2.6	+10.1
EBIT [3]	**€ million**	**26.1**	**19.8**	**+31.9**
Research and development costs	€ million	–0.7	0.5	–249.3
Cash flow from operating activities [6]	€ million	5.3	13.7	–61.5
Investments	€ million	2.1	1.9	+10.9
Capital employed [1,4]	€ million	760.2	748.9	+1.5
Net working capital [1,5]	€ million	–23.7	–34.2	–30.7
Headcount [1]		682	549	+24.2

[1] Value as of March 31
[2] EBITDA = earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = earnings before interest and taxes
[4] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[5] Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt
[6] The equipment leased out is recognized in the property, plant and equipment. The prior year figures were adjusted accordingly.

Drägerwerk AG & Co. KGaA / other companies

EARNINGS

Drägerwerk AG & Co. KGaA, which provides services for the medical and safety divisions and their companies, increased EBIT to EUR 26.1 million in the first three months of 2012 (3 months 2011: EUR 19.8 million). This was mainly due to an increase in profits transferred by Dräger Medical GmbH and Dräger Safety AG & Co. KGaA , which amounted to EUR 34.9 million in the first three months of 2012 (3 months 2011: EUR 29.4 million).

INVESTMENTS

In the first quarter of 2011, investments in intangible assets and property, plant and equipment came to EUR 2.1 million (3 months 2011: EUR 1.9 million). They primarily pertained to IT infrastructure improvements.

Research and development

In the first three months of 2012, we significantly increased our research and development (R&D) activities. For this reason, research and development expenses went up by more than 20 percent to EUR 46.2 million (3 months 2011: EUR 37.6 million). This is equivalent to 8.7 percent of net sales (3 months 2011: 7.5 percent).

Research and development costs in the medical division increased to EUR 31.7 million in the first three months of 2012 (3 months 2011: EUR 26.3 million). Research and development expenses in the medical division therefore equated to 9.4 percent of net sales (3 months 2011: 8.2 percent). In addition to expenses for the future product portfolio, research and development expenses include a rise in investments to bring the current product portfolio in line with the new EU directive RoHS [1]. Some key products and further developments were launched in the first quarter. The new anesthesia workstation “Dräger Perseus A500” is a milestone. It was premiered to industry professionals at the World Congress of Anesthesiologists (WCA) in Buenos Aires, Argentina, at the end of March. The “Perseus A500” provides a flexible workstation design for hospital employees, a link to the Infinity Acute Care System Monitoring (IACS), critical patient care and automated functions that support work processes in the operating room. In addition to launching the “Perseus A500”, Dräger further developed the “Primus” anesthesia devices portfolio. The display of additional trends helps to optimize patient ventilation. The Group also added new functions to the Infinity Acute Care System Monitoring (IACS), therefore improving data exchange between therapy devices. The Infinity Medi-

[1] Restrictions of the use of certain hazardous substances in eletrical and eletronic equipment.

cal Cockpit, for instance, takes over anesthesia data from the Perseus A500 and displays it on a monitor in real time, together with the patient's vital statistics. When the portable monitoring component M540 is connected to the Perseus A500, it automatically adjusts its alarm pattern to the situation in the operating room. The anesthetist can access the system to obtain, save or print a case overview, including patient data, length of operation, anesthetic gas consumption and device data. The wireless LAN function (WLAN) for the portable Infinity M540 monitor during patient transport is another innovation for the Infinity Acute Care Monitoring System (IACS). The M540 automatically switches to WLAN operation as soon as it is removed from its docking station on the hospital bed. During transport, all vital statistics can be transmitted via the hospital network to continue recording electronic data in real time.

The safety division spent EUR 13.8 million (6.9 percent of net sales) on research and development (3 months 2011: EUR 10.8 million, 5.8 percent of the net sales). Again, this rise originated partly from expenses incurred for ensuring that the product portfolio complies with RoHS requirements. The automatic tube pump "Dräger X-act 5000" was launched in the first quarter of 2012. It presents an explosion-protected all-in-one solution for measurements with Dräger short-term tubes and sampling. The "Dräger X-act 5000" recognizes the tube type with a barcode scanner and automatically adjusts all measurement parameters without requiring any additional input. This simplifies measurement preparations and reduces potential error sources. Dräger launched the "Dräger X-am 5100" in the portable gas detector business, a small, light one-gas detector that is perfectly suited for meeting the requirements of personal gas detection. It can be fitted with an electro-chemical sensor either for hydrogen peroxide, hydrazine, hydrogen fluoride or hydrogen chloride. Furthermore, the "Dräger Polytron 8000" series was launched, a transmitter that provides a standard user interface for all Dräger sensor technology devices. In March 2012, the chemical protective suit "Dräger CPS 7900" was certified to be sold on the US fire services market. It is the first re-usable Dräger chemical protective suit that has received this certification. Also in March 2012, Dräger was authorized to sell the new oxygen self-rescuer "Dräger Oxy 6000" on the important mining market in South Africa.

Personnel

In the first quarter of 2012, the number of employees rose by 190 to a total of 12,114 compared to December 31, 2011.

PERSONNEL EXPENSES

in € thousand	Three months 2012	Three months 2011
Wages and salaries	164,486	152,684
Social security contributions and related employee benefits	29,777	26,825
Pension expenses	4,005	3,774
	198,268	**183,283**

Personnel expenses went up by 8.2 percent to EUR 198.3 million year-on-year in the reporting period. Headcount was increased to account for the Company's growth. Together with pay rises in accordance with wage agreements, in particular, as well as additional costs incurred from the variabilization of special payments within the scope of the future collective agreement ("Zukunftstarifvertrag"), this pushed up costs in Germany. Worldwide pay rises also contributed to this effect. Personnel expenses include the remuneration of the members of the Executive Board of the general partner Drägerwerk Verwaltungs AG, Lübeck.

WORKFORCE TREND

	March 31, 2012	December 31, 2011	March 31, 2011
Medical division	6,790	6,717	6,481
Safety division	4,642	4,531	4,423
Drägerwerk AG & Co. KGaA / other companies	682	676	549
Dräger Group total	**12,114**	**11,924**	**11,453**
Germany	5,603	5,472	5,163
Other	6,511	6,452	6,290
Turnover in % of employees (Basis: average of the past twelve months)	4.7	5.1	5.4
Sick days in % of work days (Basis: average of the past twelve months)	3.1	3.1	3.1
Temporary staff in Germany	274	426	527

On March 31, 2012, Dräger Group employed a total of 661 more people than twelve months ago. The medical division hired the most in absolute terms with 309 new employees, the safety division employed 219 more people than in the previous year and Drägerwerk AG & Co. KGaA increased its workforce by a total of 133 people, mainly due to 51 financial accounting employees being transferred from the Group divisions as part of organizational measures. In relative terms, headcount increased the most there. In addition, Drägerwerk AG & Co. KGaA added a further 84 employees in administrative positions such as IT (+37) as well as HR (+12) and Purchasing (+11).

In the medical division, headcount went up by 340 people year-on-year (adjusted for the transfer of financial accounting employees). The highest increase in workforce was in Germany with 181 employees (adjusted for the transfer) – particularly in Research and Development (+48) and Production (+69). The increase in Production is the result of 94 temporary employees being hired within the scope of flexible working time models as well as 15 other people with fixed employment contracts. The foreign sales and service companies also hired a total of 127 employees, particularly in Sales, Service and Marketing. The number of employees in the foreign producing subsidiaries went up by a total of 32. The companies Shanghai Dräger Medical Instrument Co., Ltd., China and Draeger Medical Systems Inc., USA increased headcount by 19 and 17 people respectively. In contrast, four positions were reduced at other locations to adjust capacities.

From the 239 (adjusted for the transfer of financial accounting employees) additional people employed at the safety division since March 31, 2011, 177 (adjusted for the transfer) work at the German companies Dräger Safety AG & Co. KGaA and the logistics subsidiary Interservices GmbH, mainly in Production (+46), Logistics (+41) and Research and Development (+38). The rise in Logistics resulted from the takeover of 63 temporary employees and the increase in Production from the takeover of 20 temporary employees, among other things. 62 employees were added in the safety division outside Germany.

The number of employees in Germany dropped steeply year-on-year by 253 to 274, mainly on account of the takeover of a total of 192 temporary employees in the medical and safety divisions.

Risks to future development

The structure of our risk management system and significant opportunities and risks to our net assets, financial position and results of operations are outlined in the annual report for fiscal year 2011. The 2011 annual report may be downloaded on the internet at **www.draeger.com**.

Changed conditions after the close of the interim reporting period

By resolution dated April 16, 2012 and after the buyback of the participation certificates, the Executive Board of Drägerwerk AG & Co. KGaA redeemed the acquired participation certificates. This did not make any further changes to the already recognized figures. After the redemption, a further 831,951 participation certificates are still outstanding, of which 195,245 pertain to series A, 69,887 to series K and 566,819 to series D.

Outlook

FUTURE MARKET ENVIRONMENT

Global economic growth will become increasingly stronger during the course of 2012, most likely as from the middle of the year. However, its growth in the full year will carry less momentum than in previous years. The German Institute for Economic Research ("Deutsches Institut für Wirtschaftsforschung": DIW) forecasts the global gross domestic product (GDP) to rise by 3.5 percent compared to 3.9 percent in the previous year. Although sentiment among companies and consumers has improved again now that the turbulences in the financial market that had been triggered by the sovereign debt crisis in the eurozone have abated again, economic policies have less options of stimulating the economy than in previous years. The euro debt crisis, imbalances between the various economies and commodity price developments all remain risk factors for global economic development.

The pace of growth in emerging countries such as China, India and Brazil will remain high, but will drop slightly to 5.7 percent (2011: 6.2 percent). China's government lowered its 2012 growth forecast to 7.5 percent, which would be the lowest GDP growth since 1990. Especially less demand from Europe as well as falling consumer spending and investments slowed down growth. The IMF expects momentum to slow down to 8.2 percent compared to 9.2 percent in 2011. Although the economies of the developed countries will profit from the potential increase in global trade, they will still be faced with considerable growth barriers, caused, in particular, by the need to consolidate government budgets. The GDP is likely to increase by 1.4 percent (previous year: 1.6 percent). The European Central Bank (ECB) expects the economies in the eurozone to recover gradually, boosted by foreign demand, the very low euro interest rates and measures for increasing the financial sector's operability. Growth momentum will be slowed down by the continuing tension on the European government bond markets and the necessary budget consolidation measures. Increasing tension on the euro bond markets and its potential spread to the real economy as well as further commodity price hikes all pose risks to the economies in the eurozone. The central bank forecasts annual gross domestic product growth in 2012 between –0.5 percent and +0.3 percent and between 0 percent and +2.2 percent in 2013. The ECB expects a rate of inflation of more than 2 percent in 2012, especially on account of the rise in commodity prices and the announced rise in indirect taxes. Due to this moderate growth, however, the ECB regards pricing pressure as limited.

The leading economic research organizations believe that the German economy will pick up speed again in the spring as the global economic environment has improved and the uncertainties triggered by the turbulences in the eurozone have eased. The economic upward trends, which will gain the upper hand, are expected to push up GDP by 0.9 percent in 2012 and by as much as 2.0 percent again in 2013. Investing activities willprofit from the improved sentiment and the increased competitiveness of German companies, which has risen due to the lower euro rate and stands at its highest in 30 years. The debt and trust crisis in the eurozone, which has essentially not been resolved, remains the largest economic downward risk.

DRÄGER MANAGEMENT ESTIMATES ON THE OVERALL ECONOMIC ENVIRONMENT

The still strong economic growth on the sales markets in the emerging countries that are important for us, surprisingly robust growth in North America and the return to dynamic global economic growth during the course of the year boosted Dräger's business performance. There are still downward risks, however, albeit to a lesser extent. Uncertainty remains about the solution to the euro debt crisis being sustainable. In addition, there is now uncertainty regarding commodity price developments, particularly because of the political confrontations with Iran. Our portfolio is well balanced due to diversification in various product markets and geographic markets, but a significant deterioration of the macroeconomic conditions could nevertheless have a negative impact on the Group's order situation.

We expect demand in the part of the safety division's industrial business that is dependent on economic performance to increase in unison with increasing economic growth. The safety division's gas and oil industry business, which follows long-term investment cycles, is likely to continue growing at a moderate pace. Public sector order policies are expected to be restrictive, particularly in Europe, but also in the USA. This, in turn, is likely to lead to stagnating or at the most slightly rising order volumes in the police force and fire services customer groups as well as in the hospital sector. In Asia and South America, Dräger again anticipates growth to be higher than the overall economic momentum.

If commodity prices were to increase for a prolonged period of time, this would likely have a negative impact on the Group. Dräger estimates that due to the recovering global economy and political tension, especially regarding Iran, the risk of commodity prices rising is generally high again. The rate of inflation is expected to remain above the target corridor set by the European Central Bank (ECB) during the further course of the year. The effects of inflation on Dräger are, however, rather disproportionately low and indirect.

It is important that the European Central Bank will generally continue to pursue an expansive monetary policy on account of the situation in the eurozone remaining somewhat fragile with view to the solution to the debt crisis and the stabilization of the banking system as well as moderate global economic growth. The risks of refinancing becoming more expensive are therefore considered to be low. The stricter equity requirements going hand in hand with Basel III, on the other hand, could lead to the banks restricting their lending policies. Dräger is unlikely to be affected, however due to its financing structure – but some of its customer groups could feel the effects. Although the risk of haircuts for individual countries in the eurozone remains in 2012, the Group currently does not anticipate any major burdens to arise from this when taking into account its outstanding receivables and agreed hedges for them. At this time, however, Dräger is unable to estimate the implications for the Group should the crisis in the eurozone worsen again.

Generally speaking, Dräger benefits from the euro being weak compared to the currencies of its key trade partners. It is difficult to forecast the euro exchange rate to key currencies given the current situation of high uncertainty, but the Company expects exchange rates to continue developing in a volatile manner.

FUTURE SITUATION OF THE COMPANY

Dräger continues to expect its order intake and net sales in fiscal year 2012 to grow at least at the pace of global economic growth (IMF April 2012 forecast: +3.5 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. New products will boost growth in both divisions: The Company plans to launch a total of twelve new medical technology products and 19 new safety technology products as well as product developments in both divisions. Dräger therefore expects the percentage of new and improved products in net sales to rise.

In the medical division, changes in the very favorable country and product mix in 2011 can lead to a slight drop in gross margin. In the safety division, Dräger forecasts a drop in the share of the high-margin business with industrial customers and therefore also expects a slight decline of the gross margin. Research and development expenses are likely to rise by 15 percent (net of currency effects) to around EUR 185 million in 2012 (2011: EUR 161 million) so as to continue expanding the share of new products and to make existing products compliant with RoHS by 2014. Of this increase, Dräger plans to invest between EUR 5 million and EUR 10 million into ensuring that all products adhere to the RoHS regulations by 2014. The improvement of the Group-wide IT infrastructure will again push up IT costs by an even disproportionately high 9 percent to roughly EUR 110 million in 2012 (2011: EUR 101 million). Overall, Dräger expects a Group EBIT margin between 8.0 percent and 9.5 percent for fiscal year 2012 (2011: 9.5 percent). In 2012, interest expense is anticipated to be on par with the previous year and come to around EUR 33 million (2011: EUR 33.0 million) – assuming that interest rates are going to remain unchanged. This figure already accounts for an effect from the interest result of EUR 2.9 million from the buyback of the 41.1 percent of outstanding participation certificates. Due to the positive earnings performance and optimization of Group structures, Dräger expects an effective tax rate of 28 percent to 32 percent in fiscal year 2012 (2011: 31 percent). In 2012, we expect cash inflow from operating activities to remain high in the region from 65 percent to 80 percent of EBIT (2011: 74 percent) within the scope of anticipated earnings developments. The investment volume is likely to be slightly higher than depreciation and amortization at around EUR 70 million to EUR 80 million (2011: EUR 71.5 million) on account of real estate investments for the purpose of increasing production capacities.

Dräger expects cash outflow for financing activities of around EUR 180 million in 2012. After the EUR 122 million cash outflow for the buyback of participation certificates in the first quarter, the Group will redeem two note loans totaling EUR 55 million in 2012. If the annual shareholders' meeting approves the dividend proposal, Dräger will pay a total of EUR 3.4 million for the proposed distribution on common and preferred shares as well as participation certificates (excluding minimum dividends, after taxes).

All in all, we expect to see a slight rise in net debt and the equity ratio to be at least at the same level as in the previous year as a result of the concluded buyback of participation certificates and the dividend proposal. We continue to work on raising its capital efficiency and reducing its long-term debt financing costs. If the credit markets were to develop positively in 2012, the Group would increase its long-term financing.

For fiscal year 2013, we forecast net sales growth to outperform market in both divisions and the Group EBIT margin to increase compared to 2012, providing the Company's relevant markets continue their positive performance. In the medium term, the new sales structure will reduce sales expenses and tap into additional growth prospects. Overall, we expect to achieve at least one percentage point in savings regarding the relevant marketing and sales costs by the end of 2014. The Company also plans to continue to grow faster than the market in the medium term and achieve a minimum EBIT margin of 10 percent.

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. Dräger does not assume any responsibility for updating the forward-looking statements made in this report.

Interim financial statements of the Dräger Group as of March 31, 2012

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

	Note	Three months 2012	Three months 2011
		€ thousand	€ thousand
Net Sales		529,280	500,287
Cost of sales		–264,550	–248,499
Gross profit		**264,730**	**251,788**
Research and development costs		–46,227	–37,637
Marketing and selling expenses		–141,651	–135,328
General administrative costs		–30,341	–32,525
Other operating income		1,535	1,676
Other operating expenses		–173	–4,857
		–216,857	**–208,671**
		47,873	**43,117**
Profit from investments in associates		186	212
Profit from other investments		0	0
Other financial result		–1,294	–736
Financial result (before interest result)	**6**	**–1,108**	**–524**
EBIT		**46,765**	**42,593**
Interest result	6	–9,879	–7,067
Earnings before income taxes		**36,886**	**35,526**
Income taxes	7	–11,453	–12,286
Earnings after income taxes		**25,433**	**23,240**
Earnings after income taxes		**25,433**	**23,240**
Earnings attributable to non-controlling interests		318	788
Earnings attributable to participation certificates (excluding minimum dividend, after taxes) [1]		1,028	2,465
Earnings attributable to shareholders		24,087	19,987
Undiluted earnings per share [2]			
per preferred share (in €)		1.47	1.22
per common share (in €)		1.45	1.20
Diluted earnings per share [2]			
per preferred share (in €)		1.46	1.22
per common share (in €)		1.44	1.20
Undiluted earnings per share on full distribution [2]			
per preferred share (in €)		1.12	0.87
per common share (in €)		1.10	0.85
Diluted earnings per share on full distribution [2]			
per preferred share (in €)		1.12	0.87
per common share (in €)		1.10	0.85

[1] The figure is calculated by accruing a dividend for participation certificates of EUR 1.80 (March 31, 2011: EUR 2.70) based on earnings in the first three months and in line with Dräger`s actual dividend policy to distribute around 15% (March 31, 2011: 30%) of total Group net profit (less earnings attributable to non-controlling interests).
[2] The dividend premium of EUR 0.06 on preferred shares is recognized pro rata on a quaterly basis.

STATEMENT OF COMPREHENSIVE INCOME

	Three months 2012	Three months 2011
	€ thousand	€ thousand
Earnings after income taxes	**25.433**	**23.240**
Currency translation adjustment for foreign subsidiaries	–2.610	–12.887
Change in the fair value of financial instruments recognized directly in equity	–165	445
Deferred taxes on changes in the fair value of financial instruments recognized directly in equity	0	–138
Actuarial gains / losses from defined benefit pension plans	357	–601
Deferred taxes on actuarial gains / losses from defined benefit pension plans	0	0
Other earnings (after taxes)	**–2.418**	**–13.181**
Total comprehensive income	**23.015**	**10.059**
thereof earnings attributable to non-controlling interests	235	188
thereof earnings attributable to participation certificates (excluding minimum dividend, after taxes) [1]	1.028	2.465
thereof earnings attributable to shareholders	21.752	7.406

[1] The figure is calculated by accruing a dividend for participation certificates of EUR 1.80 (March 31, 2011: EUR 2.70) based on earnings in the first three months and in line with Dräger`s actual dividend policy to distribute around 15% (March 31, 2011: 30%) of total Group net profit (less earnings attributable to non-controlling interests).

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

	Notes	March 31, 2012	December 31, 2011
		€ thousand	€ thousand
Assets			
Intangible assets	8	279,581	280,309
Property, plant and equipment	8	270,911	272,225 [1]
Investments in associates		239	306
Other non-current financial assets		10,466	9,766
Deferred tax assets	9	125,421	104,454
Other non-current assets		21,250	23,151 [1]
Non-current assets		**707,868**	**690,211**
Inventories	10	364,404	340,292
Trade receivables and receivables from construction contracts		515,406	586,488
Other current financial assets		24,322	19,883
Cash and cash equivalents		314,089	412,309
Current tax refund claims		18,288	7,531
Other current assets	11	81,664	58,475
Current assets		**1,318,173**	**1,424,978**
Total assets		**2,026,041**	**2,115,189**

[1] The equipment leased out is recognized in the property, plant and equipment. The prior year figures were adjusted accordingly.

	Notes	March 31, 2012	December 31, 2011
		€ thousand	€ thousand
Equity and liabilities			
Capital Stock		42,266	42,266
Capital reserves		158,098	158,098
Reserves retained from earnings, incl. group result		430,291	469,763
Participation capital		29,497	50,405
Other comprehensive income		–143	2,549
Non-controlling interests		6,749	6,535
Equity	**12**	**666,758**	**729,616**
Liabilities from participation certificates	13	18,637	31,164
Provisions for pensions and similar obligations		179,103	179,418
Non-current income tax provisions		483	562
Other non-current provisions	14	60,130	62,749
Non-current interest-bearing loans		363,907	365,266
Other non-current financial liabilities		8,631	8,849
Deferred tax liabilities		1,626	1,629
Other non-current liabilities		749	782
Non-current liabilities		**633,266**	**650,419**
Current income tax provisions		47,730	39,876
Other current provisions	14	230,104	228,198
Current loans and liabilities to banks		86,716	84,519
Trade payables		141,400	172,073
Other current financial liabilities		67,857	72,451
Current income tax liabilities		14,296	11,269
Other current liabilities		137,914	126,768
Current liabilities		**726,017**	**735,154**
Total equity and liabilities		**2,026,041**	**2,115,189**

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

		Three months 2012	Three months 2011
		€ thousand	€ thousand
Operating activities			
	Earnings after income taxes	25,433	23,240
+	Write-down / write-up of non-current assets	15,000	12,944
+ / –	Increase / decrease in provisions	8,432	–597
+	Other non-cash income / expenses	4,805	10,520
–	Gains from the disposal of non-current assets	–188	–262
–	Increase in inventories	–27,782	–20,375
+	Decrease in trade receivables	69,260	15,820
–	Increase in other assets	–38,968	–23,182 [1]
–	Decrease in trade payables	–30,537	–26,097
+	Increase in other liabilities	10,421	1,648
	Cash inflow / outflow from operating activities	**35,876**	**–6,341**
Investing activities			
–	Cash outflow for investments in intangible assets	–1,561	–1,739
+	Cash inflow from the disposal of intangible assets	12	0
–	Cash outflow for investments in property, plant and equipment	–11,364	–14,834 [1]
+	Cash inflow from disposals of property, plant and equipment	835	1,370
–	Cash outflow for investments in non-current financial assets	–1,038	–22
+	Cash inflow from the disposal of non-current financial assets	356	7
	Cash outflow from investing activities	**–12,760**	**–15,218**
Financing activities			
–	Cash outflows from the purchase of participation capital	–122,536	0
–	Cash used to redeem loans	–1,313	–2,377
+	Net balance of other liabilities to banks	3,755	6,627
–	Net balance of finance lease liabilities repaid / incurred	–105	–288
–	Cash outflow from the changes in shareholdings in subsidiiaries	–700	0
–	Profit distributed to non-controlling interests	0	–65
	Cash outflow / inflow from financing activities	**–120,899**	**3,897**
	Change in cash and cash equivalents in the fiscal year	**–97,783**	**–17,662**
– / +	Effect of exchange rates on cash and cash equivalents	–437	–7,331
+	Net balance of other liabilities to banks	412,309	320,037
	Cash and cash equivalents on reporting date	**314,089**	**295,044**

[1] The equipment leased out is recognized in the property, plant and equipment. The prior year figures were adjusted accordingly.

For notes to the cash flow statement, please see page 16.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

					Other comprehensive income					
	Capital Stock	Capital reserves	Reserves retained from earnings incl. group result	Partici-pation capital	Currency translation differences	Derivative financial inst-ruments	Total other compre-hensive income	Total equity of share-holder Drägerwerk AG & Co. KGaA	Non-controlling interests	Equity
	€ thousand	**€ thousand**	**€ thousand**	**€ thousand**	**€ thousand**	**€ thousand**	**€ thousand**	**€ thousand**	**€ thousand**	**€ thousand**
January 1, 2011	**42,266**	**158,098**	**380,285**	**50,404**	**803**	**–692**	**111**	**631,164**	**5,399**	**636,563**
Earnings after income taxes	–	–	22,452	–	–	–	0	22,452	788	23,240
Other earnings	–	–	–601		–12,287	307	–11,980	–12,581	–600	–13,181
Total compre-hensive income	**–**	**–**	**21,851**	**–**	**–12,287**	**307**	**–11,980**	**9,871**	**188**	**10,059**
Distributions	–	–	–	–	–	–	0	0	–65	–65
Changes in the scope of consoli-dation / other	–	–	1,215	–	–	–	0	1,215	–	1,215
March 31, 2011	**42,266**	**158,098**	**403,351**	**50,404**	**–11,484**	**–385**	**–11,869**	**642,250**	**5,522**	**647,772**
January 1, 2012	**42,266**	**158,098**	**469,763**	**50,405**	**4,090**	**–1,541**	**2,549**	**723,081**	**6,535**	**729,616**
Earnings after income taxes	–	–	25,115	–	–	–	0	25,115	318	25,433
Other earnings	–	–	357	–	–2,527	–165	–2,692	–2,335	–83	–2,418
Total compre-hensive income	**–**	**–**	**25,472**	**–**	**–2,527**	**–165**	**–2,692**	**22,780**	**235**	**23,015**
Distributions	–	–	–	–	–	–	0	0	–	0
Buyback of partici-pation certificates (equity compo-nents)	–	–	–64,269	–20,908	–	–	0	–85,177	–	–85,177
Change in the sha-res in subsidiaries, excluding loss of control	–	–	–684	–	–	–	0	–684	–21	–705
Changes in the scope of consoli-dation / other	–	–	9	–	–	–	0	9	–	9
March 31, 2012	**42,266**	**158,098**	**430,291**	**29,497**	**1,563**	**–1,706**	**–143**	**660,009**	**6,749**	**666,758**

Notes of the Dräger Group as of March 31, 2012 (condensed)

1 BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA, Lübeck, prepared its group financial statements for fiscal year 2011 in accordance with the International Financial Reporting Standards (IFRS) as defined by the International Accounting Standards Boards (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). In financial year 2012, the interim financial statements of the Dräger Group have therefore also been prepared in accordance with IFRS and the interim reports in compliance with IAS 34 as well as German Accounting Standard No. 16 (GAS 16 – Interim Financial Reporting) of the German Accounting Standards Committee (GASC).

The interim report was not audited or reviewed by an auditor.

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

2 ACCOUNTING POLICIES

The same accounting principles as in the group financial statements for 2011 were applied in preparing the interim financial statements and calculating the comparative figures. A detailed description of these methods is published in the notes to the group financial statements in the 2011 annual report. The report is available for download online at **www.draeger.com**.

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

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

The following amendment to an existing standard published by the IASB, which has already been adopted in EU law, will be applied for the first time in fiscal year 2012:

- In line with the amendment to IFRS 7 “Disclosures – Transfers of Financial Assets (revised 2010)”, additional disclosures for the transfer of financial assets must be made for financial assets in which the transferring entity retains a continuing interest, if an unusually large amount is transferred by the end of a reporting period.

The following amendment to a standard was published within the past three months until March 31, 2012 by the IASB but has not yet been adopted in EU law. The amendment is of no relevance for Dräger Group and has not been applied:

- The amendment to IAS 1 “Government Loans (issued March 2012)” stipulates how IFRS first-time adopters must recognize a public loan, which is issued with an interest rate below the market rate, at the time of transitioning to IFRS. This amendment provides IFRS 1 with the same relief for first-time adopters as IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance”.

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

3 SCOPE OF CONSOLIDATION AND CONSOLIDATION PRINCIPLES

There were no significant changes to the scope of consolidation compared to December 31, 2011 and March 31, 2011. The same consolidation principles were applied as in the 2011 group financial statements.

4 BUYBACK OF DRÄGER PARTICIPATION CERTFICATES

On February 15, 2012, Drägerwerk AG & Co. KGaA published an ad hoc report in accordance with Sec. 15 of the German Securities Trading Act (WpHG) in which it made a legally non-binding request to the holders of series A, K and D participation certificates to submit offers to Drägerwerk AG & Co. KGaA for the sale of their participation certificates at a price of EUR 210.00 each. The offer period started on February 20, 2012 and ended on March 19, 2012.

At the end of the offer period, Drägerwerk AG & Co. KGaA had received offers for 581,474 participation certificates. These offered participation certificates were bought back on March 22, 2012 at a volume of EUR 122,109 thousand (plus EUR 427 thousand in incidental buyback costs). 41.1 percent of the participation certificates were bought back. This percentage is divided between the individual participation certificate series as follows:

BUYBACK RATIO FOR PARTICIPATION CERTIFICATES

	Series A	Series D	Series K	Total
Number of participation certificates prior to buyback	315,600	992,620	105,205	1,413,425
Number of repurchased participation certificates	120,355	425,801	35,318	581,474
Buyback ratio	**38.1%**	**42.9%**	**33.6%**	**41.1%**

The EUR 88,344 thousand difference between the buyback value of EUR 122,109 thousand and the carrying value of the debt and equity components of the bought back participation certificates is divided between the two components. In accordance with IAS 32, the EUR 2,853 thousand share of the difference relating to the debt component has to be recognized in the income statement, and the remainder of EUR 85,491 thousand pertaining to the equity component directly in equity in retained earnings (see also note 12).

5 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Medical division	
		Three months 2012	Three months 2011
Order intake	**€ million**	**348.6**	**357.1**
Orders on hand [1]	**€ million**	**328.8**	**307.0**
Net sales	**€ million**	**337.6**	**321.6**
thereof intersegment net sales	€ million	0.6	0.2
thereof third party net sales	€ million	337.0	321.4
EBITDA	**€ million**	**34.5**	**36.1**
Depreciation / amortization	€ million	–6.4	–5.5
EBIT	**€ million**	**28.2**	**30.6**
Interest result	€ million		
Income taxes	€ million		
Earnings after income taxes	**€ million**		
thereof profit / loss from investments in associates	€ million		
Research and development expenses	**€ million**	**31.7**	**26.3**
Cash flow from operating activities [5]	**€ million**	**27.3**	**9.1**
Capital employed [1]	**€ million**	**542.0**	**534.8**
Assets [1]	**€ million**	**972.3**	**948.3**
thereof investments in associates	€ million	–	–
Liabilities [1]	**€ million**	**395.3**	**370.3**
Net financial debt [1]	**€ million**		
Investments	**€ million**	**4.4**	**10.8**
Non-cash expenses	€ million	38.4	42.2
EBIT / net sales	**%**	**8.3**	**9.5**
EBIT [2] **/ capital employed** [1] **(ROCE)**	**%**	**32.6**	**33.7**
Net financial debt [1] **/ EBITDA** [3]	**factor**		
Gearing	**factor**		
DVA [4]	**€ million**	**141.3**	**127.1**
Headcount [1]		**6,790**	**6,481**

[1] Value as of March 31
[2] EBIT of the last twelve monthse
[3] EBITDA of the last twelve monthse
[4] Dräger Value Added
[5] The equipment leased out is recognized in the property, plant and equipment. The prior year figures were adjusted accordingly.

	Safety division		Drägerwerk AG & Co. KGaA / other companies		Consolidations		Dräger Group	
	Three months 2012	Three months 2011	Three months 2012	Three months 2011	Three months 2012	Three months 2011	Three months 2012	Three months 2011
	209.9	204.0	3.7	3.8	–11.4	–11.3	550.9	553.6
	152.2	157.4	–	–	–1.1	–1.8	479.9	462.7
	199.5	185.9	3.7	3.8	–11.6	–11.0	529.3	500.3
	7.9	7.7	3.1	3.1	–11.6	–11.0	–	–
	191.7	178.3	0.6	0.6	–	–	529.3	500.3
	33.2	26.4	29.0	22.4	–34.9	–29.4	61.8	55.4
	–5.8	–4.8	–2.9	–2.6	–	–	–15.0	–12.8
	27.4	21.6	26.1	19.8	–34.9	–29.4	46.8	42.6
							–9.9	–7.1
							–11.5	–12.3
							25.4	23.2
							0.2	0.2
	13.8	10.8	–0.7	0.5	1.5	0.0	46.2	37.6
	25.4	–5.2	5.3	13,7	–22.2	–24.0	35.9	–6.3
	192.1	205.7	760.2	748.9	–614.7	–613.5	879.6	875.9
	371.5	368.2	829.5	844.0	–632.3	–642.7	1,540.9	1,517.8
	–	0.6	0.2	0.3	–	–	0.2	0.9
	161.3	146.9	67.0	69.4	–31.6	–8.9	592.0	577.8
							138.9	117.6
	6.5	5.4	–	–	2.1	1.9	13.0	18.0
	22.9	19.6	9.0	8.8	4.4	4.2	74.7	74.8
	13.7	11.6	–	–	–	–	8.8	8.5
	42.6	34.0	–	–	–	–	24.8	22.7
							0.50	0.53
							0.21	0.18
	63.6	52.0	–	–	–	–	138.9	118.0
	4,642	4,423	682	549	–	–	12,114	11,453

The key figures from the segment report are as follows:

EBIT / EBITDA

	Three months 2012	Three months 2011
Earning after income taxes	25,433	23,241
+ Interest result	9,879	7,067
+ Income taxes	11,453	12,285
EBIT	**46,765**	**42,593**
+ Depreciation / amortization	15,038	12,849
EBITDA	**61,803**	**55,442**

CAPITAL EMPLOYED

	March 31, 2012	March 31, 2011
Total assets	2,026,041	1,957,263
– Deferred tax assets	–125,421	–105,208
– Cash and cash equivalents	–314,089	–295,044
– non-interest bearing liabilities	–706,937	–681,147
Capital Employed	**879,594**	**875,864**

ASSETS

	March 31, 2012	March 31, 2011
Total assets	2,026,041	1,957,263
– All other financial assets	–3,215	–3,887
– Deferred tax assets	–125,421	–105,208
– Tax refund claims (current and non-current)	–42,376	–35,333
– Cash and cash equivalents	–314,089	–295,044
Assets	**1,540,940**	**1,517,791**

LIABILITIES

	March 31, 2012	March 31, 2011
Liabilities recognized in the balance sheet	1,359,283	1,309,491
– Provisions for pensions and similar obligations	–179,103	–182,983
– Tax liabilities, tax provisions, tax accruals and deferred tax liabilities	–116,588	–105,888
– Interest-bearing liabilities	–471,618	–442,856
Liabilities	**591,974**	**577,764**

NET FINANCIAL DEBT

	March 31, 2012	March 31, 2011
Non-current interest-bearing loans	363,907	316,417
+ Current loans and liabilities to banks	86,716	93,635
+ Finance leases	2,358	2,576
– Cash and cash equivalents	–314,089	–295,044
Net financial debt	**138,892**	**117,584**

NON-CASH EXPENSES

	Three months 2012	Three months 2011
Write-downs on inventories	5,895	3,098
+ Losses from bad debt allowances	–12	4,873
+ Allocations to provisons	68,851	66,794
Non-cash expenses	**74,734**	**74,765**

DVA

	March 31, 2012	March 31, 2011
EBIT (of the last twelve months)	217,949	198,624
– Cost of capital (Basis: average of capital employed in the past twelve months)	–78,999	–80,662
DVA	**138,950**	**117,962**

Gearing is the ratio of net financial debt to equity.

Tax accruals and deferrals during the year are taken into account in the ”capital employed”, “assets” and “liabilities” items of the segment report.

The business performance of the individual segments is detailed in the management report accompanying these interim financial statements. Services rendered between the divisions are accounted for using the arm’s length principle.

6 FINANCIAL RESULT

FINANZERGEBNIS

	Three months 2012	Three months 2011
Financial result (before interest result)	**–1,108**	**–524**
Interest and similar income	1,739	978
Interest and similar expenses	–11,618	–8,045
Interest result	**–9,879**	**–7,067**

The financial result changed year-on-year, mainly due to the buyback of participation certificates and the resulting interest expense of EUR 2,853 thousand (see also Note 4).

7 INCOME TAXES

Income taxes for the first quarter of 2012 were calculated on the basis of an anticipated group tax rate of 31.5 percent (3 months 2011: 33.0 percent).

8 INTANGIBLE ASSETS / PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS / PROPERTY, PLANT AND EQUIPMENT

	Carrying value January 1, 2012	Additions	Disposals / other changes	Impairment losses	Carrying value March 31, 2012
Intangible assets	280,309	1,415	–386	1,757	279,581
Property, plant and equipment	272,225	11,623	344	13,281	270,911

9 DEFERRED TAX ASSETS

The rise in deferred tax assets resulted exclusively from the buyback of participation certificates (see also Notes 4 and 12).

10 INVENTORIES

INVENTORIES

	March 31, 2012	December 31, 2011
Finished goods and merchandise	194,743	179,174
Work in progress	64,722	59,351
Raw materials, consumables and supplies	102,960	100,467
Payments made	1,979	1,300
	364,404	**340,292**

11 OTHER CURRENT ASSETS

OTHER CURRENT ASSETS

	March 31, 2012	December 31, 2011
Prepaid expenses	33,840	23,732
Other tax refund claims	24,087	19,809
Other	23,737	14,934
	81,664	**58,475**

The increase in prepaid expenses is largely attributable to deferred expenses in the current year. The rise in other tax refund claims primarily resulted from sales taxes. All other current assets increased due to the balance sheet date.

12 EQUITY

On February 15, 2012, Drägerwerk AG & Co. KGaA published an ad hoc report in accordance with Sec. 15 of the German Securities Trading Act (WpHG) in which it made a legally non-binding request to the holders of series A, K and D participation certificates to submit offers to Drägerwerk AG & Co. KGaA for the sale of their participation certificates at a price of EUR 210.00 each.

Participation capital

The buyback of the offered participation certificates decreased the share of participation capital in equity by EUR 20,908 thousand, from EUR 50,405 thousand to EUR 29,497 thousand.

Retained earnings

The EUR 88,344 thousand difference between the buyback value of EUR 122,109 thousand and the carrying value of the debt and equity components of the bought back participation certificates is divided between the two components. The EUR 85,491 thousand share pertaining to the equity component was recognized directly in equity in retained earnings. Reserves retained from earnings, including group result, therefore changed as follows:

RESERVES RETAINED FROM EARNINGS, INCL. GROUP RESULT AS OF MARCH 31, 2012

Reserves retained from earnings incl. group result as of January 1, 2012	469,763
Effect from the sale of participation certificates (recognized in equity)	–64,269
Total comprehensive income (excluding non-controlling interests)	25,472
Other effects	–675
Reserves retained from earnings incl. Group result as of March 31, 2012	**430,291**

EFFECT FROM THE SALE OF PARTICIPATION CERTIFICATES (RECOGNIZED IN EQUITY)

Share of purchased participation certificate equity components of the difference	85,491
Tax effect (recognized in equity)	–21,222
Effect from the sale of participation certificates (recognized in equity)	**64,269**

13 LIABILITIES FROM PARTICIPATION CERTIFICATES

The EUR 12,527 thousand drop in liabilities from participation certificates from EUR 31,164 thousand to EUR 18,637 thousand was exclusively due to the buyback of the 581,474 participation certificates (see also Note 4).

14 OTHER NON-CURRENT AND CURRENT PROVISIONS

Other non-current provisions as of March 31, 2012 mainly comprised provisions for personnel obligations of EUR 32,369 thousand (December 31, 2011: EUR 32,290 thousand).

Other current provisions as of March 31, 2012 also included monthly accruals and chiefly consisted of provisions for personnel obligations of EUR 81,008 thousand (December 31, 2011: EUR 95,854 thousand), and warranty provisions of EUR 33,220 thousand (December 31, 2011: EUR 30,644 thousand).

15 RELATED PARTY TRANSACTIONS

Services were rendered for companies related to Stefan Dräger and for the Dräger Foundation totaling EUR 10 thousand in the first quarter of 2011 (3 months 2011: EUR 7 thousand). Receivables came to EUR 8 thousand as of March 31, 2012. 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.

16 SUBSEQUENT EVENTS

By resolution dated April 16, 2012, Drägerwerk AG & Co. KGaA redeemed the acquired participation certificates.

Lübeck, Germany, April 30, 2012

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Anton Schrofner

FINANCIAL CALENDAR

Report as of March 31, 2012, conference call, Lübeck	May 3, 2012
Annual shareholders' meeting, Lübeck	May 4, 2012
Report as of June 30, 2012, conference call, Lübeck	August 2, 2012
Report as of September 30, 2012, conference call, Lübeck	November 1, 2012

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