Quarterly Report
January 1 to March 31, 2011
Dräger Group

Dräger. Technology for Life®

THE DRÄGER GROUP OVER THE PAST FIVE YEARS

		Three months 2007	Three months 2008	Three months 2009	Three months 2010	Three months 2011	Change on 2010 in %
Order intake	€ million	444.9	493.8	448.6	488.2	553.6	+13.4
Orders on hand [1]	€ million	356.3	467.3	424.5	472.9	462.7	–2.2
Net sales	€ million	392.5	405.7	425.2	465.9	500.3	+7.4
EBITDA [2]	€ million	30.3	23.8	21.0	50.0	55.4	+10.8
EBIT [3]	€ million	17.4	10.4	6.5	36.8	42.6	+15.9
in % of net sales (EBIT margin)	%	4.4	2.6	1.5	7.9	8.5	
Interest result	€ million	–5.3	–6.3	–6.7	–7.7	–7.1	–8.3
Income taxes	€ million	–4.6	0.0	0.1	–10.3	–12.3	+18.8
Earnings after income taxes	€ million	7.5	4.1	–0.1	18.7	23.2	+24.3
Earnings attributabel to shareholders	€ million	4.8	0.3	–1.4	17.4	20.0	+14.9
Earnings per share							
per preferred share [4]	€	0.39	0.03	–0.10	1.38	1.22	
per common share [4]	€	0.37	0.01	–0.12	1.36	1.20	
Equity [1]	€ million	513.6	537.4	560.8	429.9	647.8	+50.7
Equity ratio [1]	%	31.0	33.6	34.6	21.8	33.1	
Capital employed [1,5]	€ million	953.6	939.6	969.9	715.6	875.9	+22.4
EBIT [3,7] / capital employed [1,5] (ROCE)	%	15.2	12.5	10.5	15.4	22.7	
Net financial debt [1,6]	€ million	284.4	256.3	265.0	353.7	117.6	–66.8
DVA [8]	€ million	62.1	32.6	16.0	32.4	118.0	+264.2
Headcount [1]		10,069	10,532	11,006	11,133	11,453	+2.9

[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] Conversion to a partnership limited by shares on December 14, 2007
[5] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[6] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Previous years' figures were adjusted accordingly.
[7] EBIT of the last twelve months
[8] Dräger Value Added = EBIT of the last twelve months less cost of capital

Letter from the Executive Board Chairman

Dear Shareholders,

After the natural and nuclear disaster in Japan, I find it rather difficult to just carry on with the agenda as if nothing had happened. Please allow me therefore to formulate some of my fundamental thoughts before informing you about our business developments in the first quarter of 2011.

During such a disaster, my very first thought goes out to the victims and I think: “How can we help?” We immediately decided to provide an aid package containing our know-how and “Technology for Life”. By doing so, we primarily aim to protect, support and save lives wherever and whenever possible. We know that this is just a drop in the ocean when we think of all the lives lost, cities destroyed and people’s tragic fates. But it is an important sign of respect for the efforts of the people in the affected areas.

This earthquake and its aftermath have obviously shaken us Europeans as well. In March 2011, for instance, the most popular search term on the Dräger website was “Geiger counter” – although we don’t even sell these devices. One look at Japan shows us how even as victims we can work on rebuilding our lives with courage and humility. This has left a great impression on me. And I am proud that our Japanese colleagues are helping with the rebuilding of the country, and that our safety technology is being used to protect the lives of the rescue teams and aid workers.

Every single day of the year, people around the world rely on our “Technology for Life”: from the Chinese coal mines to a warehouse fire in Chile, a premature birth in Sweden, breath alcohol tests using Interlock in the US, anesthesia in Australia, an oil platform in the North Sea or the ventilation of a seriously ill patient in Peru. But it’s not just extreme situations that make our work so important. It is our customers’ knowledge that they can rely on our products at all times. My second thought after such a terrible catastrophe is: Everything we do has a deeper meaning.

We demand from ourselves not just to do something meaningful but to do it in the right manner. Our customers have a right to expect that we, as a company, and our products are reliable. This also explains why we place such high demands on our suppliers. You, dear Shareholders, have a right to expect that we are working on generating sustainable values. Our employees have a right to expect us to provide them with security, development opportunities and freedom for new ideas – and to participate in the successes they have helped to create.

We promised you that we would use 2011 to invest in the future. In the medium term, we are aiming at growing stronger than the market and achieving an EBIT margin of at least 10 percent. In the first quarter, we increased our investments in new products, our IT, and also marketing and sales. Our net sales increased by at least 7 percent and our EBIT margin came to 8.5 percent. In addition, advantageous exchange rates, a favorable product mix and the continued positive development in the medical division as well as high capacity utilization and consequently a steep rise in profitability in the safety division helped us to achieve this result. We are aware of both the current advantageous general conditions as well as risks and uncertainties. These have not diminished in view of the disaster in Japan. There are no indications of direct supply disruptions at present, but the already announced price hikes for raw materials are definitely on the cards, and this may even be a sign of possible inflation. In view of these general conditions, we expect our order intake to grow at least at the pace of global economic growth. Due to the very high number of orders on hand at the beginning of fiscal year 2011, net sales are likely to grow 1 to 2 percentage points less than order intake. In order to achieve higher net sales and an EBIT margin of at least 10 percent in the medium term, we will increase our investments in new products, sales and marketing and our IT infrastructure in 2011. We therefore expect our EBIT margin to total between 7.5 percent and 8.5 percent in the current year.

We aim to be ready for the next slump of the global economy – in all areas. We have learned from the crisis: A strong equity base and high degree of liquidity also provide us with a strategic advantage. For this reason, we are aiming to generate an equity ratio of at least 35 percent. And this is written down in our Company Principles.

We nevertheless achieved an impressive capital efficiency. Our return on capital employed in the past twelve months came to 22.7 percent, a superb figure. In our dividend policy, we have agreed to let you, dear Shareholders, participate more strongly and more reliably in our earnings development than in the past. The dividend share for the first quarter of 2011 therefore comes to EUR 0.25 per common share and EUR 0.27 per preferred share. Both types of share also outperformed the benchmark indices DAX and TecDAX in the first quarter of 2011.

After taking some large steps already in the past two years, we are now working on creating a solid foundation for sustainable future growth – with courage and humility.

Best regards,

Stefan Dräger

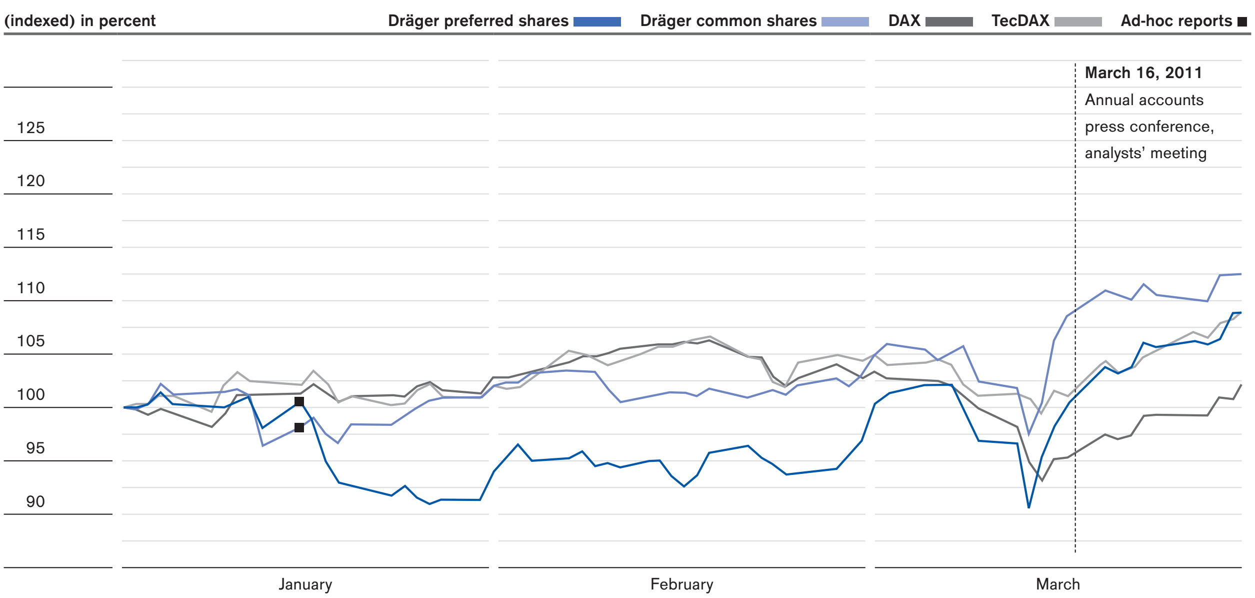
Stefan Dräger

Dräger shares

SHARE PRICE DEVELOPMENTS

Despite a turbulent start to 2011 – optimism on the stock exchanges in January, the crises in Libya and Japan in February and March – both Dräger common and preferred shares rose by around 12 percent and 9 percent respectively and outperformed their benchmark indices DAX (+1 percent) and TecDAX (+8 percent).

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 2011	Three months 2010
Common shares [1]		
No. of shares on the reporting date	10,160,000	6,350,000
High (in €)	56.00	–
Low (in €)	48.00	–
Share price on the reporting date (in €)	56.00	–
Average daily trading volume [2]	8,476	–
Earnings per common share (in €)	1.20	1.36
Preferred share		
No. of shares on the reporting date	6,350,000	6,350,000
High (in €)	68.53	54.50
Low (in €)	57.05	31.35
Share price on the reporting date (in €)	68.53	51.60
Average daily trading volume [2]	31,539	61,622
Earnings per preferred share (in €)	1.22	1.38
Market capitalization [3]	1,004,125,500	655,320,000

[1] Initial listing at Frankfurt Stock Exchange on June 21, 2010.
[2] All German stock exchanges (Source: designated sponsors)
[3] The market capitalization of common shares in 2010 was based on the price of preferred shares.

Management report of the Dräger Group for the first quarter of 2011

General economic conditions

GLOBAL ECONOMY

The global economy grew very dynamically and stronger than expected in the first quarter of 2011. According to the OECD [1], the gross domestic product (GDP) of the leading industrialized nations (excluding Japan) rose by 3.2 percent year-on-year; in the last quarter of 2010 it increased 2.1 percent. At the beginning of the year, the dynamically growing emerging countries, China and India in particular, once again provided important growth momentum. The aftermath of the natural disaster in Japan however increased uncertainties about the short-term development of this country in the opinion of the OECD. For this reason, the organization did not publish any forecast for the Japanese economy at the beginning of April. Initial estimates expect growth to have slowed down by 0.2 to 0.6 percentage points in the first quarter of 2011. The US economy remained on its growth path with an increase of 3.1 percent.

The economic upturn in the eurozone gained momentum in the first quarter of the year. According to OECD estimates, the GDP of the three largest economies Germany, France and Italy increased by 3.0 percent in the first quarter of 2011 compared to 1.2 percent in the previous three quarters. Growth in the individual countries in the eurozone developed very differently – as it did in the rest of the world. The German economy was once again the main driver of the entire eurozone. After increasing by 1.5 percent in the fourth quarter of 2010, the GDP grew by 3.7 percent between January and March 2011, according to OECD estimates. Catch-up effects in the construction sector and impulses provided by the industry were important growth drivers.

INFLATION

The political instabilities in some of the oil-producing countries in the Middle East and North Africa led to an oil price hike. Together with rising prices for other raw materials, this increased global inflationary pressure. According to Eurostat [2], prices increased by an estimated 2.6 percent in March 2011, reaching the highest level since October 2008. According to Destatis [3], the inflation rate in Germany was 2.1 percent in March 2011. Prices went up by more than 2.0 percent for the fourth time in a row, triggering a u-turn in monetary policies in the eurozone in the first quarter of 2011. For the first time in almost two years, the European Central Bank (ECB) put up its key interest rate from

[1] Organization for Economic Co-operation and Development
[2] EU Statistical Office
[3] German Federal Statistical Office

1.0 percent to 1.25 percent. The US Federal Reserve, on the other hand, did not change any of its monetary policies. China's central bank raised its key interest rate for the fourth time since October 2010 by 0.25 basis points to 6.31 percent on account of the growing inflation and financial bubbles.

EXCHANGE RATE

On April 6, 2011, the nominal effective exchange rate of the euro was 3.9 percent higher than at the end of December 2010 and 2.0 percent lower than last year's annual average – measured by the currencies of the 20 most important trading partners of the eurozone. The value of the common currency increased, particularly compared to the US dollar, despite the ongoing debt and banking problems of some EU member states. On April 6, 2011, one euro was worth USD 1.4331 – 7.1 percent up on its value at the end of December 2010 and around 8.0 percent respectively above its average value in 2010.

EFFECTS OF THE ECONOMIC ENVIRONMENT ON THE GROUP

In the first quarter of 2011, Dräger profited in particular from the emerging countries' growth and strong demand in the Americas region. Low interest rates in the US and Europe created additional stimuli for demand. The debt-induced restrictive monetary policies of some countries like Greece, Spain and Portugal however slowed down demand from customer groups such as hospitals, fire fighting services and the police force. The Chinese Minister of Health announced the continuation of the investment program for hospitals and small healthcare centers in February. This increased planning security, whereas the effects of the disaster in Japan cannot yet be reliably determined. On the supply side, there are currently no indications of any major disruptions in Dräger's supply chain.

The weakness of the euro – against the US dollar as well as the 20 most important eurozone trading partners – had a positive impact on Dräger. Net of currency effects, net sales would have risen by 5.7 percent instead of 7.4 percent and order intake by just 11.8 percent instead of 13.4 percent. The Company was able to compensate for the increased raw materials prices by initiating improvements to its purchasing conditions as part of the turnaround program.

MEDICAL DIVISION – INDUSTRY PERFORMANCE

The positive economic development in the medical technologies markets continued in the first quarter of 2011. In Europe however, demand developed very differently: While Germany and parts of West Europe such as Belgium recorded an increase in the volume of investments, market participants remained reluctant to buy in South Europe as a result of the financial crisis. In North America, the number of new and replacement acquisitions increased steeply in line with the economic recovery. In high-growth emerging countries such as Brazil, India and China, demand for medical technology continued to increase as before. Even though many of Japan’s hospitals have been damaged or destroyed and have to be rebuilt, the effects of the disaster in this country and the political crisis in North Africa on the respective medical technology markets cannot be reliably determined as yet.

SAFETY DIVISION – INDUSTRY PERFORMANCE

With the exception of South Europe, demand in the safety technology markets, especially in the core business, developed very positively in the first quarter of 2011. Growing production in the steel and chemical industries resulted in increased demand for safety technology. In the mining sector, plant and machinery that was temporarily shut down during the financial crisis was started up again on top of a rise in the number of new investments. The effects of the disaster in Japan and the political crisis in North Africa on the respective safety technology markets cannot be reliably determined at present.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Three months 2011	Three months 2010	Change in %
Order intake	**€ million**	**553.6**	**488.2**	**+13.4**
Orders on hand [1]	**€ million**	**462.7**	**472.9**	**–2.2**
Net sales	**€ million**	**500.3**	**465.9**	**+7.4**
EBITDA [2]	**€ million**	**55.4**	**50.0**	**+10.8**
Depreciation / amortization	€ million	–12.8	–13.2	–2.5
EBIT [3]	**€ million**	**42.6**	**36.8**	**+15.9**
Interest result	€ million	–7.1	–7.7	–8.3
Income taxes	€ million	–12.3	–10.3	+18.8
Earnings after income taxes	**€ million**	**23.2**	**18.7**	**+24.3**
Earnings per share				
per preferred share	€	1.22	1.38	
per common share	€	1.20	1.36	
Research and development costs	€ million	37.6	33.9	+11.1
Equity ratio [1]	%	33.1	21.8	
Cash flow from operating activities	€ million	–7.2	26.2	–127.4
Net financial debt [1]	€ million	117.6	353.7	–66.8
Investments	€ million	18.0	7.7	+132.6
Capital employed [1,4]	€ million	875.9	715.6	+22.4
Net working capital [1,5]	€ million	357.7	208.0	+71.9
EBIT [3] / net sales	%	8.5	7.9	
EBIT [3,7] / capital employed [1,4] (ROCE)	%	22.7	15.4	
Net financial debt [1] / EBITDA [9]	Factor	0.5	2.0	
Gearing [6]	Factor	0.2	0.8	
DVA [8]	€ million	118.0	32.4	+264.2
Headcount [1]		11,453	11,133	+2.9

[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] EBIT of the last twelve month
[8] Dräger Value Added = EBIT of the last twelve months less cost of capital
[9] EBITDA of the last twelve month

Business performance of the Dräger Group

ORDER INTAKE

in € million	Three months 2011	Three months 2010	Change in %	Net of currency effects in %
Germany	114.8	108.3	+6.0	+6.0
Rest of Europe	188.4	173.2	+8.9	+7.6
Americas	120.4	104.8	+14.9	+14.3
Asia / Pacific	83.9	73.3	+14.5	+8.0
Other	46.1	28.6	+61.2	+59.9
Total	**553.6**	**488.2**	**+13.4**	**+11.8**

In the first quarter of 2011, order intake rose by 11.8 percent (net of currency effects) compared to the previous year. The Americas and Other Countries regions were the main drivers, whereby in the Other Countries region, especially in Africa and the Middle East, developments were very positive. While order intake in the safety division rose steeply by 16.0 percent (net of currency effects), it increased by 9.2 percent (net of currency effects) in the medical division.

ORDERS ON HAND

in € million	March 31, 2011	March 31, 2010	Change in %	Net of currency effects in %
Germany	86.6	92.6	–6.5	–6.5
Rest of Europe	162.1	178.6	–9.2	–9.6
Americas	101.7	97.3	+4.6	+7.9
Asia / Pacific	67.4	65.9	+2.3	+0.7
Other	44.9	38.5	+16.5	+17.2
Total	**462.7**	**472.9**	**–2.2**	**–1.8**

Equipment orders on hand covered a 2.7 month period as of March 31, 2011 (March 31, 2010: 3.2 months). On December 31, 2010, they covered a period of 2.4 months.

NET SALES

in € million	Three months 2011	Three months 2010	Change in %	Net of currency effects in %
Germany	98.8	93.0	+6.2	+6.2
Rest of Europe	173.3	183.4	–5.4	–6.7
Americas	111.9	85.4	+31.0	+30.4
Asia / Pacific	84.2	69.7	+20.8	+14.3
Other	32.1	34.4	–6.8	–7.9
Total	**500.3**	**465.9**	**+7.4**	**+5.7**

Compared to the previous year, net sales increased 5.7 percent (net of currency effects) thanks to especially positive developments in the Americas and Asia / Pacific regions in the first quarter of 2011. Both divisions contributed to this success: The safety division recorded 9.1 percent growth (net of currency effects) and the medical division 3.7 percent.

EARNINGS

In the first quarter of 2011, the gross margin came to 50.3 percent, 1.4 percentage points up on the previous year's figure. Apart from an increase in net sales, the main contributors to this improvement were favorable exchange rate developments, a changed product mix that includes more products with strong margins, and material cost savings. Gross profit increased by EUR 23.8 million to EUR 251.8 million year-on-year, corresponding to more than 10.0 percent growth.

In the first quarter of 2011, functional costs rose by 13.4 percent compared to the previous year's figure. The increase in personnel expenses had a negative impact, in particular in Sales and Service – due to customer relations being intensified and sales activities being expanded – and in Research & Development. In addition, earnings from the sale of software codes of EUR 4.4 million were included in the previous year's period, and the changes in exchange rates compared to the euro also had a negative effect on functional costs.

Dräger upped its investments in research and development considerably by 11.1 percent in the first three months of 2011 with the goal of further increasing the percentage of new high-margin products in total net sales. The research and development (R&D) ratio therefore increased to 7.5 percent of net sales year-on-year (3 months 2010: 7.3 percent).

The other financial result increased by EUR 6.8 million compared to the previous year, as the option component related to the buyback of the 25 percent Siemens share in the medical division was repaid.

Dräger achieved total Group EBIT of EUR 42.6 million (3 months 2010: EUR 36.8 million). The EBIT margin rose from 7.9 percent in the previous year to 8.5 percent.

The interest result increased slightly by EUR 0.6 million to EUR 7.1 million year-on-year. This is partly due to the repayment of a note loan in December 2010 and the fact that loan commitment fees for the loan concluded with the Kreditanstalt für Wiederaufbau (KfW) in September 2009, which were included in the interest result, were no longer applicable.

Income taxes (excluding income taxes for previous years) were calculated on the basis of earnings before income taxes and anticipated group tax rate of 33 percent.

Earnings after income taxes increased by EUR 4.5 million to EUR 23.2 million year-on-year.

The dividend for participation certificates, based on the quarterly result and applying the current dividend policies, was taken into account when calculating the share in net profit for participation certificates (excluding minimum dividend after taxes), resulting in a dividend of EUR 0.25 per common share and EUR 0.27 per preferred share for the first quarter.

INVESTMENTS

In the first quarter of 2011, Dräger invested EUR 1.7 million (3 months 2010: EUR 0.8 million) in intangible assets and EUR 16.3 million in property, plant and equipment (3 months 2010: EUR 6.9 million). Investments included EUR 5.6 million for a new production and logistics building for the Infrastructure Projects business of the medical division. The total investment volume for the project amounts to just under EUR 13 million; the project is almost completed. Depreciation and amortization in the first quarter of 2011 amounted to EUR 12.8 million and covered 71 percent of the investments. In the same period in 2010, EUR 13.2 million in depreciation and amortization covered the investments in full.

CASH FLOW STATEMENT

In the first three months of 2011, Dräger Group's cash outflow from operating activities amounted to EUR 7.2 million compared to cash inflow of EUR 26.2 million in the previous year. On the one hand, net profit (net of depreciation and amortization, changes in provisions recognized directly in equity and other non-cash income) came in at EUR 7.3 million, and inventories amounted to EUR 20.4 million – therefore showing less growth than in the previous year (3 months 2010: EUR 46.4 million). On the other hand, at a total of EUR 69.7 million, the following developments had a contrary effect: Due to the rise in Dräger Group's quarterly net sales, trade receivables dropped by merely EUR 15.8 million (3 months 2010: EUR 39.6 million). Dräger also recorded a decrease in trade payables of EUR 26.1 million (3 months 2010: increase of EUR 4.7 million). Other liabilities rose by EUR 1.6 million (3 months 2010: EUR 16.9 million).

EUR 3.0 million of the cash outflow from investing activities of EUR 14.4 million (3 months 2010: EUR 6.7 million) were for investments in the construction of the new production and logistics building for the Infrastructure Projects business at the Lübeck site. Further investments in this project to the amount of EUR 2.6 million were still classed as a non-cash expense as of the reporting date.

An increase in current liabilities to banks led to cash inflow from financing activities of EUR 3.9 million (3 months 2010: EUR 0.2 million).

Cash inflow from operating activities included EUR 13.7 million in income taxes paid (3 months 2010: EUR 5.7 million), EUR 1.0 million in interest received (3 months 2010: EUR 0.7 million) and EUR 6.6 million in interest paid (3 months 2010: EUR 6.7 million). Cash and cash equivalents as of March 31, 2011, exclusively comprised cash, of which EUR 10.9 million was subject to restrictions (March 31, 2010: EUR 18.6 million). The previous year's figure included EUR 10.0 million deposited in a bank account subject to special restraints on disposal, which was established as part of the share acquisition in the medical division. Changes in the balance sheet items recognized in the cash flow statement are translated into euros net of currency effects and cannot, therefore, be reconciled with the published balance sheet figures.

Financial management

BORROWING

In the first three months of 2011, there were no significant changes compared to the financing measures described in the Annual Report 2010. The report may be downloaded on the internet at **www.draeger.com**.

NET ASSETS

Dräger Group's equity rose by EUR 11.2 million to EUR 647.8 million in the first three months of 2011, mainly due to the result of the first three months of 2011 of EUR 22.5 million and the negative differences arising from currency translations at the foreign subsidiaries of EUR –12.3 million. The equity ratio went up to 33.1 percent (December 31, 2010: 32.2 percent).

Total assets decreased by EUR 19.6 million to EUR 1,957.3 million in the first three months of 2011. Whereas other current assets rose by EUR 21.5 million and inventories by EUR 12.2 million, cash and cash equivalents dropped by EUR 25.0 million and trade receivables by EUR 24.2 million. On the liabilities side, trade payables fell by EUR 26.1 million, which was partially offset by a rise in equity of EUR 11.2 million. All other liabilities did not change significantly in the first three months of 2011.

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Three months 2011	Three months 2010[7]	Change in %
Order intake	**€ million**	**357.1**	**323.6**	**+10.4**
Orders on hand[1]	**€ million**	**307.0**	**326.1**	**–5.9**
Net sales	**€ million**	**321.6**	**306.3**	**+5.0**
EBITDA[2]	**€ million**	**36.1**	**45.8**	**–21.3**
Depreciation / amortization	€ million	–5.5	–5.5	–1.0
EBIT[3]	**€ million**	**30.6**	**40.3**	**–24.1**
Research and development costs	€ million	26.3	23.7	+11.0
Cash flow from operating activities	€ million	9.1	39.6	–77.1
Investments	€ million	10.8	3.9	+173.3
Capital employed[1,4]	€ million	534.8	543.3	–1.6
Net working capital[1,5]	€ million	266.2	279.2	–4.7
EBIT[3] / net sales	%	9.5	13.2	
EBIT[3,6] / capital employed[1,4] (ROCE)	%	33.7	19.4	
DVA[8]	€ million	127.1	62.5	+103.4
Headcount[1]		6,481	6,366	+1.8

[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] As a result of the integration of Dräger Medical AG & Ko. KG in September 2010, the previous period's figures were adjusted accordingly.
[8] Dräger Value Added = EBIT of the last twelve months less cost of capital

Business performance of the medical division

ORDER INTAKE

in € million	Three months 2011	Three months 2010	Change in %	Net of currency effects in %
Germany	82.2	76.3	+7.6	+7.6
Rest of Europe	108.4	103.7	+4.5	+3.2
Americas	89.6	79.6	+12.6	+12.0
Asia / Pacific	47.8	46.0	+3.8	–0.4
Other	29.2	17.8	+63.9	+63.5
Total	**357.1**	**323.6**	**+10.4**	**+9.2**

In the first quarter of 2011, the medical division increased its order intake by 9.2 percent (net of currency effects) compared to the previous year's quarter.

In terms of products, order intake increased particularly in the Anesthesia business: In addition to the continuing economic recovery in North America and a large order from Venezuela, it recorded positive growth in almost all other areas. The order volume in Monitoring, Systems and IT, on the other hand, dropped on account of an underlying effect. In the previous year, Dräger had received large orders from the United States Department of Defense and the Brazilian Ministry of Health.

In Germany, the positive order intake in the first quarter of 2011 was primarily due to service orders received in the Lifecycle Solutions business and the successful development of the Infrastructure Projects business.

In the rest of Europe region, order intake developed slightly positively in total – despite very different order situations in individual countries. Order volumes in Poland, Bosnia and the Czech Republic, for instance, were up year-on-year, while they were down in Italy and Great Britain.

Order intake in the Americas region in the first quarter of 2011 was significantly higher than in the previous year, the main reason being the continuing recovery of the US economy and a large order from Venezuela. Order intake in the US grew by 17.5 percent (net of currency effects) compared to the same period in the previous year. However, order intake in other South American countries – particularly Chile, Columbia and Mexico – also developed positively.

Due to stable developments in most countries, total order intake in the Asia / Pacific region was at the previous year's level (net of currency effects).

After a very weak first quarter of 2010, order intake in the first quarter of the current fiscal year in the other countries region was considerably higher, especially due to a marked increase in order volumes from Saudi Arabia.

ORDERS ON HAND

in € million	March 31, 2011	March 31, 2010	Change in %	Net of currency effects in %
Germany	60.0	65.4	–8.3	–8.3
Rest of Europe	92.2	107.9	–14.6	–15.2
Americas	85.1	84.3	+1.0	+4.7
Asia / Pacific	42.2	44.0	–4.0	–4.1
Other	27.5	24.5	+12.0	+13.5
Total	**307.0**	**326.1**	**–5.9**	**–5.0**

On March 31, 2011, orders on hand were EUR 307.0 million down, 5.0 percent (net of currency effects) on the previous year's figure of EUR 326.1 million. However, this is still one of the highest levels of orders on hand reported at the end of a first quarter in recent years.

The rise in orders on hand in the Americas region is primarily due to strong demand in the US and the order from Venezuela, which were able to more than compensate for orders on hand from the large project in Brazil in the previous year. Orders on hand in the other countries region were also up year-on-year, chiefly on account of increased demand from Saudi Arabia. The main reason for the drop in orders on hand in the other regions was the large volume of orders received in 2009 in connection with the H1N1 virus that were carried forward into 2010 and also a project in the Ukraine in the previous year. The rest of Europe region was particularly impacted by this effect.

Equipment orders on hand covered a 2.7 month period (March 31, 2010: 3.8 months). In the previous year, the very high volume of orders on hand, partly caused by orders carried forward from 2009, led to an extraordinarily large order backlog.

NET SALES

in € million	Three months 2011	Three months 2010	Change in %	Net of currency effects in %
Germany	68.5	63.6	+7.6	+7.6
Rest of Europe	99.8	112.8	–11.5	–12.6
Americas	76.2	60.4	+26.1	+25.5
Asia / Pacific	53.7	46.4	+15.6	+10.6
Other	23.5	22.9	+2.4	+1.9
Total	**321.6**	**306.3**	**+5.0**	**+3.7**

The medical division increased net sales by 3.7 percent (net of currency effects) in the first quarter of 2011. The Lifecycle Solutions and Anesthesia businesses were mainly responsible for this. Net sales in Monitoring, Systems and IT also showed positive development. As with orders on hand, net sales decreased in the Ventilation business, the main reasons being deliveries in the previous year related to the large number of orders carried forward from 2009, the ventilation project in the Ukraine and two large ventilation orders from Romania.

In Germany, net sales growth – as order intake – was primarily created by service orders in the Lifecycle Solutions business and the positive development in the Infrastructure Projects business.

The marked drop in the rest of Europe region was particularly the result of Dräger delivering large projects in the first quarter of 2010. In this region, Dräger invoiced a project in Poland as well as the already mentioned ventilation orders from Romania and the Ukraine. The development of net sales in Russia was particularly positive, one of the reasons being the relatively sound financial position of this country.

The continuing positive trend in North America and the encouraging growth in individual Latin American countries were the main net sales growth drivers in the Americas region. Additionaly the completion of several orders for the United States Department of Defense contributed to net sales growth of 30.7 percent (net of currency effects) in the US.

The continuously positive market development in China and India had a major impact on the very positive net sales development in the Asia / Pacific region.

Despite developments in the individual countries of the other countries region being highly driven by projects and therefore being very varied, net sales in the first quarter of 2011 were slightly up on the previous year. While net sales in Saudi Arabia and Azerbaijan rose, they dropped in Egypt, the United Arab Emirates and Oman.

EARNINGS

In the first quarter of 2011, the gross margin of the medical division was slightly up on the previous year. Positive volume and currency effects were almost offset, primarily by a slight change to the product mix, due to, among other things, relatively lower net sales of products in the high-margin equipment business.

However, earnings were negatively impacted by functional costs being higher than in the previous year. While revenues from the sale of software codes to the value of EUR 4.4 million had a positive effect on functional costs in the first quarter of 2010, both costs for marketing and selling as well as research and development increased in the first quarter of 2011, in order to provide targeted support for future growth. In addition, high bad debt allowances were recognized in Latin America and Africa.

Research and development expenses rose 11.0 percent compared with the same period in 2010 (net of currency effects: 11.7 percent). Despite a slightly positive currency effect on research and development expenses, the euro, which was relatively weak compared to the currencies of many subsidiaries, had an overall negative impact on functional costs.

EBIT of the medical division decreased by 24.1 percent to EUR 30.6 million for the reasons stated above (3 months 2010: EUR 40.3 million). The EBIT margin was therefore 9.5 percent (3 months 2010: 13.2 percent).

INVESTMENTS

In the first quarter of 2011, the medical division invested EUR 10.8 million in intangible assets and property, plant and equipment (3 months 2010: EUR 3.9 million).

EUR 5.6 million were invested in the construction of a new production and logistics building for the Infrastructure Projects business in the first quarter of 2011 (3 months 2010: no investments in this project). This almost concludes the project investments totalling just under EUR 13 million. The new building features a production hall and office space and provides optimal working conditions, therefore improving production and logistics processes.

Depreciation and amortization in the first quarter of 2011 amounted to EUR 5.5 million and covered 51 percent of investments. In the same period in 2010, EUR 5.5 million in depreciation and amortization covered the investments in full.

NET ASSETS

As of March 31, 2011, capital employed decreased by EUR 8.5 million to EUR 534.8 million (March 31, 2010: EUR 543.3 million). Non-current assets increased through factors such as the new building for the Infrastructure Projects business, receivables increased due to a rise in volumes and tax liabilities dropped. This was countered by relatively high current provisions and other liabilities.

The medical division improved its total days working capital (coverage of main drivers of working capital) by 6.4 days to 121.9 days. Cash flow from operating activities amounted to EUR 9.1 million in the first quarter of 2011 (3 months 2010: EUR 39.6 million).

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Three months 2011	Three months 2010	Change in %
Order intake	**€ million**	**204.0**	**172.3**	**+18.4**
Orders on hand [1]	**€ million**	**157.4**	**148.1**	**+6.3**
Net sales	**€ million**	**185.9**	**167.0**	**+11.3**
EBITDA [2]	**€ million**	**26.4**	**17.9**	**+47.6**
Depreciation / amortization	€ million	–4.8	–5.2	–6.9
EBIT [3]	**€ million**	**21.6**	**12.7**	**+69.7**
Research and development costs	€ million	10.8	9.8	+9.3
Cash flow from operating activities	€ million	–6.1	11.1	–155.0
Investments	€ million	5.4	3.3	+61.2
Capital employed [1,4]	€ million	205.7	193.1	+6.5
Net working capital [1,5]	€ million	128.7	117.3	+9.7
EBIT [3] / net sales	%	11.6	7.6	
EBIT [3,6] / capital employed [1,4] (ROCE)	%	34.0	16.8	
DVA [7]	€ million	52.0	12.5	+316.0
Headcount [1]		4,423	4,332	+2.1

[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

Business performance of the safety division

ORDER INTAKE

in € million	Three months 2011	Three months 2010	Change in %	Net of currency effects in %
Germany	40.1	39.7	+1.0	+1.0
Rest of Europe	80.1	70.0	+14.4	+13.1
Americas	30.8	25.2	+22.2	+21.4
Asia / Pacific	36.1	27.3	+32.2	+22.0
Other	16.9	10.1	+67.3	+64.4
Total	**204.0**	**172.3**	**+18.4**	**+16.0**

Order intake in the safety division was up 16.0 percent (net of currency effects) on the previous year in the first quarter of 2011.

It is positive to note that products from all business fields contributed to this development. Demand for portable gas detection devices and light respiratory protection, for instance, grew on account of the upturn in the global industrial sectors. Particularly in the Light Respiratory Protection business, the Group managed to secure large and long-term supply contracts with customers in the oil and gas industry in Italy and Venezuela. In addition, the Respiratory Protection business received two substantial orders for equipment deliveries, including ten-year maintenance contracts, from Great Britain and one large order from a fire department in Alaska. The Alcohol Detection business won important tenders in Australia, South Africa and the US. The Engineered Solutions business obtained a large order from Kazakhstan. The Stationary Gas Detection business also recorded positive growth compared to the previous year. Main contributors to this development were orders from the petrochemical industry in the Netherlands and South Africa.

As the increase in order intake from industrial customers overcompensated for the decrease in orders received from the public sector, order intake in Germany was slightly up year-on-year in the first three months of 2011. Shutdown and Rental Management also continued to develop very positively. One of the acquired orders was from the petrochemical industry in South Germany.

Dräger won numerous tenders in the rest of Europe region. The safety division received orders for the delivery of equipment, including a ten-year maintenance contract, from the fire services and military in Great Britain, for compressed air breathing apparatus from the fire services in Copenhagen, for rescue chambers from the petrochemical industry in the Netherlands, and for respiratory protection devices from the public sector in Belgium as well as the Navy and a large fire department in Turkey.

The extraordinarily positive order intake in the US particularly contributed to the positive development in the Americas region. In this region, both the Alcohol Detection business and the Fire Services business added to growth of 17.6 percent (net of currency effects). In addition, Dräger received orders for the delivery of oxygen self-rescuers. The safety division also further expanded its business in Canada and Mexico.

In the Asia / Pacific region, Dräger once again performed convincingly with respiratory protection and alcohol detection devices in Australia. But also in China and Singapore, the business in respiratory protection and gas detection devices grew.

In the other countries region, Dräger received an order for the construction and delivery of hose reels for the reliable and secure delivery of air to workers in the Kashagan oil field in Kazakhstan. In South Africa, the industrial and mining sectors primarily ordered portable and stationary gas detection devices.

ORDERS ON HAND

in € million	March 31, 2011	March 31, 2010	Change in %	Net of currency effects in %
Germany	28.3	28.5	–0.7	–0.7
Rest of Europe	70.0	71.1	–1.5	–1.7
Americas	16.6	13.0	+27.7	+29.2
Asia / Pacific	25.2	21.9	+15.1	+10.5
Other	17.3	13.6	+27.2	+27.2
Total	**157.4**	**148.1**	**+6.3**	**+5.7**

Orders on hand in Germany were at the same level as in the previous year despite the shift from the public to the industrial sector, and the rest of Europe region was also able to almost maintain the high level of the previous year on account of rising demand from industrial customers. In the Americas region, especially the last outstanding delivery of the components for a deep sea diving system, which was sold in the summer of 2010, resulted in a steep increase in orders on hand, whereas orders on hand in the Asia / Pacific region benefited greatly from the very positive business situation in Australia. The other countries region was particularly positively impacted by an order for an air supply solution from Kazakhstan. Equipment orders on hand covered a 2.6 month period (March 31, 2010: 2.4 months).

NET SALES

in € million	Three months 2011	Three months 2010	Change in %	Net of currency effects in %
Germany	37.3	36.8	+1.4	+1.4
Rest of Europe	73.9	70.8	+4.4	+3.0
Americas	35.7	25.0	+42.8	+42.0
Asia / Pacific	30.5	23.3	+30.9	+21.5
Other	8.5	11.1	–23.4	–26.1
Total	**185.9**	**167.0**	**+11.3**	**+9.1**

In the first quarter of 2011, net sales of the safety division came to EUR 185.9 million, 9.1 percent (net of currency effects) higher than in the previous year.

In terms of products, net sales grew particularly in the business fields Gas Detection, Alcohol Detection and Respiratory Protection. In the Engineering Solutions business, Dräger delivered the components of a deep sea diving system, which the Company had been left with after the cancellation of a contract, to a shipwright in the US.

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. Overall, net sales in Germany therefore remained at the previous year's level.

In the rest of Europe region, the business in respiratory protection and stationary gas detection devices for the petrochemical industry in Great Britain developed particularly positively. The core business in the Scandinavian countries was also very successful.

The very positive net sales development in the US with a growth of 60.7 percent (net of currency effects), occasioned by the delivery of alcohol detection and respiratory protection devices as well as another delivery of the remaining components from a deep sea diving system the Company was left with after the cancellation of a contract, particularly led to a steep increase in net sales in the Americas region. In Canada and Brazil, the division delivered large orders for Dräger tubes and light respiratory protection devices.

Net sales in the Asia / Pacific region also rose in line with order intake. In Malaysia, the safety division delivered the respiratory protection devices that had been ordered in the fourth quarter of 2010. In addition, Dräger billed large numbers of alcohol detection devices as well as respiratory protection and gas detection devices to Australian customers.

Despite large deliveries of portable gas detection devices and oxygen self-rescuers to South Africa, Dräger was unable to compensate for the project net sales of the Engineered Solutions business in Oman in the other countries region in the previous year.

EARNINGS

The product mix shifted towards more profitable products. Together with advantageous currency effects, this improved the gross margin in the safety division. As planned, research and development costs rose 9.3 percent to EUR 10.8 million year-on-year (3 months 2010: EUR 9.8 million). Marketing, sales and administration costs were also up on the previous year as planned, some of the reasons being increased personnel and IT expenses. Due to the extraordinarily high net sales volume and increased gross margin, EBIT in the safety division rose by 69.7 percent to EUR 21.6 million in the first three months of 2011 (3 months 2010: EUR 12.7 million). The EBIT margin was therefore 11.6 percent (3 months 2010: 7.6 percent).

INVESTMENTS

The safety division invested a total of EUR 5.4 million (3 months 2010: EUR 3.3. million) in intangible assets and property, plant and equipment in the first quarter of 2011. Depreciation and amortization of EUR 4.8 million came to less than the investment volume.

NET ASSETS

As expected, capital employed rose by 6.5 percent due to an increase in receivables and inventories, amounting to EUR 205.7 million at the end of the first quarter of 2011 (March 31, 2010: EUR 193.1 million). The safety division increased its total days working capital (coverage of main drivers of working capital) by 15.0 days to 97.7 days. Cash flow from operating activities amounted to EUR –6.1 million in the first quarter of 2011 as of the balance sheet date (3 months 2010: EUR 11.1 million).

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

		Three months 2011	Three months 2010[6]	Change in %
Order intake	**€ million**	**3.8**	**3.8**	**–0.9**
Orders on hand[1]	**€ million**	**0.0**	**0.0**	
Net sales	**€ million**	**3.8**	**3.8**	**–0.9**
EBITDA[2]	**€ million**	**22.4**	**–11.9**	**–287.9**
Depreciation / amortization	€ million	–2.6	–2.5	+3.3
EBIT[3]	**€ million**	**19.8**	**–14.4**	**–237.4**
Research and development costs	€ million	0.5	0.4	+35.5
Cash flow from operating activities	€ million	13.7	–26.9	–150.9
Investments	€ million	1.9	0.5	+296.1
Capital employed[1,4]	€ million	748.9	584.5	+28.1
Net working capital[1,5]	€ million	–34.2	–192.2	–82.2
Headcount[1]		549	435	+26.2

[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] Due to the integration of Dräger Medical AG & Co. KGaA in September 2010, some companies are now recognized in the medical division. The previous periods were adjusted acccordingly.

Drägerwerk AG & Co. KGaA / other companies

EARNINGS

Drägerwerk AG & Co. KGaA provides services to the divisions and their Group companies. In the first quarter of 2011, Drägerwerk AG & Co. KGaA continued to expand its central function and pooled the Human Resources departments of the medical and safety divisions.

In the first months in 2011, EBIT in this area increased to EUR 19.8 million (3 months 2010: EUR –14.4 million), mainly as a result of larger profits being transferred by Dräger Medical GmbH and Dräger Safety AG & Co. KGaA. Dräger Medical GmbH transferred profits of EUR 21.5 million to Drägerwerk AG & Co. KG in the first three months of 2011, while in the first three months of 2010, the previous Dräger Medical AG & Co. KG had not yet transferred any profits. The profit of EUR 7.8 million transferred by Dräger Safety AG & Co. KGaA was around EUR 5.9 million higher than in the previous year (3 months 2010: EUR 1.9 million). The option component of the purchase price for the 25 percent Siemens share in Dräger Medical AG & Co. KG also reduced earnings by EUR 6.4 million in the first quarter of 2010.

INVESTMENTS

In the first three months of 2011, investments in intangible assets and property, plant and equipment came to EUR 1.8 million (3 months 2010: EUR 0.5 million). Drägerwerk AG & Co. KGaA increased its investments in IT infrastructure in the first quarter of 2011.

Research and development

In the first three months of 2011, research and development costs at Dräger Group came to EUR 37.6 million, EUR 3.7 million up on the previous year’s value of EUR 33.9 million. This is equivalent to 7.5 percent of net sales (3 months 2010: 7.3 percent).

Research and development costs in the medical division increased to EUR 26.3 million in the first three months of 2011 (3 months 2010: EUR 23.7 million). Research and development costs in the medical division therefore amounted to 8.2 percent of net sales in the first three months of 2011 (3 months 2010: 7.7 percent). By adding a heated filter for the exhaled air of patients to the “Infinity Evita V500” ventilation system in March 2011, Dräger now meets market-specific customer requirements not only in Europe and Asia but also in the US market. Dräger also started marketing a completely new product for optimizing ventilation therapy, the “Pulmovista 500”, featuring innovative electrical impedance tomography technology, in March 2011. This device is primarily used in intensive care units. It provides a continuous visualization of the lung function of ventilated patients and therefore makes it possible to carry out precise analyses of the air distribution in individual parts of the lung. At the end of the first quarter of 2011, Dräger also launched an upgrade of the “Isolette 8000” incubator in the global market. Innovations in the humidification system have further increased hygiene in the care sector. The complete humidification system can now be removed for cleaning and thus quickly and easily sterilized. The Accessories business expanded its portfolio with a new disposable ECG cable for patient monitoring.

The safety division invested EUR 10.8 million, and therefore, as a result of a steep rise in net sales year-on-year, 5.8 percent of net sales in research and development in the first three months of 2011 (3 months 2010: EUR 9.8 million; 5.9 percent). Series production of the new “Quaestor 5000/7000” test device for personal protection equipment started in February 2011. The Company is using this product to strengthen its position as a system and solutions provider in the fire services applications process chain. The safety division has now concluded the transition to the new-generation respiratory protection filters “X-plore” with the launch of the new filter for “PARAT” half masks in March 2011. The division managed to successfully implement activated carbon made from coconut shells – an environmentally friendly and renewable raw material – in the new filters. The respiratory protection device “PSS 5000” was certified for the US in February 2011. The professional US fire services are now able to choose this medium-priced device from the PSS product group in addition to the “PSS 7000” and “PSS 3000”. The “Dräger X-zone 5000” also received its certificate for the North American market. Combined with the gas detection devices “Dräger X-am 5000” or “X-am 5600”, the “Dräger X-zone 5000” can be used for detecting between one and six gases as part of modern area monitoring. It expands mobile gas detection technology into one unique system with many flexible uses. Also in March 2011, Dräger launched two additional XXS sensors for portable gas detection devices in the global market. Both sensors complete the existing sensor portfolio for customers in the chemical and manufacturing industries. Due to carbon nano materials being used for the first time, these sensors feature an excellent performance with regard to detection limits and long-term stability.

Personnel

The total number of employees rose by 162 to 11,453 in the first quarter of 2011 and personnel expenses increased by 7 percent to EUR 183.3 million.

PERSONNEL EXPENSES

in € thousand	Three months 2011	Three months 2010
Wages and salaries	152,684	143,094
Social security contributions and related employee benefits	26,825	24,778
Pension expenses	3,774	3,304
	183,283	**171,176**

Personnel expenses rose by 7.0 percent year-on-year in the reporting period. The reasons for this were a larger number of employees, changing exchange rates, accruals for profit shares, which increased in line with the positive result, and the currently applicable collective agreement in Germany. Personnel expenses include the remuneration of the members of the Executive Board of the general partner Drägerwerk Verwaltungs AG, Lübeck.

WORKFORCE TREND

	March 31, 2011	December 31, 2010	March 31, 2010
Medical division	6,481	6,386	6,366
Safety division	4,423	4,409	4,332
Drägerwerk AG & Co. KGaA and other companies	549	496	435
Dräger Group total	**11,453**	**11,291**	**11,133**
Germany	5,163	5,085	4,902
Other	6,290	6,206	6,231
Turnover in % of employees (Basis: average of the past twelve months)	5.4	5.3	5.4
Sick days in % of work days (Basis: average of the past twelve months)	3.1	3.2	3.2
Temporary staff in Germany	527	584	513

The rise in the number of employees at Drägerwerk AG & Co. KGaA compared to the first quarter of the previous year is chiefly due to transfers under the planned merger of departments. Since July 1, 2010, a total of 78 employees from the Purchasing and Human Resources departments of the medical and safety divisions have been transferred to the Shared Services of Drägerwerk AG & Co. KGaA. An additional 36 people were employed in order to expand Human Resources (+12), Finances (+9) and Market Communications (+6) as planned.

In the medical division, headcount rose by 115 year-on-year. The majority of new employees were hired in Germany, 67 people in total, with focus on Research & Development (+37) and Production (+21). The foreign sales and service companies hired a total of 91 additional employees. Headcount in the producing subsidiaries developed differently: While Dräger Medical B.V., Netherlands, was closed during fiscal year 2010 (–93), Dräger increased the workforces at Draeger Medical Systems Inc., USA (+26) and Shanghai Dräger Medical, China (+21).

From the 91 additional people employed at the safety division since March 31, 2010, 80 work at the German companies Dräger Safety AG & Co. KGaA and the logistics subsidiary Interservices GmbH, mainly in Logistics (+31), Production (+30) and Sales (+19).

The number of temporary employees dropped by 57 to 527 compared to December 31, 2010, in line with seasonal capacity utilization. This figure was just slightly up on the previous year's quarter.

RISKS TO FUTURE DEVELOPMENT

The structure of our risk management system and significant risks to our net assets, financial position and results of operations are outlined in the annual report for fiscal year 2010 and have not changed significantly since then. The effects of the disaster in Japan cannot be reliably determined as yet. On the supply side, there are currently no indications of any major disruptions in Dräger's supply chain.

CHANGED CONDITIONS AFTER THE CLOSE OF THE INTERIM REPORTING PERIOD

There were no significant changes between the end of the first three months of 2011 and the time this interim financial report was prepared.

Outlook

FUTURE MARKET ENVIRONMENT

The global economy will continue its recovery. The International Monetary Fund (IMF) forecasts global economic growth of 4.4 percent in 2011 and 4.5 percent in 2012. Back in January, the World Bank still expected 3.3 percent growth. The industrialized and emerging countries will continue developing at a different pace. While the economy of the industrialized countries is anticipated to expand by 2.4 percent in 2011 and 2.6 percent in 2012, the gross domestic product (GDP) of the emerging countries is expected to grow by 6.5 percent in both years. In the industrialized countries, the previously dominating growth impulses such as governments' expansive economic stimulus packages are losing their effect. They are increasingly being replaced by growing demand from the private sector. Rising prices for oil and other raw materials have increased global inflationary pressure in the opinion of the European Central Bank (ECB). The leading German economic research organizations expect that the disaster in Japan will only have a temporary effect on the global economy.

The majority of economies in the eurozone will most likely continue growing at a rate of 1.6 percent and 1.8 percent respectively in 2011 and 2012. The economic development of each country within the eurozone will continue to advance at a different pace. While growth is being hampered by the debt crisis in countries such as Greece and Portugal, the German economy is booming. The leading German economic research organizations state 2.8 percent growth of the GDP in 2011 and a slight loss of momentum down to 2.0 percent in 2012 in their spring forecasts. The economic development is increasingly being driven by domestic demand, while foreign trade is contributing less to the upturn in Germany than in the previous year. Financial analysts of the leading German economic research organizations point out that an oil shortage due to the increasing unrest in the Arab world or the worsening of the European debt and trust crisis would have a significant impact on the economy.

FUTURE SITUATION OF THE COMPANY

Dräger expects its order intake in fiscal year 2011 to grow at least at the pace of global economic growth (IMF April 2011 forecast: +4.4 percent). This is based on the assumption of a stabilizing economy in Europe, continued economic recovery in North America, sustained market growth in developing countries and stable exchange rates.

Lifecycle Solutions and Infrastructure Projects in particular will drive expected growth in the lower one-digit percentage range in the medical division and compensate for a possible slowdown in the equipment business. Dräger expects increases in net sales for the safety division in the medium one-digit percentage range.

While especially the fields of gas and alcohol detection technology will grow disproportionately and the Light Respiratory Protection business could reach the previous year's level, the volume for Engineered Solutions is expected to decrease. Net sales growth in the Group in 2011 is expected to be one to two percentage points down on order intake growth as net sales in 2010 benefited from above-average order intake in the fourth quarter of 2009.

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

In the medium term, the company plans to grow faster than the market and achieve a minimum EBIT margin of 10 percent in the long term.

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 is under no obligation to update the forward-looking statements contained in this report.

Interim financial statements of the Dräger Group as of March 31, 2011

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

	Note	Three months 2011	Three months 2010
		€ thousand	€ thousand
Net Sales		500,287	465,861
Cost of sales		–248,499	–237,841
Gross profit		**251,788**	**228,020**
Research and development costs		–37,637	–33,864
Marketing and selling expenses		–135,328	–125,684
General administrative costs		–32,525	–28,898
Other operating income		1,676	5,758
Other operating expenses		–4,857	–1,275
		–208,671	**–183,963**
		43,117	**44,057**
Profit from investments in associates		212	271
Profit from other investments		0	67
Other financial result		–736	–7,644
Financial result (before interest result)	**6**	**–524**	**–7,306**
EBIT		**42,593**	**36,751**
Interest result	6	–7,067	–7,710
Earnings before income taxes		**35,526**	**29,041**
Income taxes	7	–12,286	–10,343
Earnings after income taxes		**23,240**	**18,698**
Earnings after income taxes		**23,240**	**18,698**
Earnings attributable to non-controlling interests		788	482
Earnings attributable to participation certificates (excluding minimum dividend, after taxes) [1]		2,465	817
Earnings attributable to shareholders		19,987	17,399
Earnings per share [2]			
per preferred share (in €)		1.22	1.38
per common share (in €)		1.20	1.36

[1] The figure is calculated by accruing a dividend for participation certificates of EUR 2.70 based on earnings in the first quarter of 2011 and in line with Dräger's dividend policy to distribute around 30 percent of total Group net profit (less the earnings attributable to non-controlling interests). In the previous year, the figure was calculated by accruing a dividend for participation certificates of EUR 1.00 on the basis of the pro-rata dividend for participation certificates of the previous year 2009 to the amount of EUR 4.00.

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

STATEMENT OF COMPREHENSIVE INCOME

	Three months 2011	Three months 2010
	€ thousand	€ thousand
Earnings after income taxes	**23,240**	**18,698**
Currency translation adjustment for foreign subsidiaries	–12,887	17,159
Change in the fair value of financial instruments recognized directly in equity	445	–479
Deferred taxes on changes in the fair value of financial instruments recognized directly in equity	–138	172
Actuarial gains / losses from defined benefit pension plans	–601	145
Deferred taxes on actuarial gains / losses from defined benefit pension plans	0	–52
Other earnings (after taxes)	**–13,181**	**16,945**
Total comprehensive income	**10,059**	**35,643**
thereof earnings attributable to non-controlling interests	188	1,083
thereof earnings attributable to participation certificates (excluding minimum dividend, after taxes) [1]	2,465	817
thereof earnings attributable to shareholders	7,406	33,743

[1] The figure is calculated by accruing a dividend for participation certificates of EUR 2.70 based on earnings in the first quarter of 2011 and in line with Dräger's dividend policy to distribute around 30 percent of total Group net profit (less the earnings attributable to non-controlling interests). In the previous year, the figure was calculated by accruing a dividend for participation certificates of EUR 1.00 on the basis of the pro-rata dividend for participation certificates of the previous year 2009 to the amount of EUR 4.00.

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

	Notes	March 31, 2011	December 31, 2010
		€ thousand	€ thousand
Assets			
Intangible assets	8	275,973	277,351
Property, plant and equipment	8	255,513	253,715
Investments in associates		904	904
Other non-current financial assets		10,647	11,403
Deferred tax assets		105,208	109,502
Other non-current assets		26,280	28,160
Non-current assets		**674,525**	**681,035**
Inventories	9	368,899	356,666
Trade receivables and receivables from construction contracts		509,007	533,163
Other current financial assets		24,843	22,514
Cash and cash equivalents		295,044	320,037
Current tax refund claims		12,988	13,027
Other current assets	10	71,957	50,465
Current assets		**1,282,738**	**1,295,872**
Total assets		**1,957,263**	**1,976,907**

	Notes	March 31, 2011	December 31, 2010
		€ thousand	€ thousand
Equity and liabilities			
Capital Stock		42,266	42,266
Capital reserves		158,098	158,098
Reserves retained from earnings, incl. group result		403,351	380,285
Participation capital		50,404	50,404
Other comprehensive income		–11,869	111
Non-controlling interests		5,522	5,399
Equity		**647,772**	**636,563**
Liabilities from participation certificates		30,228	29,916
Provisions for pensions and similar obligations		182,983	183,448
Other non-current provisions	11	45,348	44,973
Non-current interest-bearing loans		316,417	318,042
Other non-current financial liabilities		6,208	6,893
Deferred tax liabilities		2,506	2,581
Other non-current liabilities		1,324	715
Non-current liabilities		**585,014**	**586,568**
Current income tax provisions		40,168	41,584
Other current provisions	11	225,406	226,026
Current loans and liabilities to banks		93,635	89,496
Trade payables	12	145,189	171,301
Other current financial liabilities		62,722	68,499
Current income tax liabilities		12,667	18,552
Other current liabilities		144,690	138,318
Current liabilities		**724,477**	**753,776**
Total equity and liabilities		**1,957,263**	**1,976,907**

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

		Three months 2011	Three months 2010
		€ thousand	€ thousand
Operating activities			
	Earnings after income taxes	23,240	18,698
+	Write-down of non-current assets	12,944	13,177
–/+	Decrease/Increase in provisions	–597	17,217
+/–	Other non-cash expenses/income	10,520	–10,311
+	Loss from the disposal of non-current assets	–262	–786
–	Increase in inventories	–20,375	–46,442
+	Decrease in trade receivables	15,820	39,551
–	Increase in other assets	–24,023	–26,434
–/+	Decrease/Increase in trade payables	–26,097	4,651
+	Increase in other liabilities	1,648	16,912
	Net cash used in/provided by operating activities	**–7,182**	**26,233**
Investing activities			
–	Cash outflow for investments in intangible assets	–1,739	–945
+	Cash inflow from the disposal of intangible assets	0	2
–	Cash outflow for investments in property, plant and equipment	–13,993	–6,894
+	Cash inflow from disposals of property, plant and equipment	1,370	1,318
–	Cash outflow for investments in non-current financial assets	–22	–202
+	Cash inflow afrom the disposal of non-current financial assets	7	3
	Net cash used in investing activities	**–14,377**	**–6,718**
Financing activities			
–	Cash provided by raising loans	–2,377	–1,575
+	Net balance of other liabilities to banks	6,627	1,432
–	Net balance of finance lease liabilities repaid/incurred	–288	–97
–	Profit distributed to non-controlling interests	–65	–2
	Net cash used in/provided by financing activities	**3,897**	**–242**
	Change in cash and cash equivalents in the fiscal year	**–17,662**	**19,273**
–/+	Effect of exchange rates on cash and cash equivalents	–7,331	10,243
+	Cash and cash equivalents at the beginning of the reporting period	320,037	344,051
	Cash and cash equivalents on the reporting date	**295,044**	**373,567**

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	Actuarial-gains and losses recognized directly in equity	Currency translation differences	Derivative financial instruments	Total other compre-hensiv income	Total equity of share-holder Dräger-werk AG & Co. KGaA	Non-controlling interests	Equity
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
January 1, 2010	**32,512**	**39,449**	**303,326**	**56,086**	**–10,725**	**–30,928**	**–390**	**–42,043**	**389,330**	**4,490**	**393,820**
Reclassification of actuarial gains / losses recognized directly in equity			–10,725		10,725			10,725	0		0
Total comprehensive income			18,308			16,559	–307	16,252	34,560	1,083	35,643
Distribution								0	0	–2	–2
Changes in the scope of consolidation / other			460					0	460		460
March 31, 2010	**32,512**	**39,449**	**311,369**	**56,086**	**0**	**–14,369**	**–697**	**–15,066**	**424,350**	**5,571**	**429,921**
January 1, 2011	**42,266**	**158,098**	**380,285**	**50,404**	**0**	**803**	**–692**	**111**	**631,164**	**5,399**	**636,563**
Total comprehensive income			21,851			–12,287	307	–11,980	9,871	188	10,059
Distributions								0	0	–65	–65
Changes in the scope of consolidation / other			1,215					0	1,215		1,215
March 31, 2011	**42,266**	**158,098**	**403,351**	**50,404**	**0**	**–11,484**	**–385**	**–11,869**	**642,250**	**5,522**	**647,772**

Notes of the Dräger Group as of March 31, 2011 (condensed)

1 BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA, Lübeck, prepared its group financial statements for fiscal year 2010 in accordance with the International Financial Reporting Standards (IFRS) as defined by the International Accounting Standards Boards (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). In fiscal year 2011, 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 financial 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 group applied the same accounting principles as in the 2010 group financial statements in preparing the interim financial statements and calculating the comparative figures. A detailed description of these methods is published in the notes to the group financial statements in the 2010 annual report. The report is available for download online at **www.draeger.com**.

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

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

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

- Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (issued January 2010)”
- IAS 24 “Related Party Disclosures (revised November 2009)”
- Amendment to IAS 32 “Classification of Rights Issues (issued October 2009)”
- Amendment to IFRIC 14 “Prepayments of a Minimum Funding Requirements (issued November 2009)”
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments (issued November 2009)”
- Improvements to IFRS (2010).

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

3 SCOPE OF CONSOLIDATION AND CONSOLIDATION PRINCIPLES

There were no significant changes to the scope of consolidation compared to December 31, 2010 and March 31, 2010. The same consolidation principles were applied as in the 2010 group financial statements.

4 DRÄGER MEDICAL AG & CO. KG BECOMES DRÄGER MEDICAL GMBH

The restructuring of Dräger Medical AG & Co. KG resolved by Drägerwerk AG & Co. KGaA on August 31, 2010, became effective on September 20, 2010 (effective date). The legal successor of Dräger Medical AG & Co. KG is the former Dräger Medical Holding GmbH, now trading as Dräger Medical GmbH since the effective date. Dräger Medical GmbH is a wholly-owned subsidiary of Drägerwerk AG & Co. KGaA. The aim was to simplify the shareholder structure within the scope of the buyback of Siemens' 25 percent share in the medical division. Some of the previous year's figures were adjusted accordingly and explained to improve comparability.

5 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Medical division	
		Three months 2011	Three months [3] 2010
Order intake	**€ million**	**357.1**	**323.6**
Orders on hand [1]	**€ million**	**307.0**	**326.1**
Net sales	**€ million**	**321.6**	**306.3**
thereof intersegment net sales	€ million	0.2	0.3
thereof third party net sales	€ million	321.4	306.0
EBITDA	**€ million**	**36.1**	**45.8**
Depreciation / amortization	€ million	–5.5	–5.5
EBIT	**€ million**	**30.6**	**40.3**
Interest result	€ million		
Income taxes	€ million		
Earnings after income taxes	**€ million**		
thereof profit/loss from investments in associates	€ million		
Research and development expenses	**€ million**	**26.3**	**23.7**
Cash flow from operating activities	**€ million**	**9.1**	**39.6**
Capital employed [1]	**€ million**	**534.8**	**543.3**
Assets [1]	**€ million**	**948.3**	**907.3**
thereof investments in associates	€ million	0.0	0.0
Liabilities [1]	**€ million**	**370.3**	**334.0**
Net financial debt [1]	**€ million**		
Investments	**€ million**	**10.8**	**3.9**
Non-cash expenses	€ million	42.2	42.7
EBIT / net sales	**%**	**9.5**	**13.2**
EBIT [2] **/ capital employed** [1] **(ROCE)**	**%**	**33.7**	**19.4**
Net financial debt [1] **/ EBITDA**	**factor**		
Gearing	**factor**		
DVA	**€ million**	**127.1**	**62.5**
Headcount [1]		**6,481**	**6,366**

[1] Value as of March 31
[2] EBIT of the last twelve months
[3] As a result of the integration of Dräger Medical AG & Ko. KG in September 2010, the previous period's figures were adjusted accordingly.

	Safety division		Drägerwerk AG & Co. KGaA / other companies		Consolidations		Dräger Group	
	Three months 2011	Three months 2010	Three months 2011	Three months[3] 2010	Three months 2011	Three months[3] 2010	Three months 2011	Three months 2010
	204.0	**172.3**	**3.8**	**3.8**	**–11.3**	**–11.5**	**553.6**	**488.2**
	157.4	**148.1**	**0.0**	**0.0**	**–1.8**	**–1.3**	**462.7**	**472.9**
	185.9	**167.0**	**3.8**	**3.8**	**–11.0**	**–11.2**	**500.3**	**465.9**
	7.7	7.8	3.1	3.1	–11.0	–11.2	–	–
	178.3	159.2	0.6	0.7	0.0	0.0	500.3	465.9
	26.4	**17.9**	**22.4**	**–11.9**	**–29.4**	**–1.8**	**55.4**	**50.0**
	–4.8	–5.2	–2.6	–2.5	0.0	0.0	–12.8	–13.2
	21.6	**12.7**	**19.8**	**–14.4**	**–29.4**	**–1.8**	**42.6**	**36.8**
							–7.1	–7.7
							–12.3	–10.3
							23.2	**18.7**
							0.2	0.3
	10.8	**9.8**	**0.5**	**0.4**	**0.0**	**0.0**	**37.6**	**33.9**
	–6.1	**11.1**	**13.7**	**–26.9**	**–23.9**	**2.4**	**–7.2**	**26.2**
	205.7	**193.1**	**748.9**	**584.5**	**–613.5**	**–605.3**	**875.9**	**715.6**
	368.2	**348.8**	**844.0**	**852.4**	**–642.7**	**–637.3**	**1,517.8**	**1,471.3**
	0.6	0.5	0.3	0.3	0.0	0.0	0.9	0.8
	146.9	**146.6**	**69.5**	**308.3**	**–8.9**	**–18.5**	**577.8**	**770.4**
							117.6	**353.7**
	5.4	**3.3**	**1.9**	**0.5**	**0.0**	**0.0**	**18.0**	**7.7**
	19.6	21.9	8.8	7.5	4.2	0.3	74.8	72.4
	11.6	**7.6**	**–**	**–**	**–**	**–**	**8.5**	**7.9**
	34.0	**16.8**	**–**	**–**	**–**	**–**	**22.7**	**15.4**
							2.1	**7.1**
							0.2	**0.8**
	52.0	**12.5**	**–**	**–**	**–**	**–**	**118.0**	**32.4**
	4,423	**4,332**	**549**	**435**	**–**	**–**	**11,453**	**11,133**

The integration of Dräger Medical AG & Co. KG, the parent company of the medical division, in Dräger Medical Holding GmbH and the subsequent change to Dräger Medical GmbH resulted in Dräger Medical Holding GmbH, which had previously been reported in the segment Drägerwerk AG & Co. KGaA / other companies, now being recognized in the medical division. This led to an adjustment between the medical division and Drägerwerk AG & Co. KGaA / other companies and also changes to the amounts stated in the consolidation column. The previous year's figures were adjusted accordingly to improve comparability.

The key figures from the segment report are as follows:

EBIT / EBITDA

	Three months 2011	Three months 2010
Earning after income taxes	23,240	18,698
+ Interest result	7,067	7,710
+ Income taxes	12,286	10,343
EBIT	**42,593**	**36,751**
+ Depreciation / amortization	12,849	13,177
EBITDA	**55,442**	**49,928**

CAPITAL EMPLOYED

	March 31, 2011	March 31, 2010
Total assets	1,957,263	1,968,667
– Deferred tax assets	–105,208	–92,791
– Cash and cash equivalents	–295,044	–373,567
– non-interest bearing liabilities	–681,147	–786,672
Capital Employed	**875,864**	**715,637**

ASSETS

	March 31, 2011	March 31, 2010
Total assets	1,957,263	1,968,667
– All other financial assets	–3,887	–6,114
– Deferred tax assets	–105,208	–92,791
– Tax refund claims (current and non-current)	–35,333	–24,924
– Cash and cash equivalents	–295,044	–373,567
Assets	**1,517,791**	**1,471,271**

LIABILITIES

	March 31, 2011	March 31, 2010
Liabilities recognized in the balance sheet	1,309,491	1,538,746
– Provisions for pensions and similar obligations	–182,983	–170,331
– Tax liabilities, tax provisions, tax accruals and deferred tax liabilities	–105,888	–98,314
– Interest-bearing liabilities	–442,856	–499,696
Liabilities	**577,764**	**770,405**

NET FINANCIAL DEBT

	March 31, 2011	March 31, 2010
Non-current interest-bearing loans	316,417	380,790
+ Current loans and liabilities to banks	93,635	87,058
+ Finance leases	2,576	2,814
+ Liabilities from the buy-back of the shares in Dräger Medical AG & Co. KG	0	256,624
– Cash and cash equivalents	–295,044	–373,567
Net financial debt	**117,584**	**353,719**

NON-CASH EXPENSES

	Three months 2011	Three months 2010
Write-downs on inventories	3,098	6,442
+ Losses from bad debt allowances	4,873	975
+ Allocations to provisions	66,794	65,032
Non-cash expenses	**74,765**	**72,449**

DVA

	31. März 2011	31. März 2010
EBIT (of the last twelve months)	198,624	110,381
– Cost of capital (Basis: average of capital employed in the past twelve months)	–80,662	–77,958
DVA	**117,962**	**32,423**

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

FINANCIAL RESULT

	Three months 2011	Three months 2010
Financial result (before interest result)	**–524**	**–7,306**
Interest and similar income	978	767
Interest and similar expenses	–8,045	–8,477
Interest result	**–7,067**	**–7,710**

The financial result changed mainly due to the valuation of the option component of the purchase price of the 25 percent share in Dräger Medical AG & Co. KG in the previous year. In the first three months of 2010, a total of EUR 6,444 thousand was recognized as expenses under “Other financial result” to cover this.

7 INCOME TAXES

Income taxes for the first quarter of 2011 were calculated on the basis of an anticipated group tax rate of 33 percent (3 months 2010: 36 percent).

8 NON-CURRENT FINANCIAL ASSETS (SELECTED ITEMS)

NON-CURRENT FINANCIAL ASSETS (SELECTED ITEMS)

	Carrying value January 1, 2011	Additions	Disposals / other changes	Impairment losses	Carrying value March 31, 2011
Intangible assets	277,351	1,694	–1,206	1,866	275,973
Property, plant and equipment	253,715	16,304	–3,524	10,982	255,513

Additions included EUR 5,557 thousand (net of an allowance for investment costs of EUR 741 thousand) for the construction of a new production and logistics building for the Infrastructure Projects business of the medical division in Lübeck. The building is planned to go into operation in May 2011.

9 INVENTORIES

INVENTORIES

	March 31, 2011	December 31, 2010
Finished goods and merchandise	190,692	170,488
Work in progress	62,795	60,318
Raw materials, consumables and supplies	97,907	98,872
Payments made	17,505	26,988
	368,899	**356,666**

Dräger Group's inventories remained high as of March 31, 2011. This was mainly due to a continuously positive order situation.

10 OTHER CURRENT ASSETS

OTHER CURRENT ASSETS

	March 31, 2011	December 31, 2010
Prepaid expenses	23,318	21,118
Other tax refund claims	22,344	16,865
Other current assets	26,295	12,482
	71,957	**50,465**

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 salese taxes. All other current assets increased due to the balance sheet date.

11 OTHER NON-CURRENT AND CURRENT PROVISIONS

Other non-current provisions as of March 31, 2011, mainly comprised provisions for personnel obligations of EUR 24,320 thousand (December 31, 2010: EUR 23,913 thousand).

Other current provisions as of March 31, 2011, also included monthly accruals and chiefly consisted of provisions for personnel obligations of EUR 66,875 thousand (December 31, 2010: EUR 83,710 thousand), and warranty provisions of EUR 39,403 thousand (December 31, 2010: EUR 40,130 thousand).

12 TRADE PAYABLES

The drop in trade payables was mainly on account of the payment of a liability totaling around EUR 12 million within the scope of an order for a project in the safety division in Norway.

13 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

	March 31, 2011	December 31, 2010
Guarantees	7,709	7,709

Guarantees were given as part of phased retirement agreements.

14 RELATED-PARTY TRANSACTIONS

Services were rendered for companies related to Stefan Dräger and for the Dräger Foundation totaling EUR 7 thousand in the first quarter of 2011 (3 months 2010: EUR 14 thousand). Claudia Dräger, Stefan Dräger's wife, is an employee of Drägerwerk AG & Co. KGaA.

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

Lübeck, Germany, April 28, 2011

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

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

FINANCIAL CALENDAR

Report as of March 31, 2011, conference call, Lübeck	May 4, 2011
Annual shareholders' meeting, Lübeck	May 6, 2011
Report as of June 30, 2011, conference call, Lübeck	August 4, 2011
Report as of September 30, 2011, conference call, Lübeck	November 3, 2011

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

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

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