

Quarterly Report
January 1 to March 31, 2014
Dräger Group



THE DRÄGER GROUP OVER THE PAST FIVE YEARS

		Three months 2010	Three months 2011	Three months 2012	Three months 2013	Three months 2014
Order intake	€ million	488.2	553.6	550.9	571.3	544.6
Orders on hand ¹	€ million	472.9	462.7	479.9	524.0	506.7
Net sales	€ million	465.9	500.3	529.3	533.8	513.2
EBITDA ^{2, 3, 5}	€ million	50.0	55.4	61.8	56.5	36.1
EBIT ^{4, 5}	€ million	36.8	42.6	46.8	39.8	19.0
in % of net sales (EBIT margin)	%	7.9	8.5	8.8	7.5	3.7
Interest result ⁵	€ million	-7.7	-7.1	-9.8	-6.5	-6.2
Income taxes ⁵	€ million	-10.3	-12.3	-11.5	-10.7	-4.3
Earnings after income taxes ⁵	€ million	18.7	23.2	25.5	22.6	8.5
Earnings attributable to shareholders ⁵	€ million	17.4	20.0	24.1	21.1	7.9
Earnings per share ^{5, 6}						
per preferred share	€	1.38	1.22	1.47	1.29	0.49
per common share	€	1.36	1.20	1.45	1.27	0.47
Earnings per share on full distribution ^{6, 7}						
per preferred share	€	0.84	0.87	1.12	0.99	0.39
per common share	€	0.82	0.85	1.10	0.97	0.37
Equity ^{1, 5}	€ million	429.9	647.8	668.7	765.2	826.3
Equity ratio ^{1, 5}	%	21.8	33.1	33.0	36.3	40.6
Capital employed ^{5, 8, 9}	€ million	715.6	875.9	882.4	954.1	1,045.4
EBIT ^{4, 10} /capital employed ^{5, 8, 9} (ROCE)	%	15.4	22.7	24.7	23.4	17.2
Net financial debt	€ million	353.7	117.6	138.9	78.2	93.2
DVA ^{5, 8, 11}	€ million	32.4	118.0	138.9	142.1	90.3
Headcount as of March 31		11,133	11,453	12,114	12,707	13,426

¹ Value as of March 31

² EBITDA = Earnings before net interest result, income taxes, depreciation and amortization

³ Equipment leased out has been recognized in property, plant and equipment since 2012.
The figures for 2011 were adjusted accordingly.

⁴ EBIT = Earnings before net interest result and income taxes

⁵ The prior-year values were adjusted in compliance with IAS 8 due to the first-time application of IAS 19 (2011).

⁶ On the basis of the proposed dividend

⁷ Based on an imputed actual full distribution of earnings attributable to shareholders

⁸ Previous year's figures were adjusted due to a restatement conducted in fiscal year 2012; see note 3 in the Notes of the Annual Report 2012 of the Dräger Group.

⁹ Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities

¹⁰ Value of the last twelve months

¹¹ Dräger Value Added = EBIT less cost of capital

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INTERIM FINANCIAL STATEMENTS OF THE DRÄGER GROUP AS OF MARCH 31, 2014

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Letter from the Executive Board Chairman

Dear Shareholders, dear Employees,

Fiscal year 2014, which recently began, is a special year for Dräger as it marks the 125th anniversary of the company's founding. We will be celebrating the birthday of a company that has developed and produced technology for life practically right from day one. Employees, suppliers and customers have remained true to this claim for all this time, and that is something we can be proud of.

Our environment has become more problematic. The global economy may be growing at a moderate rate, but growth momentum in emerging markets is falling. Business development in the first quarter of the year was disappointing overall. In particular, the development of order intake in Europe and in the Americas region – two heavyweight regions – failed to meet our expectations. Our net sales declined by a nominal amount, and only rose by a slight margin net of currency effects. The increase in the strength of the euro also continues to impact our business performance. This is particularly a factor in terms of earnings. The weak currencies of our business partners outside of the euro-zone has led to a decline in sales revenues in euros and, given the high share of costs in euros, has caused margins to decline. Moreover, we had an unfavorable product mix in the first quarter of the year, meaning that the share of higher-margin products fell, while we increased net sales from products or projects with lower margins.

What does this mean for our outlook for the fiscal year? One thing is clear: This starting point will not make the other three quarters in 2014 any easier. Considerable efforts must be made to ensure we meet our targets this year. Some of the difficulties are of our own doing, and we are working towards improvements in this regard. These measures come at a cost and need time, some more than others. Another part of this problematic environment comes down to external influences such as currency, which we have to deal with and adapt to. We must seize all opportunities and chances around the world in contact with our customers. This is something we take pleasure in; after all, we've been doing it with heartfelt dedication for 125 years now.

Best regards,



Stefan Dräger

The Dräger Shares

SHARE PRICE DEVELOPMENT

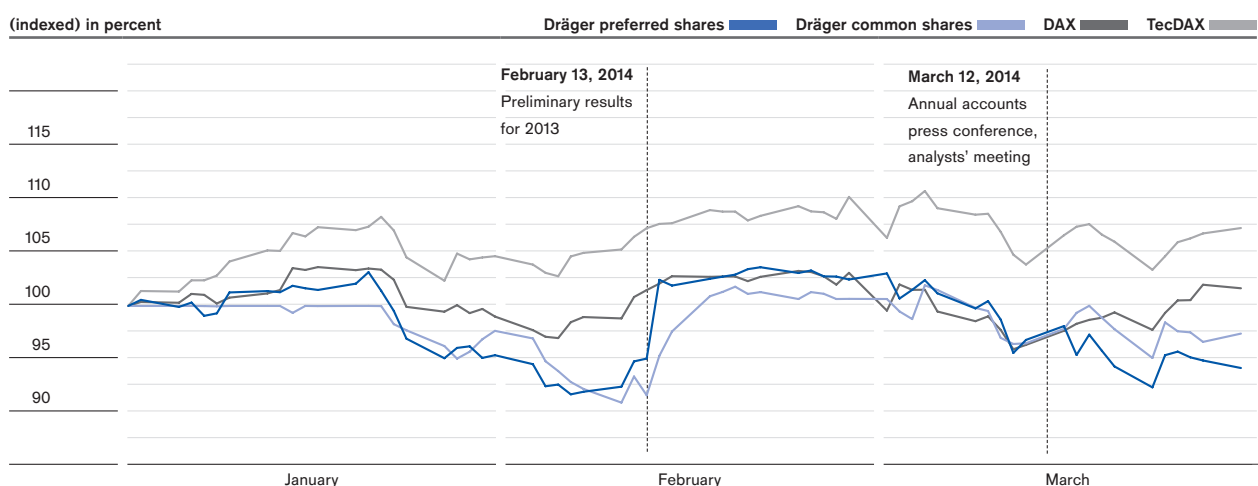
The Dräger shares recorded losses in the first few weeks of the year. Only with the publication of provisional figures for 2013 did the share price recover. However, the Dräger shares lost further ground in March against the backdrop of a nervous stock market environment unsettled by the Crimean crisis, ending the quarter with a loss. Common shares closed the quarter at EUR 75.00, 3 percent down on year-end 2013. Preferred shares fell by 6 percent in the quarter, closing at EUR 89.16.

The development of the DAX share index was predominantly lateral in the first quarter of the year, closing roughly at its year-end level (9,552 points) at 9,555.91 points. By contrast, the TecDAX share index performed well (+7 percent) and closed the quarter at 1,251.98 points.

ISSUING NEW SHARES

In the first quarter, we issued 100,000 new no-par preferred shares (no-par shares) from authorized capital – as mentioned under “Subsequent events” on page 93 of the 2013 annual report. The new preferred shares were issued to fulfill shareholders' entitlements from the option rights guaranteed in the form of warrants issued in August 2010.¹

DYNAMIC PERFORMANCE OF THE DRÄGER SHARES



¹ Please refer to Note 4 and Note 11 in the notes

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 2014	Three months 2013
Common shares		
No. of shares on the reporting date	10,160,000	10,160,000
High (in €)	78.49	84.50
Low (in €)	70.01	57.00
Share price on the reporting date (in €)	75.00	84.50
Average daily trading volume ¹	6,342	11,166
Earnings per common share		
Undiluted (in €)	0.47	1.27
Diluted (in €)	0.46	1.23
Earnings per common share on full distribution ²		
Undiluted (in €)	0.37	0.97
Diluted (in €)	0.36	0.95
Vorzugsaktien		
No. of shares on the reporting date	6,650,000 ³	6,350,000
High (in €)	98.12	102.10
Low (in €)	86.82	76.90
Share price on the reporting date (in €)	89.16	100.75
Average daily trading volume ¹	19,319	39,801
Earnings per preferred share		
Undiluted (in €)	0.49	1.29
Diluted (in €)	0.48	1.25
Earnings per preferred share on full distribution ²		
Undiluted (in €)	0.39	0.99
Diluted (in €)	0.38	0.97
Market capitalization	1,354,914,000	1,498,282,500

¹ All German stock exchanges (Source: designated sponsors)

² Based on an imputed actual full distribution of earnings attributable to shareholders

³ Increase as a result of exercising share options (see Note 4 in the notes)

Management report of the Dräger Group for the first quarter of 2014

General economic conditions

MODERATE GROWTH

According to the European Central Bank's (ECB) March report, the global economy is expanding, albeit at a gradual pace. Economic development may be increasing in most industrialized countries, however momentum has been lost in important emerging economies. In China, economic indicators are pointing to a general slowdown in growth momentum. The purchasing manager index for the Chinese industry calculated by major bank HSBC fell in March for the third month in succession. According to the ECB, growth momentum in other important emerging markets is only moderate. In the USA, the growth trend at the start of the year only slowed down temporarily, likely as a result of the severe weather conditions of the past winter. The eurozone saw moderate growth in the first quarter of 2014 after three quarters of growth in a row. For Germany, the Bundesbank expects the rate of macroeconomic expansion to increase in the first quarter, with favorable weather conditions having a positive impact on the cyclical recovery.

EXPANSIVE MONETARY POLICY

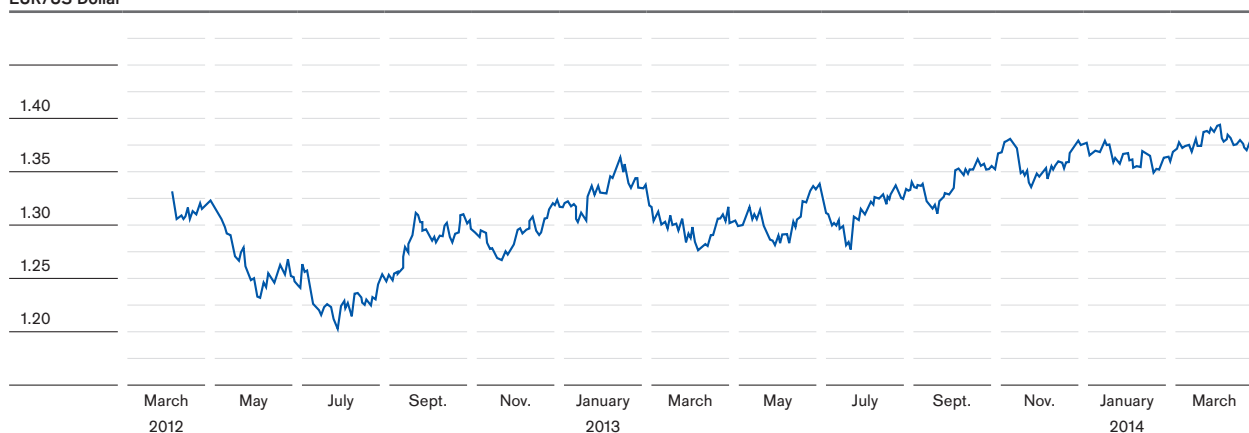
In mid-March, the US Federal Reserve (Fed) decided to scale back its securities-buying activities, but to maintain interest rates at a record low of between 0 and 0.25 percent. According to Fed Chairman Janet Yellen, an increase in interest rates is dependent on how the economy develops. The European Central Bank (ECB) kept its key interest rate at a record low of 0.25 percent at the start of April.

EURO STILL STRONG, INFLATION RATES REMAIN LOW

The euro has risen in value since the start of the year. Against the US dollar, the euro even exceeded 1.39 US dollars for a temporary period. Measured against the currencies of 20 of the most important trading partners in the eurozone, the nominal effective exchange rate of the euro was up 5.3 percent year on year by the start of April 2014. Inflation rates remained very low at the start of 2014. Inflation in the eurozone was a mere 0.5 percent in March compared to the previous month, while in Germany this figure was 1.0 percent.

EXCHANGE RATE DEVELOPMENTS

EUR/US Dollar



Source: VWD (Vereinigte Wirtschaftsdienste)

MARKET AND INDUSTRY PERFORMANCE

Slight growth was recorded in the medical markets in the first quarter, with emerging economies making the greatest contribution. Practically unaffected by economic fluctuation, there was significant demand for medical equipment in China – while room for improvement in medical markets in India also accounted for a significant share of the positive development in emerging economies. Demand in Russia was sluggish, mainly as a result of the country's weak economy at the current time. In the USA, moderate growth was recorded. Although demand in the USA is considerable, cost-cutting measures are suffocating some of the necessary investments in medical products. Europe experienced slight market growth. In Northern Europe, sales development was marginally positive in line with expectations. In Southern Europe, demand for medical equipment has stabilized thanks to the slowly recovering economy. In the Middle East, demand remained positive in the first quarter and was bolstered in particular by continued, significant investment in major projects in the hospital sector in Saudi Arabia and the United Arab Emirates.

The safety sector experienced marginally positive development in the first quarter of the year, on par with expectations. Despite the long winter in the USA, the US economy enjoyed moderate growth in the first quarter and had a positive influence on demand for safety equipment. The safety sector also benefited from considerable investment in the oil

and gas production industries, as well as rising demand from the chemical industry, which reported a rise in the Chemical Activity Barometer of 2.4 percent in February according to the American Chemistry Council (ACC). In China, there was a slowdown in industrial production growth in the first quarter, with a year-on-year increase of 8.6 percent in February. In Europe, demand for safety equipment varied by region; however, the differences were not as pronounced as in previous years. Northern and Central Europe saw slight growth, while demand for safety products in Southern Europe stabilized on account of the region's recovering economic climate. The safety sector in the Middle East enjoyed positive development thanks to investments in major projects.

OVERALL ASSESSMENT OF FRAMEWORK CONDITIONS

In the eurozone, it's becoming increasingly clear that the economic situation is stabilizing. Growth continues to be carried by eurozone member states in Central and Northern Europe. In emerging economies, growth rates are no longer able to match those of the past few years. Moderate economic recovery in industrialized economies, coupled with a loss of momentum in emerging markets, provides a stable economic climate, albeit one with only moderate expansion that remains susceptible to disruption. Medical and safety markets remain robust and are continuing their growth trend.

CHANGE TO REGIONAL REPORTING

At the start of fiscal year 2014, we made a slight change in the regional reporting of order intake, orders on hand and net sales. This corresponds to the regional structure in internal reporting and responsibilities at management level. The figures for prior periods were adjusted accordingly. The following table contains a summary of the changes. Figures for Europe now include figures for Germany, while Germany figures will also continue to be presented separately, too.

CHANGE TO REGIONAL REPORTING

Country	Prior regional allocation	New regional allocation
Bangladesh, India, Madagascar, Mauritius, Seychelles, Sri Lanka	Asia/Pacific	Middle East, Africa and Other
Kyrgyzstan, Tajikistan	Asia/Pacific	Europe
Azerbaijan, Armenia, Georgia, Israel, Kazakhstan, Turkmenistan, Uzbekistan	Other	Europe

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Three months		
		2014	2013	Change in %
Order intake	€ million	544.6	571.3	-4.7
Orders on hand¹	€ million	506.7	524.0	-3.3
Net sales	€ million	513.2	533.8	-3.9
EBITDA²	€ million	36.1	56.5	-36.1
Depreciation	Mio. €	-17.1	-16.7	+2.4
EBIT³	€ million	19.0	39.8	-52.3
Interest result	€ million	-6.2	-6.5	-4.4
Income taxes	€ million	-4.3	-10.7	-59.8
Earnings after income taxes	€ million	8.5	22.6	-62.3
Earnings per share⁴				
per preferred share	€	0.49	1.29	-62.0
per common share	€	0.47	1.27	-63.0
Earnings per share on full distribution⁵				
per preferred share	€	0.39	0.99	-60.6
per common share	€	0.37	0.97	-61.9
Research and development costs	€ million	50.3	48.4	+3.8
Equity ratio ¹	%	40.6	36.3	
Cash flow from operating activities	€ million	25.1	-8.3	+403.9
Net financial debt ¹	€ million	93.2	78.2	+19.1
Investments	€ million	20.1	19.0	+6.1
Capital employed ^{1,6}	€ million	1,045.4	954.1	+9.6
Net working capital ^{1,7}	€ million	510.9	462.4	+10.5
EBIT ³ /net sales	%	3.7	7.5	
EBIT ^{3,87} /capital employed ^{1,6} (ROCE)	%	17.2	23.4	
Net financial debt ¹ /EBITDA ^{2,8}	Factor	0.37	0.27	
Gearing ⁹	Factor	0.11	0.10	
DVA ^{8,10}	€ million	90.3	142.1	-36.4
Headcount as of March 31		13,426	12,707	+5.7

Business performance of the Dräger Group

ORDER INTAKE

in € million	Three months			
	2014	2013	Change in %	Net of currency effects in %
Europe	304.5	319.9	-4.8	-3.9
thereof Germany	115.3	118.5	-2.7	-2.7
Americas	97.9	114.4	-14.4	-6.8
Asia/Pacific	94.1	91.0	+3.4	+13.2
Middle East, Africa & Others	48.1	46.0	+4.7	+9.9
Total	544.6	571.3	-4.7	-0.6

Order intake fell by 0.6 percent (net of currency effects) in the first quarter. In the medical division, demand declined by 0.8 percent (net of currency effects). Orders in the safety division went up by 0.6 percent (net of currency effects).

In Europe, including Germany, we recorded a 3.9 percent (net of currency effects) decline in order intake. At 2.7 percent, orders in Germany declined at a slightly slower rate. In the Americas region, there was a more significant decline in demand. Here, our order intake fell year on year in the first quarter by 6.8 percent (net of currency effects). Order intake in the Asia/Pacific region rose by 13.2 percent (net of currency effects). In the Middle East, Africa and Other region, a rise in demand led to a first-quarter order increase of 9.9 percent (net of currency effects).

Footnotes for page 10

¹ Value as of March 31

² EBITDA = Earnings before net interest result, income taxes, depreciation and amortization

³ EBIT = Earnings before net interest result and income taxes

⁴ On the basis of the proposed dividend

⁵ Based on an imputed actual full distribution of earnings attributable to shareholders

⁶ Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities

⁷ Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt

⁸ Value of the last twelve months

⁹ Gearing = Net financial debt/equity

¹⁰ Dräger Value Added = EBIT less cost of capital

ORDERS ON HAND

in € million	March 31, 2014	March 31, 2013	Change in %	Net of currency effects in %
Europe	266.7	286.5	-6.9	-6.0
thereof Germany	120.5	133.3	-9.6	-9.6
Americas	93.6	105.9	-11.7	-1.2
Asia/Pacific	73.7	77.2	-4.5	+4.2
Middle East, Africa & Others	72.7	54.3	+34.0	+39.0
Total	506.7	524.0	-3.3	+1.1

On March 31, 2014, orders on hand were EUR 506.7 million, up 1.1 percent (net of currency effects) on the prior year's figure (March 31, 2013: EUR 524.0 million). Excluding the major order from Deutsche Bahn for tunnel rescue trains received in 2012, orders on hand would have risen by 2.8 percent (net of currency effects).

Equipment orders on hand, excluding the contract with Deutsche Bahn that extends to 2016, covered a 2.5-month period (March 31, 2013: 2.4 months). This key figure is based on the average net sales over the past twelve months.

NET SALES

in € million	2014	2013	Change in %	Net of currency effects in %
				Three months
Europe	280.5	289.9	-3.3	-2.4
thereof Germany	102.2	99.3	+3.0	+3.0
Americas	95.2	102.8	-7.4	+0.3
Asia/Pacific	98.5	97.3	+1.3	+11.6
Middle East, Africa & Others	39.0	43.8	-11.0	-6.0
Total	513.2	533.8	-3.9	+0.4

Net sales increased by 0.4 percent (net of currency effects) in the first quarter. The medical division contributed to this with a rise of 1.0 percent (net of currency effects). Net sales in the safety division rose by just 0.2 percent (net of currency effects).

In Europe, including Germany, net sales fell by 2.4 percent (net of currency effects). However, net sales in Germany showed contrasting fortunes and rose by 3.0 percent.

In the Americas region, deliveries were up slightly year on year (net of currency effects). The Asia/Pacific region recorded positive net sales development with growth of 11.6 percent (net of currency effects). However, in the Middle East, Africa and Other region, deliveries in the first quarter of the year fell by 6.0 percent year on year.

EARNINGS

In the first quarter of 2014, gross profit developed slightly disproportionately in relation to net sales, with a decrease of EUR 30.7 million to EUR 240.0 million. At 46.8 percent, the gross margin was 3.9 percentage points lower than in the prior year. As in previous quarters, the further appreciation of the euro in relation to the currencies of a number of important sales markets was the main factor responsible for the decline. In addition, a shift in the product mix in the medical division and low-margin anesthesiology and ventilation projects were responsible for a significant decline. The gross margin in the safety division was slightly down year on year.

The decline in gross profit was only partially able to be compensated by lower functional costs. The 4.8 percent decline was mainly due to a fall in administrative costs and positive currency effects. Reduced IT costs in administration, lower performance-related remuneration and a reduction in expenses for patent and legal disputes led to a 26 percent fall in administrative costs. Net of positive currency effects, sales and marketing costs remained at the same level as the prior year. By contrast, expenditure on research and development rose by 3.8 percent as planned. The research and development (R&D) ratio therefore amounted to 9.8 percent of net sales (2013: 9.1 percent). Personnel expenses rose by 3.5 percent, not only as a result of an increase in headcount, but also due to pay rises in accordance with wage agreements in Germany. Alongside lower variable remuneration, changes in exchange rates also benefited personnel expenses.

The other financial result fell year on year to EUR -0.2 million (2013: EUR 1.1 million). Overall, we generated Group earnings before interest and taxes (EBIT) of EUR 19.0 million (2013: EUR 39.8 million). The EBIT margin fell from 7.5 percent in the prior year period to 3.7 percent.

The interest result improved marginally by EUR 0.3 million to EUR -6.2 million year on year. The tax rate climbed to 33.5 percent (prior year: 32.1 percent). Earnings after income taxes amounted to EUR 8.5 million, down EUR 14.1 million on the prior-year period (2013: EUR 22.6 million).

INVESTMENTS

In the first three months of 2014, we invested EUR 18.7 million in property, plant and equipment (2013: EUR 17.9 million) and EUR 1.5 million in intangible assets

(2013: EUR 1.1 million). These mainly concerned replacements and investments in production and management buildings. Depreciation and amortization totaled EUR 17.1 million in the first quarter of 2014 (2013: EUR 16.7 million). Investments covered 117.9 percent of depreciation, meaning that non-current assets rose by EUR 3.1 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 fiscal year 2014, Dräger Group's cash inflow from operating activities amounted to EUR 25.1 million compared to cash outflow of EUR 8.3 million in the prior-year period. The greater decrease in trade receivables of EUR 85.6 million (3 months 2013: EUR 25.5 million) was the main contributor to this development. The decline in earnings after income taxes – adjusted for write-downs, changes to cash neutral provisions as well as other non-cash earnings/expenses – increased by EUR 24.5 million to EUR 0.5 million offset this effect.

The cash inflow from operating activities includes EUR 10.3 million in income taxes paid (3 months 2013: EUR 10.4 million), EUR 0.5 million in interest received (3 months 2013: EUR 0.8 million) and EUR 5.9 million in interest paid (3 months 2013: EUR 6.0 million).

Cash outflow from investing activities went up to EUR 17.3 million (3 months 2013: EUR 15.4 million) due primarily to the construction of a new building, as well as modernizing measures and building modifications at the Lübeck site. Further investments totaling EUR 1.4 million and EUR 1.0 million were made in production sites in China and the Czech Republic respectively.

Cash outflow from financing activities of EUR 30.0 million was primarily impacted by the repayment of a note loan in the amount of EUR 50.0 million. By contrast, exercising two share options on preferred shares brought in a total of EUR 6.3 million. Furthermore, the minority shareholder of Draeger Arabia Co. Ltd, Saudi Arabia, made a payment of EUR 3.7 million within the scope of a capital increase at this subsidiary. The capital increase was performed by Dräger and the owner of non-controlling interests without any change to the ownership structure of the company.

Cash and cash equivalents as of March 31, 2014 of EUR 208.9 million exclusively comprised cash, of which EUR 5.4 million is subject to restrictions (March 31, 2013: EUR 13.6 million).

Financial management

BORROWING

The number of note loans has been reduced compared to the borrowing described in the Annual Report 2013. In the first quarter of 2014, we redeemed a mature note loan in cash in the amount of EUR 50.0 million. No other note loans are due to mature in 2014. As of March 31, 2014, total note loans amounted to EUR 182.5 million (December 31, 2013: EUR 232.5 million).

In order to finance the construction of new low-energy facilities, we took out an amortizable loan totaling EUR 7.6 million from the KfW Energy Efficiency Program on March 5, 2014 with a term until March 31, 2024.

NET ASSETS

We increased our equity by EUR 10.3 million to EUR 826.3 million in the first three months of 2014. The equity ratio went up to 40.6 percent as of March 31, 2014 (December 31, 2013: 39.5 percent).

Total assets fell by EUR 28.8 million in the first quarter of 2014 to EUR 2,036.2 million. A fall in trade receivables (down by EUR 85.9 million) compared to year-end – partly due to lower receivables in Southern Europe – was more than compensated by increased inventories (up by EUR 33.2 million) and other current assets (up by EUR 18.0 million). Cash and cash equivalents fell by EUR 23.3 million.

On the liabilities side, equity (up by EUR 10.3 million) and other current liabilities (up by EUR 22.4 million) rose, while loans and liabilities to banks fell as a result of the repaying of a note loan (down by EUR 39.7 million), as did trade payables (down by EUR 28.9 million).

DRÄGER VALUE ADDED

Our Dräger Value Added (DVA, on a twelve-month rolling basis) fell by EUR 51.8 million to EUR 90.3 million year on year as of March 31, 2014 (year on year as of March 31, 2013: EUR 142.1 million). Our EBIT (on a twelve-month rolling basis) fell substantially by EUR 43.3 million year on year. The average cost of capital increased by EUR 8.5 million, as the average capital invested rose by 10.4 percent to EUR 997.0 million. The main factor behind this increase was a rise in trade receivables and inventories as well as a decline in provisions. This trend is reflected above all in days of working capital (coverage of current assets), which rose by 6.4 days to 117.6 days.

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Three months		
		2014	2013	Change in %
Order intake	€ million	346.8	363.9	-4.7
Orders on hand¹	€ million	327.3	336.4	-2.7
Net sales	€ million	329.4	341.0	-3.4
EBITDA²	€ million	13.7	34.0	-59.8
Depreciation	€ million	-6.3	-6.3	-1.0
EBIT³	€ million	7.4	27.7	-73.2
Research and development costs	€ million	35.9	33.7	+6.4
Cash flow from operating activities	€ million	26.5	-6.7	+495.6
Investments	€ million	5.5	6.3	-38.0
Capital employed ^{1,4}	€ million	654.4	620.4	+5.5
Net working capital ^{1,5}	€ million	394.4	366.2	+7.7
EBIT ³ /net sales	%	2.3	8.1	
EBIT ^{3,6} /capital employed ^{1,4} (ROCE)	%	20.3	29.8	
DVA ^{6,7}	€ million	75.7	133.7	-43.4
Headcount as of March 31		7,364	7,051	+4.4

¹ Value as of March 31

² EBITDA = earnings before net interest result, income taxes, depreciation and amortization

³ EBIT = Earnings before net interest result and income 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 Value of the last twelve months

⁷ Dräger Value Added = EBIT less cost of capital

Business performance of the medical division

ORDER INTAKE

in € million	Three months			
	2014	2013	Change in %	Net of currency effects in %
Europe	179.5	188.7	-4.9	-4.2
thereof Germany	75.7	77.8	-2.7	-2.7
Americas	64.8	81.1	-20.1	-12.6
Asia/Pacific	64.8	60.1	+7.8	+16.8
Middle East, Africa & Others	37.7	33.9	+11.2	+15.6
Total	346.8	363.9	-4.7	-0.8

In the medical division, order intake fell in the first quarter by 0.8 percent year on year (net of currency effects).

In our service business, we recorded a significant increase in orders. Demand for ventilation and heat therapy products rose, as did orders in the workplace infrastructure business. By contrast, demand for anesthesiology devices and patient monitoring and data management products declined significantly. In the hospital consumables business, we also recorded a decrease in order intake.

Order intake in the Europe including Germany region dropped by 4.2 percent (net of currency effects). In the Netherlands and Spain, demand increased considerably, while in Greece and Italy we also received more orders. However, this was offset by a decline in order intake in Poland, Belgium, Russia, Switzerland and Germany.

In Germany, order intake fell by 2.7 percent in the first quarter. Demand in patient monitoring and data management and in the service business increased, but it fell in the ventilation, heat therapy and anesthesia customer areas.

With a decline of 12.6 percent net of currency effects, order intake in the Americas region fell substantially. Order intake fell in particular in the USA, Venezuela and Honduras, while demand in Canada, Brazil and Colombia rose.

Our order intake in the Asia/Pacific region climbed in the first quarter by a total of 16.8 percent (net of currency effects) and was shaped by a sharp rise in Japan and China. Orders experienced particular declines in Australia and Vietnam.

In the Middle East, Africa and Other region, order intake rose net of currency effects by 15.6 percent. A rise in demand in Egypt, Qatar and the United Arab Emirates was offset by a decline in order intake in Libya and Saudi Arabia.

ORDERS ON HAND

in € million	March 31, 2014	March 31, 2013	Change in %	Net of currency effects in %
Europe	138.6	144.1	-3.8	-2.7
thereof Germany	48.8	51.1	-4.5	-4.5
Americas	80.8	91.9	-12.1	-1.5
Asia/Pacific	48.3	58.7	-17.7	-10.7
Middle East, Africa & Others	59.5	41.7	+42.6	+48.4
Total	327.3	336.4	-2.7	+2.6

On March 31, 2014, orders on hand in the medical division came to EUR 327.3 million, up 2.6 percent (net of currency effects) year on year (March 31, 2013: EUR 336.4 million). In Europe, as in Germany, the Americas region and, above all, in the Asia/Pacific region, orders on hand fell (net of currency effects), while there was a substantial increase in the Middle East, Africa and Other region.

Equipment orders on hand covered a 2.8-month period (March 31, 2013: 2.8 months). This key figure is based on the average net sales over the past twelve months.

NET SALES

in € million	Three months			
	2014	2013	Change in %	Net of currency effects in %
Europe	164.3	174.5	-5.8	-5.1
thereof Germany	66.7	64.1	+4.1	+4.1
Americas	62.9	68.3	-7.9	+0.5
Asia/Pacific	72.7	63.8	+14.1	+24.3
Middle East, Africa & Others	29.4	34.4	-14.6	-10.7
Total	329.4	341.0	-3.4	+1.0

Net sales in the medical division increased by 1.0 percent (net of currency effects) in the first quarter of 2014.

There was a substantial rise in net sales in the service business and in the workplace infrastructure customer area. Net sales also climbed in the hospital consumables business as well as in the case of ventilation and heat therapy products. We recorded a considerable decline in the patient monitoring and data management customer area. Deliveries of anesthesiology devices also declined.

In the Europe region, including Germany, net sales fell by 5.1 percent (net of currency effects). A rise in Belgium, Spain and Germany was offset by a considerable decline in net sales in Russia and Poland and, to a lesser extent, in France and Sweden.

In Germany, net sales rose by 4.1 percent in the first quarter. There was a considerable rise in deliveries of anesthesiology devices, but net sales in the hospital consumables and service businesses also rose. Net sales in the hospital infrastructure systems business decreased.

In the Americas region, net sales were up slightly year on year (net of currency effects) in the first quarter. The increase in deliveries in Peru, Canada, Brazil, Colombia as well as in Mexico was able to compensate for the substantial decline in net sales in the USA and, to a lesser extent, in Honduras and Bolivia.

We once again achieved double-digit growth in the Asia/Pacific region with net sales increasing by 24.3 percent (net of currency effects) in the first quarter. In Japan, net sales also experienced a considerable increase. Deliveries also rose in China, Australia and New Zealand, but declined in Indonesia, Thailand and Malaysia.

In the Middle East, Africa and Other region, net sales were down by 10.7 percent (net of currency effects). This was mainly due to a decline in Saudi Arabia, while Libya, Morocco, Kuwait and Oman also recorded falls. In Iraq and India, our net sales increased considerably in the first quarter.

EARNINGS

In the first quarter of 2014, gross profit and the gross margin (-5.7 percentage points) of the medical division were below the prior year's figures. Alongside changes in exchange rates, a relatively unfavorable product mix and low-margin anesthesiology and ventilation projects had a negative impact.

By contrast, functional costs were down year on year, even though we increased our investment in research and development and in the sales organization year on year. Lower administrative costs, including for IT, and positive currency effects more than compensated for these investments. Research and development expenditure rose by 6.4 percent (+8.1 percent net of currency effects).

EBIT fell by a total of 73.2 percent to EUR 7.4 million (3 months 2013: EUR 27.7 million) and the EBIT margin of 2.3 percent was significantly down on the previous year's value (2013: 8.1 percent).

INVESTMENTS

In the first quarter of 2014, we invested EUR 0.1 million (3 months 2013: EUR 0.2 million) in intangible assets and EUR 5.4 million in property, plant and equipment (3 months 2013: EUR 6.1 million) in the medical division. The majority of these investments are for replacements. We also invested a further EUR 1.4 million in the construction of a new production and management building in China. In the first quarter of 2014, depreciation and amortization came to EUR 6.3 million and covered 87.4 percent of the investments, meaning that non-current assets fell by EUR 0.8 million net.

FINANCIAL POSITION AND NET ASSETS

As of March 31, 2014, capital employed increased by EUR 34.0 million to EUR 654.4 million (March 31, 2013: EUR 620.4 million). The main reason for this was a decline in provisions, including provisions for pensions and variable remuneration and in prepayments received.

On average, inventories and receivables were up year on year in relation to net sales, meaning that the days working capital (coverage of current assets) rose by 11.3 days to 130.4 days. In the first quarter of 2014, cash flow from operating activities was positive at EUR 26.5 million (3 months 2013: EUR -6.7 million), the main reason being a much higher reduction in receivables compared with the prior-year period.

DRÄGER VALUE ADDED

DVA in the medical division fell by EUR 58.0 million to EUR 75.7 million year on year as of March 31, 2014 (year on year as of March 31, 2013: EUR 133.7 million). This drop in DVA was mainly driven by EBIT, which fell by almost EUR 52 million (on a twelve-month rolling basis). Capital employed, which was higher on average, also had a negative impact on DVA (around EUR 6 million).

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Three months		
		2014	2013	Change in %
Order intake	€ million	208.0	215.5	-3.5
Orders on hand¹	€ million	183.4	189.0	-3.0
Net sales	€ million	193.5	200.8	-3.6
EBITDA²	€ million	25.7	24.8	+3.8
Depreciation/amortization	€ million	-6.7	-6.3	+5.0
EBIT³	€ million	19.1	18.4	+3.4
Research and development costs	€ million	14.1	14.0	+0.7
Cash flow from operating activities	€ million	11.8	7.1	+66.5
Investments	€ million	9.5	8.5	-64.9
Capital employed ^{1,4}	€ million	233.9	214.7	+9.0
Net working capital ^{1,5}	€ million	151.5	139.7	+8.4
EBIT ³ /net sales	%	9.9	9.2	
EBIT ^{3,6} /capital employed ^{1,4} (ROCE)	%	38.4	41.1	
DVA ^{6,7}	€ million	69.5	69.7	-0.3
Headcount as of March 31		5,156	4,851	+6.3

¹ Value as of March 31

² EBITDA = earnings before net interest result, income taxes, depreciation and amortization

³ EBIT = Earnings before net interest result and income 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 Value of the last twelve months

⁷ Dräger Value Added = EBIT less cost of capital

Business performance of the safety division

ORDER INTAKE

in € million	Three months			
	2014	2013	Change in %	Net of currency effects in %
Europe	135.0	139.2	-3.0	-1.8
thereof Germany	48.5	48.1	+0.9	+0.9
Americas	33.7	33.3	+1.2	+8.9
Asia/Pacific	29.3	30.9	-5.3	+6.1
Middle East, Africa & Others	9.9	12.0	-17.1	-9.5
Total	208.0	215.5	-3.5	+0.6

In the first quarter, order intake in the safety division increased by 0.6 percent (net of currency effects).

In the occupational health and safety area, demand for light-weight respiratory protection increased. We also recorded a slight rise in order intake for plant safety equipment. Increased demand in the maintenance and equipment rental business was contrasted by lower demand for stationary gas detection products. Orders increased slightly in our service business. Business with government agencies, however, declined slightly. The rise in demand for personal protection equipment for the firefighting sector was unable to offset the drop in demand for alcohol testing devices. Order intake in the area of engineered system solutions remained below the prior year's level, which included a large order from Switzerland's national railway company for tunnel rescue trains.

Order intake in the Europe region, including Germany, dropped by 1.8 percent (net of currency effects). This decrease is due to the large order from Switzerland in the prior year in the area of engineered system solutions. Adjusted for this effect, order intake in the Europe region rose by 0.2 percent (net of currency effects) in the first quarter. Demand in Turkey, Poland, the UK, Austria, and Germany contributed to this development. Order intake in Russia, Scandinavia and South Europe, however, was down year on year.

In Germany, order intake increased by 0.9 percent in the first quarter. Demand in the maintenance and equipment rental business especially contributed to the rise in order intake for plant safety equipment. Growth in the service business also continued in the

first quarter. Order intake in the business with government agencies increased slightly. In contrast, demand in the areas of occupational health and safety and engineered solutions declined.

In the Americas region, order intake increased by 8.9 percent (net of currency effects), which was particularly due to a significant rise in demand in the US and Canada. Order intake in Brazil also rose in the first quarter. We recorded a decline in demand in Mexico as well as in Colombia, where we had received a large order in the prior year.

Order intake in the Asia/Pacific region rose by 6.1 percent (net of currency effects). Positive development in demand in China, Japan, Taiwan and South Korea contributed to this moderate growth. In Australia and New Zealand, however, order intake continued to decline.

In the Middle East, Africa and Other Countries regions, order intake in the first quarter decreased by 9.5 percent (net of currency effects). The increase in demand for all product areas in India was unable to offset the drop in demand in South Africa, where we had received large orders in the prior year.

ORDERS ON HAND

in € million	March 31, 2014	March 31, 2013	Change in %	Net of currency effects in %
Europe	131.2	143.5	-8.6	-7.9
thereof Germany	73.3	83.1	-11.8	-11.8
Americas	13.6	14.3	-4.7	+4.9
Asia/Pacific	25.4	18.6	+37.0	+51.2
Middle East, Africa & Others	13.2	12.6	+4.3	+6.9
Total	183.4	189.0	-3.0	-0.1

On March 31, 2014, orders on hand were EUR 183.4 million, down 0.1 percent (net of currency effects) on the prior year's figure (March 31, 2013: EUR 189.0 million). Excluding the tunnel rescue trains for Deutsche Bahn, orders on hand increased by 5.0 percent (net of currency effects).

Equipment orders on hand, adjusted for large projects, covered a 2.1-month period (March 31, 2013: 2.1 months). This key figure is based on the average net sales over the past twelve months.

NET SALES

in € million	Three months			
	2014	2013	Change in %	Net of currency effects in %
Europe	126.0	123.3	+2.1	+3.1
thereof Germany	43.9	42.5	+3.2	+3.2
Americas	32.6	34.5	-5.6	+0.8
Asia/Pacific	25.8	33.5	-22.9	-12.5
Middle East, Africa & Others	9.1	9.4	-3.0	+6.0
Total	193.5	200.8	-3.6	+0.2

In the first quarter, net sales in the safety division increased by 0.2 percent (net of currency effects).

In the area of plant safety equipment, we recorded net sales growth in stationary gas detection products. We also saw growth in the maintenance and equipment rental business. In the area of engineered system solutions, deliveries in the first quarter increased slightly. Net sales in the occupational health and safety area as well as service business were more or less on par with the prior year. In the business with government agencies, the increase in deliveries of alcohol testing devices was unable to offset the decline in demand for personal protection equipment for fire services.

Net sales in the Europe region, including Germany, increased by 3.1 percent (net of currency effects). We recorded strong growth in the Netherlands and in Switzerland, where we realized net sales according to the stage of completion for a tunnel rescue train for the Swiss national railway, among other things. Deliveries also increased in Germany, while in Poland, net sales decreased considerably due to the fact that we had recorded major deliveries in the prior-year period.

In Germany, net sales grew by 3.2 percent. Net sales continued to rise in the maintenance and equipment rental business as well as in the service business. In the area of engineered system solutions, we increased net sales further according to the stage of completion for the tunnel rescue trains from the large Deutsche Bahn order. Net sales decreased in the area of occupational health and safety as well as in our business with government agencies.

In the Americas region, net sales in the first quarter were up slightly year on year (net of currency effects). Higher net sales in the US, Colombia and Brazil were offset by a decrease in net sales in other regions, particularly in Mexico.

Net sales in the Asia/Pacific region went down by 12.5 percent (net of currency effects) in the first quarter. In China, deliveries in all product areas decreased, and net sales also declined in Australia and Indonesia, where we delivered large orders in the prior year.

Net sales in the Middle East, Africa and Other Countries regions grew by 6.0 percent (net of currency effects). Net sales growth was especially strong in India, while deliveries decreased in South Africa. In the Arabian markets, net sales were on par with the prior year.

EARNINGS

Due to lower net sales, gross profit in the safety division was down year on year in the first quarter of 2014. Negative effects from changes in exchange rates were almost offset by improved margins in the business with government agencies and occupational health and safety, so that the gross margin was only slightly below the prior year's level (-0.9 percentage points).

Functional costs decreased compared to the same quarter in the prior year, which was primarily due to lower IT costs in general and administrative expenses. In addition, the changes in exchange rates had a mitigating impact on the functional costs.

As a result of these developments, EBIT in the safety division rose by 3.4 percent to EUR 19.1 million (3 months 2013: EUR 18.4 million). The EBIT margin increased to 9.9 percent in the first quarter of 2014 (3 months 2013: 9.2 percent).

INVESTMENTS

In the safety division, we made no significant investments in intangible assets (3 months 2013: EUR 0.1 million) but invested EUR 9.5 million in property, plant and equipment (3 months 2013: EUR 8.3 million). The majority of these investments are for replacements. In addition, we invested EUR 1.1 million in the expansion of our production facility in the Czech Republic.

Depreciation and amortization amounted to EUR 6.7 million in the first quarter of 2014. Investments therefore covered 142.6 percent of depreciation and amortization (3 months 2013: 133.5 percent) and non-current assets increased by EUR 2.8 million net.

FINANCIAL POSITION AND NET ASSETS

Capital employed in the safety division increased year on year by 9.0 percent to EUR 233.9 million (3 months 2013: EUR 214.7 million). This is essentially due to a decrease in current provisions as well as the increase in non-current assets. Days working capital

(coverage of net current assets) was 97.2 days in the safety division, 1.9 days down on the prior-year figure. The reason for this improvement is an increase in prepayments received. Cash flows from operating activities increased to EUR 11.8 million as a result of an increased reduction of receivables (3 months 2013: EUR 7.1 million).

DRÄGER VALUE ADDED

At EUR 69.5 million as of March 31, 2014, DVA in the safety division remained on par year on year (year on year as of March 31, 2013: EUR 69.7 million). The rise in EBIT (on a twelve months rolling basis) was able to offset the slight increase in cost of capital.

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

		Three months		
		2014	2013	Change in %
Order intake	€ million	3.4	3.6	-6.6
Orders on hand¹	€ million	0.0	0.0	0.0
Net sales	€ million	3.4	3.6	-6.6
EBITDA²	€ million	27.3	28.4	-3.8
Depreciation	€ million	-4.2	-4.0	+3.6
EBIT³	€ million	23.2	24.4	-5.0
Research and development costs	€ million	0.3	0.7	-57.7
Cash flow from operating activities	€ million	4.7	12.4	-229.9
Investments	€ million	5.2	4.2	+23.0
Capital employed ^{1,4}	€ million	787.7	736.1	+7.0
Net working capital ^{1,5}	€ million	-28.3	-37.3	-24.0
Headcount as of March 31		906	805	+12.5

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

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

EARNINGS

Drägerwerk AG & Co. KGaA is the parent company of the Dräger Group. Together with the other companies, it provides services to the medical and safety divisions and their companies.

EBIT of Drägerwerk AG & Co. KGaA/Other companies declined in the first three months of 2014 to EUR 23.2 million (3 months 2013: EUR 24.4 million).

This decrease resulted from lower profit transfers in the first three months of 2014 in the amount of EUR 29.4 million (3 months 2013: EUR 30.7 million).

INVESTMENTS

In the first three months, investments at Drägerwerk AG & Co. KGaA/Other companies amounted to EUR 5.2 million (3 months 2013: EUR 4.2 million). Investments in intangible assets increased to EUR 1.3 million (3 months 2013: EUR 0.8 million) and in property, plant and equipment to EUR 3.9 million (3 months 2013: EUR 3.4 million).

The majority of these activities related to investments in buildings, the construction and modernization of production facilities as well as modernization of our IT infrastructure.

In the first three months of 2014, depreciation and amortization came to EUR 4.2 million. Investments covered 124 percent of depreciation and amortization, so that non-current assets increased by EUR 1.0 million.

CHANGED CONDITIONS AFTER THE CLOSING OF THE INTERIM REPORTING PERIOD

There were no significant changes between the first three months of 2014 and the time this interim financial report was prepared.

Research and development

In the first quarter of 2014, we invested EUR 50.3 million in R&D, which was more than in the prior-year period (EUR 48.4 million). The research and development expenses amounted to 9.8 percent of net sales (3 months 2013: 9.1 percent).

We increased research and development expenditure in the medical division to EUR 35.9 million (3 months 2013: EUR 33.7 million). In the first quarter, we invested 10.9 percent of net sales, more than in the prior-year period (3 months 2013: 9.9 percent).

The focus remains on expanding our intensive care product portfolio, and especially developing customer solutions within the Infinity Acute Care System (IACS). We also aim our investments at updating several products so as to meet the RoHS II¹ Directive as well as compliance with the IEC 60601 3rd edition².

In the first quarter of 2014, we introduced the “VG 2.2” software release for “IACS” and “M540”. The enhancements support customers in their daily work. Clinical workflow is improved by standardizing the alarm behavior between the “IACS” and the “ICS” and by simplifying documentation. Alarm management is improved which helps to avoid nuisance alarms. Also, the “M540” can be configured, allowing users to customize the device in order to focus on patient care during transport while maintaining a continuous patient record.

Within the safety division, we invested EUR 14.1 million in the first quarter of 2014 (3 months 2013: EUR 14.0 million) in research and development, corresponding to 7.3 percent of net sales (3 months 2013: 7.0 percent).

The focus is on expanding our product portfolio and developing systems to deliver complete solutions for our customers. In addition, the product portfolio is being modularized progressively.

We have revised and improved our fire escape hoods portfolio. The new “PARAT” escape hood can be donned in only three steps and protects its wearer from toxic industrial and combustion gases, vapors and particles for at least 15 minutes. The robust and ergonomic design of the packaging offers a whole range of options for carrying and mounting the escape hood so that it is always ready to use.

Personnel

As of March 31, 2014, Dräger employed a total of 13,426 people around the world, an increase of 719 on the prior year (March 31, 2013: 12,707). This corresponds to a rise of 5.7 percent. In Germany, the number of people working for Dräger Group rose by 300. The number of employees working abroad went up by 419.

¹ EU Directive “Restriction of the use of certain hazardous substances in electrical and electronic equipment”

² International Electrotechnical Commission

In view of our long-term growth strategy, we increased the headcount particularly in Service (+171), Sales (+128) and Research and Development (+126). As of March 31, 2014, a total of 53.5 percent (March 31, 2013: 53.3 percent) of our employees were working outside of Germany.

The headcount at Drägerwerk AG & Co. KGaA/Other companies went up by 101 employees year on year. At Drägerwerk AG & Co. KGaA, new people were especially hired in administrative positions – for example in IT (+22), in Finance (+13), and in HR (+8).

In the medical division, the number of employees rose by 313. In Germany, the headcount was increased by 93 people, mainly in Research and Development (+56). In the foreign subsidiaries, a total of 220 more people were employed, predominantly in Service (+88) and Sales (+74). At the Chinese production and development site in Shanghai, the headcount was increased in Production (+15) as well as in Research and Development (+10).

In the safety division, Dräger employed a total of 305 more people on March 31, 2014 than in the prior-year period. In Germany (+108), the headcount was mainly increased in Research and Development (+37), Logistics (+21) and Sales (+20). Outside of Germany, 197 new employees were recruited in the safety division, most of whom in Service (+78) and Sales (+31).

Personnel expenses within the Group rose by 3.5 percent year on year to EUR 218.5 million. This increase was the result of growth-related recruitment and pay raises. The pay raise for the German metal and electrical industries also contributed to the increase.

The personnel cost ratio came to 42.6 percent in the first quarter of 2014 (first quarter of 2013: 39.5 percent).

PERSONNEL EXPENSES ¹

in € thousand	Three months 2014	Three months 2013
Wages and salaries	180,395	175,235
Social security contributions and related employee benefits	32,969	30,458
Pension expenses	5,112	5,293
	218,476	210,986

¹ Personnel expenses include the remuneration of the members of the Executive Board of the general partner Drägerwerk Verwaltungs AG, Lübeck.

WORKFORCE TREND

	March 31, 2014	December 31, 2013	March 31, 2013
Medical division	7,364	7,319	7,051
Safety division	5,156	5,131	4,851
Drägerwerk AG & Co. KGaA/other companies	906	884	805
Dräger Group total	13,426	13,334	12,707
Germany	6,237	6,175	5,937
Other	7,189	7,159	6,770
Turnover in % of employees (Basis: average of the past twelve months)	4.0	3.6	4.0
Sick days in % of work days (Basis: average of the past twelve months)	3.5	3.5	3.4
Temporary staff in Germany	216	254	348

RISKS TO FUTURE DEVELOPMENT

The material risks to our net assets, financial position and results of operations and structure of our risk management system are outlined in the annual report for fiscal year 2013 on pages 113 et seq. and 123 et seq. respectively. The annual report may be downloaded online at www.draeger.com.

There were no material changes to the 2013 annual report. In addition, we cannot currently identify any individual or aggregated risks that could have a material impact on the Company's continued existence as a going concern.

Outlook**FUTURE MARKET ENVIRONMENT**

The latest economic outlook by the International Monetary Fund (IMF) at the beginning of April 2014 stated that global economic activity has strengthened and that growth in 2014, as well as in 2015, is likely to be somewhat higher than in the prior year. However, industrialized nations will be the main drivers behind this growth. Deteriorated external funding conditions are having a negative impact on emerging economies, which has led the IMF to lower its expectations slightly for these markets. Since the emerging markets account for more than two-thirds of global growth, it has also reduced its forecasts. The IMF currently anticipates global growth to be at 3.6 percent in 2014, slightly less than was anticipated in January. The largest contributor to economic growth worldwide among the industrialized nations is the US; the IMF has not changed its forecast for this

region. The IMF anticipates an improvement in growth prospects for the eurozone, with the core countries – especially Germany – making the largest contribution. According to the IMF, the problematic situation in the eurozone periphery countries will mean that growth here will remain weak and fragile. In contrast, growth in Germany is shaped by a stable labor market, growing confidence, rising domestic demand and a gradual rise in investments.

IMF – APRIL 2014 GROSS DOMESTIC PRODUCT (GDP) GROWTH FORECAST

in %	2014	2015
Global economy	3.6	3.9
USA	2.8	3.0
Eurozone	1.2	1.5
Germany	1.7	1.6
China	7.5	7.3

Source: International Monetary Fund (IMF)

FUTURE SITUATION OF THE MEDICAL TECHNOLOGY INDUSTRY

We continue to expect a marginally positive development in the medical technology industry. The market for medical technology in the US is likely to see moderate growth. Although factors such as the health care reform or the steady growth of the population are having a positive impact on the market, the pressure to cut health care costs in the US, which has the highest per capita spending on health services worldwide, still remains high. Overall, we anticipate a positive development of the market in emerging economies. Long-term trends such as higher life expectancy, population growth and rising incomes, are still intact, and even pent-up demand for medical technology in public health care remains high. Among the emerging markets, we expect demand to be strongest in the People's Republic of China. According to the Chinese Ministry of Health, substantial investments are to be made in medical technology infrastructure to keep up with ever-increasing demand. In Europe, we believe developments will remain varied from region to region this year, although the discrepancies will not be as significant as in the previous years. While we expect slight growth in North and Central Europe, we anticipate that demand in South Europe will stabilize and that the investment backlog should ease somewhat. The prospect of economic sanctions in Russia could have a negative impact on business there. In the Middle East, we anticipate positive demand in the medical technology market given the high investments that are planned in the hospital sector.

FUTURE SITUATION OF THE SAFETY TECHNOLOGY INDUSTRY

Despite the global economy still showing signs of volatility at the beginning of the year, we expect to see overall robust development in the safety technology industry. High demand for safety technology products in North America is likely to be a major driver of growth. Besides the recovering US economy, demand in the safety technology market will be bolstered in particular by investment in the development of new oil and gas reserves as well as stronger demand in the chemical industry. In emerging markets, we expect investment in safety technology to continue to grow. The slowdown in industry growth in these economies is likely to be more than offset by the effects of more stringent health and safety regulations. While we anticipate growth to be moderate in North and Central Europe, the situation in South Europe is expected to improve on last year. The tough consolidation measures of recent years in South Europe are starting to have an impact and the local economies are experiencing very slight growth, which should have a stabilizing effect on demand in these countries. Boosted by investment in oil and gas production, we expect to see moderate growth in the market for security technology in the Middle East.

FUTURE SITUATION OF THE COMPANY

The following section should be read in conjunction with the “Future Situation of the Company” section in the management report of the Annual Report 2013 (pages 128 et seq.), which describes our expectations for 2014 in detail. The following table contains an overview of our expectations in relation to the development of various forecast figures. The forecast period is based on a fiscal year.

EXPECTATIONS FOR FISCAL YEAR 2014

	Results achieved in 2013	Forecast 2014 based on Annual Report	Current forecast
Net sales	+3.1 percent (net of currency effects)	Between 3 percent and 6 percent (net of currency effects)	Confirmed
EBIT margin	8.5 percent	Between 8.0 percent and 10.0 percent	Lower end of range ¹
Other forecast figures:			
Gross margin	48.3 percent	Between 48 percent and 49 percent	Confirmed ¹
Research and development costs	EUR 201.5 million	EUR 206 million	EUR 210 million
Interest result	EUR -23.5 million	Slight improvement	Confirmed
Effective tax rate	32.4 percent	Between 30 percent and 34 percent	Confirmed
Operating cash flow	34 percent of EBIT	Between 50 percent and 75 percent of EBIT	Confirmed
Investment volume	EUR 110,6 million	EUR 100 million to EUR 120 million	Confirmed
Equity ratio	39.5 percent	Between 41 percent and 44 percent ²	Confirmed
Net financial debt	EUR 110.0 million	Slight improvement	Confirmed

¹ On the basis of average exchange rates in 2013

² Excluding the effect of a potential exercising of share options

DRÄGER MANAGEMENT ESTIMATE

Based on an anticipated net sales increase of between 3 percent and 6 percent (net of currency effects), we entered the new fiscal year with slightly higher growth expectations. This is based on the assumption of stabilizing economies in the emerging markets, sustained economic recovery in Europe, and accelerating growth in the US.

However, business in fiscal year 2014 as a whole has so far been disappointing. In particular, order intake in Europe and in the Americas region failed to meet our expectations. Net sales saw a nominal decrease in the first quarter, and have risen only slightly net of currency effects. Furthermore, the strong euro has impacted our business to a considerable extent, and has put particular pressure on earnings. In addition, our product mix in the first quarter also negatively impacted the margin.

This has placed us in an even more challenging position at the start of fiscal year 2014. It will take considerable effort to achieve our goals this year. In view of the developments

in the first quarter, we expect that our EBIT margin will only be at the lower end of the forecasted range which is based on average exchange rates of 2013. Also our expectation to compensate part of the currency effects by an improved gross margin did not materialize. On the basis of exchange rates in the first quarter a negative effect of up to 1.5 percentage points would weigh on the EBIT margin – compared to the average rates of the previous year.

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.

Lübeck, May 5, 2014

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Anton Schrofner

Interim financial statements of the Dräger Group as of March 31, 2014

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

in € thousand	Note	Three months 2014	Three months 2013
Net Sales		513,214	533,846
Cost of sales		-273,209	-263,191
Gross profit		240,004	270,655
Research and development costs		-50,290	-48,436
Marketing and selling expenses		-145,942	-149,602
General administrative costs		-25,350	-34,118
Other operating income		1,804	1,497
Other operating expenses		-1,089	-1,284
		-220,867	-231,943
		19,137	38,712
Profit from investments in associates		32	0
Other financial result		-166	1,089
Financial result (before interest result)	6	-134	1,089
EBIT		19,003	39,801
Interest result	6	-6,168	-6,450
Earnings before income taxes		12,835	33,351
Income taxes		-4,305	-10,701
Earnings after income taxes		8,530	22,650
Earnings after income taxes		8,530	22,650
Earnings attributable to non-controlling interests		-81	601
Earnings attributable to participation certificates (excluding minimum dividend, after taxes) ¹		725	907
Earnings attributable to shareholders		7,886	21,142
Undiluted earnings per share²			
per preferred share (in €)		0.49	1.29
per common share (in €)		0.47	1.27
Diluted earnings per share²			
per preferred share (in €)		0.48	1.25
per common share (in €)		0.46	1.23
Undiluted earnings per share on full distribution²			
per preferred share (in €)		0.39	0.99
per common share (in €)		0.37	0.97
Diluted earnings per share on full distribution²			
per preferred share (in €)		0.38	0.97
per common share (in €)		0.36	0.95

STATEMENT OF COMPREHENSIVE INCOME

in € thousand	Three months 2014	Three months 2013
Earnings after income taxes	8,530	22,650
Items that cannot be reclassified into the income statement		
Remeasurements of defined benefit pension plans	-10,722	11,084
Deferred taxes on remeasurements of defined benefit pension plans	3,315	-3,275
Items which may be reclassified subsequently to profit or loss		
Currency translation adjustment for foreign subsidiaries	-758	4,586
Change in the fair value of financial assets designated as available for sale recognized directly in equity	-374	205
Other earnings (after taxes)	-8,539	12,600
Total comprehensive income	-8	35,250
thereof earnings attributable to non-controlling interests	-174	816
thereof earnings attributable to participation certificates (excluding minimum dividend, after taxes) ¹	725	907
thereof earnings attributable to shareholders	-560	33,527

¹ Figures were calculated by apportioning a dividend for participation certificates of EUR 1.30 (March 31, 2013: EUR 1.60) based on earnings of the first three months and following Dräger's current policy on dividends which states that approximately 30 percent (March 31, 2013: approximately 15 percent) of Group net profit (less the shares for non-controlling interests) should be distributed.

Footnotes for page 38

¹ Figures were calculated by apportioning a dividend for participation certificates of EUR 1.30 (March 31, 2013: EUR 1.60) based on earnings of the first three months and following Dräger's current policy on dividends which states that approximately 30 percent (March 31, 2013: approximately 15 percent) of Group net profit (less the shares for non-controlling interests) should be distributed.

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

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

in € thousand	Notes	March 31, 2014	December 31, 2013
Assets			
Intangible assets	8	282,075	283,002
Property, plant and equipment	8	313,009	310,768
Investments in associates		298	298
Other non-current financial assets		9,635	8,627
Deferred tax assets		124,867	111,904
Other non-current assets		2,586	2,593
Non-current assets		732,470	717,191
Inventories	9	405,452	372,297
Trade receivables and receivables from construction contracts		554,876	640,810
Other current financial assets		44,217	33,124
Cash and cash equivalents		208,859	232,131
Current tax refund claims		19,772	16,908
Other current assets	10	70,576	52,550
Current assets		1,303,752	1,347,820
Total assets		2,036,222	2,065,011

in € thousand	Notes	March 31, 2014	December 31, 2013
Equity and liabilities			
Capital Stock		43,034	42,778
Capital reserves		176,373	170,280
Reserves retained from earnings, incl. group result		593,401	591,926
Participation capital		29,497	29,497
Other comprehensive income		-23,595	-22,556
Non-controlling interests		7,557	4,042
Equity	11	826,266	815,967
Liabilities from participation certificates		20,230	20,016
Provisions for pensions and similar obligations	12	229,138	217,182
Other non-current provisions	13	54,191	53,801
Non-current interest-bearing loans	14	233,541	252,288
Other non-current financial liabilities		13,025	12,956
Non-current income tax liabilities		12,801	12,816
Deferred tax liabilities		1,414	1,660
Other non-current liabilities		590	926
Non-current liabilities		564,930	571,646
Other current provisions	13	167,932	186,403
Current loans and liabilities to banks	14	59,540	80,492
Trade payables		143,467	172,371
Other current financial liabilities		42,385	28,711
Current income tax liabilities		42,134	34,122
Other current liabilities		189,568	175,301
Current liabilities		645,026	677,399
Total equity and liabilities		2,036,222	2,065,011

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

in € thousand	Three months 2014	Three months 2013
Operating activities		
Earnings after income taxes	8,530	22,650
+ Write-down/write-up of non-current assets	17,085	16,733
– Decrease in provisions	–16,916	–11,712
+/- Other non-cash income/expenses	–8,213	–2,713
+/- Losses/gains from the disposal of non-current assets	–50	–113
– Increase in inventories	–32,453	–34,165
– Increase in equipment leased out	–2,983	–2,666
+ Decrease in trade receivables	85,631	25,518
– Increase in other assets	–33,193	–32,080
– Decrease in trade payables	–28,923	–26,196
+ Increase in other liabilities	36,602	36,480
Cash inflow/outflow from operating activities	25,117	–8,264
Investing activities		
– Cash outflow for investments in intangible assets	–1,463	–1,115
+ Cash inflow from the disposal of intangible assets	459	136
– Cash outflow for investments in property, plant and equipment	–17,164	–14,949
+ Cash inflow from disposals of property, plant and equipment	734	398
– Cash outflow for investments in non-current financial assets	–13	–62
+ Cash inflow from the disposal of non-current financial assets	124	201
Cash outflow from investing activities	–17,321	–15,391
Financing activities		
+ Cash inflow from the exercise of option rights to preferred shares	6,349	0
+ Cash provided by raising loans	7,565	0
– Cash used to redeem loans	–51,852	–25,178
+/- Net balance of other liabilities to banks	4,568	3,583
– Net balance of finance lease liabilities repaid/incurred	–367	–218
+ Cash inflow from the changes in shareholdings in subsidiaries	3,689	0
Cash outflow from financing activities	–30,049	–21,812
Change in cash and cash equivalents in the fiscal year	–22,253	–45,467
+/- Effect of exchange rates on cash and cash equivalents	–1,019	2,014
+ Cash and cash equivalents at the beginning of the reporting period	232,131	332,390
Cash and cash equivalents on reporting date	208,859	288,937

For notes to the cash flow statement, please see page 14

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

	Capital Stock	Capital reserves	Reserves retained from earnings incl. group result	Participation capital	Other comprehensive income				Total equity of shareholder Drägerwerk AG & Co. KGaA	Non-controlling interests	Equity
					Currency translation differences	Derivative financial instruments	Financial assets available for sale	Total other comprehensive income			
in € thousand											
January 1, 2013	42,266	158,098	491,891	29,497	3,390	-2,228	12	1,174	722,925	6,736	729,661
Earnings after income taxes	–	–	22,049	–	–	–	–	0	22,049	601	22,650
Other earnings	–	–	7,810	–	4,371	205	0	4,576	12,386	215	12,601
Total comprehensive income	–	–	29,859	–	4,371	205	0	4,576	34,435	816	35,251
Changes in the scope of consolidation/other	–	–	338	–	–	–	–	0	338	0	338
March 31, 2013	42,266	158,098	522,088	29,497	7,761	-2,023	12	5,750	757,699	7,552	765,250
January 1, 2014	42,778	170,280	591,926	29,497	-20,970	-1,596	10	-22,556	811,925	4,042	815,967
Earnings after income taxes	–	–	8,611	–	–	–	–	0	8,611	-81	8,530
Other earnings	–	–	-7,406	–	-666	-374	–	-1,039	-8,446	-93	-8,539
Total comprehensive income	–	–	1,205	–	-666	-374	0	-1,039	166	-174	-8
Exercise of option rights to preferred shares	256	6,093	–	–	–	–	–	0	6,349	–	6,349
Changes in the scope of consolidation/other	–	–	270	–	–	–	–	0	270	3,689	3,959
March 31, 2014	43,034	176,373	593,401	29,497	-21,635	-1,970	10	-23,595	818,709	7,556	826,266

Notes of the Dräger Group as of 31 March 2014 (condensed)

1 BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA, Lübeck, Germany, prepared its group financial statements for fiscal year 2013 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 2014, 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 should be read in connection with the disclosures in the Dräger IFRS annual report as of December 31, 2013. It 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

In principle the same accounting principles as in the group financial statements for 2013 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 2013 annual report on pages 147 et seq.

A discount rate of 3.25 percent (December 31, 2013: 3.5 percent) was used as a basis for the German pension provisions reported in these interim financial statements on account of the change in interest rates. The result from the remeasurement of pension plans increased the provisions for pensions and similar obligations.

The annual report may also be downloaded 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 adopted in EU law, are to be applied for the first time in fiscal year 2014, in the event that transactions fall within the respective scopes of application:

- The amendments to IAS 32 “Financial Instruments – Presentation (issued December 2011)” pertain to the netting of financial assets and liabilities. This is not expected to have a material impact on Dräger’s Group financial statements.
- IFRS 10 “Consolidated financial statements (issued May 2011)” focuses on the introduction of a standardized consolidation model for all companies, which is based on the parent company controlling the subsidiary. The amendment also includes special

purpose entities, the consolidation of which had previously been governed by SIC-12. The project to change to IFRS 10 has not yet made it necessary to make material changes.

- The new IFRS 11 “Joint Arrangements (issued May 2011)” states that a company must disclose the contractual rights and obligations arising from the joint agreement. According to the amended definitions, there are now two types of joint arrangements: joint activities and joint ventures. Joint ventures are no longer permitted to choose whether to apply proportionate consolidation; equity method must be used at all times. This does not have a material impact on Dräger’s Group financial statements.
- IFRS 12 “Disclosures of Interests in other Entities (issued May 2011)” combines the disclosure obligations of IAS 27/IFRS 10, IAS 31/IFRS 11 and IAS 28. This does not have a material impact on Dräger’s Group financial statements.
- IAS 27 “Separate Financial Statements (issued May 2011)” includes the remaining rules on the recognition of investments in individual financial statements, keeping in mind the consolidation guidelines for group financial statements that have been defined in the new IFRS 10.
- In June 2012, amendments to IFRS 10, IFRS 11 and IFRS 12 came into effect. They clearly stipulate the transitioning rules in IFRS 10 and the requirement to adapt comparative information pursuant to IFRS 10, IFRS 11 and IFRS 12 to the most recent comparable period. In addition, comparative information on unconsolidated structured units in periods prior to the first-time application of IFRS 12 does not need to be provided. This does not have a material impact on Dräger’s Group financial statements.
- Additional amendments to IFRS 10, IFRS 12 and IAS 27 were published in October 2012 and redefine the consolidation provisions for investment companies. As a result, investment companies are classed as an independent company type that may be exempted from the consolidation provisions stipulated under IFRS 10 “Consolidated Financial Statements.” Instead, investment companies are required to measure their investments at fair value. This does not have a material impact on Dräger’s Group financial statements.
- IAS 28 “Associates and Joint Ventures (issued May 2011)” explains how to recognize the equity of joint ventures and associates using the equity method, which must be applied in the future. This does not impact Dräger’s Group financial statements.
- When updating IFRS 13 “Fair Value Measurement,” the IASB modified some of the disclosure requirements in IAS 36 “Impairment of Assets” regarding the measurement of the recoverable amount of impaired assets. These amendments defined the disclosure requirements of IAS 36 more broadly than the IASB had planned. The disclosure requirements of IAS 36 initially desired by the IASB were clarified by a renewed amendment to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets (issued May 2013).”
- The amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting (issued June 2013)” pertain to limited amendments to IAS 39 to enable entities to continue existing hedging relationships in the event that a novation of OTC derivatives is designated as a hedging instrument to a central counterparty due to statutory or regulatory clearing obligations. The amendments only apply to novations conducted due to statutory or regulatory requirements or that are implemented if the original parties to the agreement agree to replace the counterparty and this does not

result in any modifications to the original agreement (excluding necessary clearing modifications). This does not impact Dräger's Group financial statements.

Further new mandatory standards or amendments of standards to apply only to fiscal years beginning on or after January 1, 2015 and/or that have not yet been endorsed can be found in the Dräger IFRS annual report as of December 31, 2013.

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

SCOPE OF CONSOLIDATION AND CONSOLIDATION PRINCIPLES

- 3 There were no significant changes to the scope of consolidation compared to December 31, 2013 and March 31, 2013. The same consolidation principles were applied as in the 2013 group financial statements.

EXERCISING OPTION RIGHTS

- 4 Within the scope of the acquisition of the 25 percent share in Dräger Medical GmbH from Siemens in fiscal year 2009, Dräger issued warrant bonds with option rights guaranteed in the form of warrants to the total nominal value of EUR 1.25 million to Siemens on August 30, 2010. The option rights entitle their holders to acquire a total of 1.25 million preferred shares. They are divided into 25 individual options, entitling holders to acquire 50,000 preferred shares each. The options rights expire on April 30, 2015.

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

Two options (100,000 preferred shares) were exercised in February 2014. The exercise price amounted to EUR 63.51 per preferred share; consequently, equity, less transaction fees (EUR 2 thousand), increased by a total of EUR 6,349 thousand (of which capital stock in the amount of EUR 256 thousand).

A total of four options (200,000 preferred shares) had been exercised in fiscal year 2013. A total of 19 options remain unexercised from the initial 25 options.

5 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Medical division	
		Three months 2014	Three months 2013
Order intake	€ million	346.8	363.9
Orders on hand¹	€ million	327.3	336.4
Net sales	€ million	329.4	341.0
thereof intersegment net sales	€ million	0.2	0.2
thereof third party net sales	€ million	329.2	340.8
EBITDA²	€ million	13.7	34.0
Depreciation/amortization	€ million	-6.3	-6.3
EBIT³	€ million	7.4	27.7
Interest result	€ million	-	-
Income taxes	€ million	-	-
Earnings after income taxes	€ million	-	-
thereof profit/loss from investments in associates	€ million	-	-
Research and development expenses	€ million	35.9	33.7
Cash flow from operating activities	€ million	26.5	-6.7
Capital employed¹	€ million	654.4	620.4
Assets	€ million	1,035.3	1,055.4
thereof investments in associates	€ million	-	-
Liabilities	€ million	372.5	418.0
Net financial debt¹	€ million	-	-
Investments	€ million	5.5	6.3
Non-cash expenses ⁵	€ million	38.8	45.3
EBIT³/net sales	%	2.3	8.1
EBIT^{3,6}/capital employed^{1,4} (ROCE)	%	20.3	29.8
Net financial debt¹/EBITDA^{2,6}	factor		
Gearing⁷	factor		
DVA^{6,8}	€ million	75.7	133.7
Headcount as of March 31		7,364	7,051

¹ Value as of March 31

² EBITDA = earnings before net interest result, income taxes, depreciation and amortization

³ EBIT = Earnings before net interest result and income taxes

⁴ Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities

⁵ The prior-year non-cash expenses figures were adjusted for tax provisions.

⁶ Value of the last twelve months

⁷ Gearing = Net financial debt/equity

⁸ Dräger Value Added = EBIT less cost of capital

	Safety division		Drägerwerk AG & Co. KGaA/ other companies			Consolidations		Dräger Group	
	Three months 2014	Three months 2013	Three months 2014	Three months 2013	Three months 2014	Three months 2013	Three months 2014	Three months 2013	
	208.0	215.5	3.4	3.6	-13.6	-11.7	544.6	571.3	
	183.4	189.0	-	-	-3.9	-1.4	506.7	524.0	
	193.5	200.8	3.4	3.6	-13.0	-11.5	513.2	533.8	
	10.0	8.3	2.8	3.0	-13.0	-11.5	-	-	
	183.5	192.5	0.5	0.6	-0.0	-0.0	513.2	533.8	
	25.7	24.8	27.3	28.4	-30.7	-30.7	36.1	56.5	
	-6.7	-6.3	-4.2	-4.0	-	-	-17.1	-16.7	
	19.1	18.4	23.2	24.4	-30.7	-30.7	19.0	39.8	
	-	-	-	-	-	-	-6.2	-6.5	
	-	-	-	-	-	-	-4.3	-10.7	
	-	-	-	-	-	-	8.5	22.6	
	-	-	-	-	-	-	-	-	
	14.1	14.0	0.3	0.7	-	-	50.3	48.4	
	11.8	7.1	4.7	12.4	-17.8	-21.0	25.1	-8.3	
	233.9	214.7	787.7	736.1	-630.6	-617.0	1,045.4	954.1	
	392.4	396.3	862.5	831.4	-638.7	-640.7	1,651.5	1,642.3	
	-	-	0.3	0.3	-	-	0.3	0.3	
	150.5	163.1	66.8	83.4	-31.7	-39.6	558.1	624.9	
	-	-	-	-	-	-	93.2	78.2	
	9.5	8.5	5.2	4.2	-0.0	-	20.1	19.0	
	20.2	25.1	11.5	13.6	4.4	6.2	75.0	90.2	
	9.9	9.2					3.7	7.5	
	38.4	41.1					17.2	23.4	
							0.4	0.3	
							0.1	0.1	
	69.5	69.7	-	-	-	-	90.3	142.1	
	5,156	4,851	906	805	-	-	13,426	12,707	

The key figures from the segment report are as follows:

EBIT/EBITDA

in € thousand	Three months 2014	Three months 2013
Earning after income taxes	8,530	22,650
+ Interest result	6,168	6,450
+ Income taxes	4,305	10,701
EBIT	19,003	39,801
+ Depreciation/amortization	17,085	16,685
EBITDA	36,088	56,486

CAPITAL EMPLOYED

in € thousand	March 31, 2014	March 31, 2013
Total assets	2,036,222	2,105,704
– Deferred tax assets	–124,867	–130,691
– Cash and cash equivalents	–208,859	–288,937
– non-interest bearing liabilities	–657,127	–731,947
Capital Employed	1,045,368	954,129

ASSETS

in € thousand	March 31, 2014	March 31, 2013
Total assets	2,036,222	2,105,704
– All other financial assets	–2,412	–3,805
– Deferred tax assets	–124,867	–130,691
– Tax refund claims (current and non-current)	–48,582	–39,947
– Cash and cash equivalents	–208,859	–288,937
Assets	1,651,502	1,642,324

LIABILITIES

in € thousand	March 31, 2014	March 31, 2013
Liabilities recognized in the balance sheet	1,209,956	1,340,454
– Provisions for pensions and similar obligations	–229,138	–220,004
– Tax liabilities and deferred tax liabilities	–100,470	–108,964
– Interest-bearing liabilities	–322,287	–386,575
Liabilities	558,061	624,911

NET FINANCIAL DEBT

in € thousand	March 31, 2014	March 31, 2013
Non-current interest-bearing loans	233,541	232,730
+ Current loans and liabilities to banks	59,540	132,564
+ Finance leases	8,976	1,883
– Cash and cash equivalents	–208,859	–288,937
Net financial debt	93,198	78,240

NON-CASH EXPENSES

in € thousand	Three months 2014	Three months 2013 ¹
Write-downs on inventories	2,347	5,494
+ Losses from bad debt allowances	843	1,108
+ Allocations to provisions	71,768	83,566
Non-cash expenses	74,958	90,168

¹ Previous years figures of non-cash expenses were adjusted for tax accruals.

DVA

in € thousand	March 31, 2014	March 31, 2013
EBIT (of the last twelve months)	180,025	223,305
– Cost of capital (Basis: average of capital employed in the past twelve months)	–89,715	–81,251
DVA	90,309	142,054

Tax accruals and deferrals formed 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 follow the arm’s length principle.

6 FINANCIAL RESULT**FINANCIAL RESULT**

in € thousand	Three months 2014	Three months 2013
Financial result (before interest result)	–134	1,089
Interest and similar income	475	909
Interest and similar expenses	–6,643	–7,359
Interest result	–6,168	–6,450

7 INCOME TAXES

Income taxes for the first quarter of 2014 were calculated on the basis of an anticipated group tax rate of 32.5 percent (3 months 2013: 31.5 percent).

8 INTANGIBLE ASSETS PROPERTY, PLANT AND EQUIPMENT**INTANGIBLE ASSETS PROPERTY, PLANT AND EQUIPMENT**

in € thousand	Carrying value January 1, 2014	Additions	Disposals/ other changes	Depreciation/ amortization	Carrying value March 31, 2014
Intangible assets	283,002	1,456	-329	2,054	282,075
Property, plant and equipment	310,768	10,591	6,682	15,031	313,009

9 INVENTORIES**INVENTORIES**

in € thousand	March 31, 2014	December 31, 2013
Finished goods and merchandise	231,738	189,771
Work in progress	57,599	63,970
Raw materials, consumables and supplies	113,504	116,887
Payments made	2,610	1,668
	405,452	372,297

10 OTHER CURRENT ASSETS**OTHER CURRENT ASSETS**

in € thousand	March 31, 2014	December 31, 2013
Prepaid expenses	31,524	23,332
Other tax refund claims	28,803	23,073
Other	10,250	6,145
	70,576	52,550

The increase in prepaid expenses is largely attributable to deferred expenses in the current year. Other tax refund claims primarily included VAT claims. Remaining other current assets increased as a result of reporting date factors.

11 EQUITY**Capital stock**

February 2014 saw two of originally 25 options that Dräger had issued in the form of warrants on August 30, 2010 being exercised (also see our comments in Note 4 of these notes).

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

The exercise price amounted to EUR 63.51 per preferred share. The calculatory value of these 100,000 new preferred shares amounts to EUR 2.56 each and the capital stock was increased by a total of EUR 256 thousand accordingly.

Capital reserves

The portion of the exercise price that exceeds the nominal value following the exercising of the two options (EUR 6,095 thousand), less transaction fees of EUR 2 thousand, was added to the capital reserves (also see our comments in Note 4 of these notes).

Retained earnings

The drop in interest rates to 3.25 percent (December 31, 2013: 3.5 percent) affected provisions for pensions and similar obligations as well as retained earnings. Please also see our explanations in Note 12 of these notes.

Non-controlling interests

Of the EUR 3,515 thousand rise in non-controlling interests, EUR 3,689 thousand is due to a capital increase by Draeger Arabia Co. Ltd., Saudi Arabia; this did not affect the interests in the company held by Dräger or the holders of the non-controlling interests.

12 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations increased by EUR 11,956 thousand in the first three months of fiscal year 2014. The underlying interest rate was adjusted from 3.5 percent to 3.25 percent for German pension entitlements. This resulted in a loss from the remeasurement of pension plans of EUR 11,580 thousand. The net amount of EUR 7,999 thousand is recognized directly in equity under other comprehensive income and offset against retained earnings.

13 OTHER NON-CURRENT AND CURRENT PROVISIONS

Other non-current provisions as of March 31, 2014 mainly comprised provisions for personnel obligations of EUR 32,183 thousand (December 31, 2013: EUR 32,169 thousand).

Other current provisions as of March 31, 2014 also included monthly accruals and chiefly consisted of provisions for personnel obligations of EUR 62,662 thousand (December 31, 2013: EUR 79,890 thousand), provisions for unpaid invoices of EUR 28,953 thousand (December 31, 2013: EUR 22,048 thousand) and warranty provisions of EUR 23,121 thousand (December 31, 2013: EUR 23,093 thousand).

14 NON-CURRENT INTEREST-BEARING LOANS/CURRENT LOANS AND LIABILITIES TO BANKS

A note loan of EUR 25,000 thousand has been reclassified from non-current interest-bearing loans to current loans and liabilities to banks.

A note loan of EUR 50,000 thousand recognized in current loans and liabilities to banks was redeemed in February 2014.

15 MEASUREMENT OF ASSETS AND LIABILITIES REPORTED AT FAIR VALUE

Regular fair value measurement of financial instruments

Financial instruments recognized at fair value are allocated to the following levels of the fair value hierarchy:

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

€ thousand	Level	March 31, 2014	December 31, 2013
Assets measured at fair value			
Derivatives with positive fair value (non-current)	Level 2	92	138
Derivatives with positive fair value (current)	Level 2	13,398	881
Securities (non-current)	Level 1	628	628
Liabilities measured at fair value			
Derivatives with negative fair value (non-current)	Level 2	2,924	2,553
Derivatives with negative fair value (current)	Level 2	10,983	178

Level 1:

Prices in the active markets are assumed for identical financial assets or liabilities. The fair values of non-current financial assets are based on current stock market prices.

Level 2:

Uses largely observable input factors that can be directly (i.e. price) or indirectly (i.e. derived from prices) observed for financial assets or financial liabilities; do not include any listed prices taken into consideration in level 1.

Dräger applies the discounted cash flow method when measuring derivatives. Expected cash flows are determined on the basis of secured prices and/or interest rates and the observable closing rates and/or interest rates, which are then discounted using an interest rate that takes into account Dräger's Company-related risks.

Level 3:

Uses factors not based on observable market data for the measurement of financial assets and liabilities (unobservable input factors). These are classified as level 3 when there is an unobservable input factor present that significantly influences the measurement. Dräger Group does not hold any level 3 financial instruments.

There was no material interchange between levels 1 and 2.

Fair value of financial instruments not regularly recognized at fair value

The fair value of level 2 financial assets and liabilities measured at amortized cost is determined using the discounted cash flow method by replacing the interest rates used in the initial calculation of non-current financial assets and liabilities with interest rates derived from current Company-related interest rate curves on the balance sheet date.

The fair value of the note loans is approximately EUR 4.2 million up on the corresponding carrying value. The fair value of the remaining assets and liabilities largely corresponds with their carrying value.

16 RELATED PARTY TRANSACTIONS

Services were rendered for Stefan Dräger and companies related to Stefan Dräger, the Dräger-Stiftung and the Dräger-Familienstiftung (Dräger Foundation and Dräger Family Foundation) totaling EUR 6 thousand (3 months 2013: EUR 5 thousand) in the first quarter of 2014. Receivables in this respect amounted to EUR 5 thousand on March 31, 2014 (March 31, 2013: EUR 1 thousand).

Drägerwerk AG & Co. KGaA rendered rental services and other services totaling EUR 24 thousand for associate MAPRA Assekuranzkontor GmbH in the first quarter of 2014. This did not result in any receivables as of March 31, 2014.

The disclosure obligations of IAS 24 also apply to the close family members of related parties within the meaning of IAS 24. In 2014, this applies to Claudia Dräger, who is actively employed by the Dräger Group. Her employment contract was concluded at arm's length terms and conditions.

The remuneration of the employee representatives on the Supervisory Board for work performed in addition to the Supervisory Board activities was also concluded at arm's length terms and conditions. Overall, remuneration is of immaterial importance for the Dräger Group.

Dräger Verwaltungs AG is the general partner of Drägerwerk AG & Co. KGaA and holds 0 percent of the capital. Only a few transactions are conducted with the general partner as it only exercises administrative functions.

The general partner is entitled to compensation for all expenses incurred regarding the management of Drägerwerk AG & Co. KGaA, including the contractually agreed remuneration for its executive bodies. These expenses comprise the remuneration of the Executive Board, the remuneration of its Supervisory Board, liability remuneration, as well as other expenses.

Liabilities to Drägerwerk Verwaltungs AG amount to EUR 3.0 million as of March 31, 2014 (March 31, 2013: EUR 8.1 million).

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

17 SUBSEQUENT EVENTS

There were no significant changes between the end of the first three months of 2014 and the time this interim financial report was prepared.

Lübeck, May 5, 2014

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, 2014, Conference call	May 7, 2014
Annual shareholders' meeting, Lübeck, Germany	May 9, 2014
Report as of June 30, 2014, Conference call	July 31, 2014
Report as of September 30, 2014, Conference call	October 30, 2014

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