Dräger

Quarterly Report
January 1 to March 31, 2015
Dräger Group

Dräger. Technology for Life®

THE DRÄGER GROUP OVER THE PAST FIVE YEARS

		Three months 2011	Three months 2012	Three months 2013	Three months 2014	Three months 2015
Order intake	€ million	553.6	550.9	571.3	544.6	615.3
Net sales	€ million	500.3	529.3	533.8	513.2	545.5
EBITDA[1,2,4]	€ million	55.4	61.8	56.5	36.1	20.7
EBIT[3,4]	€ million	42.6	46.8	39.8	19.0	1.1
in % of net sales (EBIT margin)	%	8.5	8.8	7.5	3.7	0.2
Interest result[4]	€ million	–7.1	–9.8	–6.5	–6.2	–5.6
Income taxes[4]	€ million	–12.3	–11.5	–10.7	–4.3	1.4
Earnings after income taxes[4]	€ million	23.2	25.5	22.6	8.5	–3.1
Earnings attributabel to shareholders[4]	€ million	20.0	24.1	21.1	7.9	–3.2
Earnings per share[4,5]						
per preferred share	€	1.22	1.47	1.29	0.49	–0.18
per common share	€	1.20	1.45	1.27	0.47	–0.20
Earnings per share on full distribution[4,6]						
per preferred share	€	0.87	1.12	0.99	0.39	–0.18
per common share	€	0.85	1.10	0.97	0.37	–0.20
Equity[4,7]	€ million	647.8	668.7	765.2	826.3	899.7
Equity ratio[4,7]	%	33.1	33.0	36.3	40.6	39.0
Capital employed[4,7,8,9]	€ million	875.9	882.4	954.1	1,045.4	1,269.7
EBIT[3,10]/capital employed[4,7,8,9] (ROCE)	%	22.7	24.7	23.4	17.2	12.7
Net financial debt[7]	€ million	117.6	138.9	78.2	93.2	150.4
DVA[4,8,11]	€ million	118.0	138.9	142.1	90.3	60.2
Headcount as of March 31		11,453	12,114	12,707	13,426	13,698

[1] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[2] Equipment leased out has been recognized in property, plant and equipment since 2012. The figures for 2011 were adjusted accordingly.
[3] EBIT = Earnings before net interest result and income taxes
[4] The prior-year values were adjusted in compliance with IAS 8 due to the first-time application of IAS 19 (2011).
[5] On the basis of the proposed dividend
[6] Based on an imputed actual full distribution of earnings attributable to shareholders
[7] Value as of March 31
[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

Possible rounding differences in this financial report may lead to slight discrepancies.

Dear Shareholders, dear Employees, dear Readers,

Towards the end of the first quarter, a significant event gave us at Dräger and many of you a great deal to think about. It took place during our annual management conference with over one hundred participants. Aside from our strategy over the next few years, we also deliberately approached the subject of how fear and mistrust prevent us from improving the way we work together. Right in the middle of this exciting discussion, our moderator suddenly had to leave the meeting. He had been called to the Germanwings crisis management team, which had been convened after the terrible events of Flight 4U9525 and the death of its 150 passengers. This tragedy showed us how vulnerable our world is and how quickly fear and mistrust can penetrate an industry otherwise shaped by safety and trust – both in terms of technology and in terms of people.

That is why it is so important not to give in and continue to think positively, to value the many wonderful skills people possess, and to have trust. At Dräger, we make technology for life. This is something extremely positive. Our products protect, support and save lives. To make life that little bit safer and better. This inspires us and makes our work more meaningful. What's more, it also makes for an extremely logical business model. After all, our markets are inherently safe in relative terms from crises, and market diversity in terms of customer groups, geography and business mechanisms only makes us stronger.

Short-term fluctuations in our quarterly results do nothing to change this. Business development in the first quarter of fiscal year 2015 was disappointing overall, especially in the wake of the record figures in the previous quarter. Our net sales rose by a nominal amount, but declined when adjusted for currency effects. However, the promising order intake trend indicates that growth could rise in the course of the second quarter. This will also benefit our earnings, which suffered in the first quarter from a rise in functional costs partly due to the higher US dollar cost base caused by the currency's strength as well as from expenses relating to the planned closure of our site in Pittsburgh, USA.

Dear Shareholders, almost 14,000 people at Dräger work towards strengthening the bond with our customers, as well as with yourselves, on a daily basis. We would like to thank you for the trust you continue to put in us!

Best regards,

Stefan Dräger

Stefan Dräger

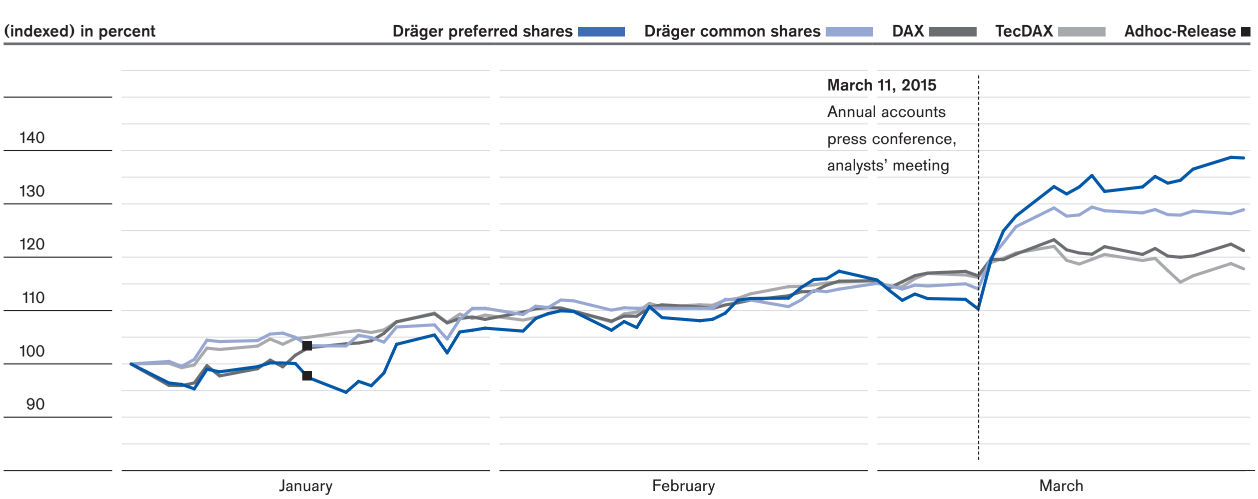
The Dräger shares

SHARE PRICE DEVELOPMENT

The Dräger shares began the new calendar year treading water somewhat in a favorable stock market environment. However, the share price began to climb following the publication of the preliminary figures for 2014 on January 16, 2015. The Dräger shares then experienced major gains in the wake of the publication of the final figures and our new medium-term forecast on March 11. The preferred shares closed the subsequent day's trading at over EUR 100 and reached a new all-time high of EUR 116.15 in the following days. Common shares closed the quarter at EUR 82.88, equating to an increase of 29 percent. Preferred shares climbed by 39 percent in the first quarter and closed at EUR 116.05.

The DAX and TecDAX stock market indices also developed extremely positively. The DAX closed the quarter at 11,966.17 points, 21 percent higher than at the start of the year. The TecDAX climbed 18 percent to 1,615.46 points.

DYNAMIC PERFORMANCE OF THE DRÄGER SHARES



DRÄGER SHARES – BASIC FIGURES

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

[1] International Stock Identification Number

DRÄGER SHARES – KEY FIGURES

	Three months 2015	Three months 2014
Common shares		
No. of shares on the reporting date	10,160,000	10,160,000
High (in €)	83.20	78.49
Low (in €)	64.00	70.01
Share price on the reporting date (in €)	82.88	75.00
Average daily trading volume [1]	7,359	6,342
Earnings per common share		
Undiluted (in €)	–0.20	0.47
Diluted (in €)	–0.20	0.46
Earnings per common share on full distribution [2]		
Undiluted (in €)	–0.20	0.37
Diluted (in €)	–0.19	0.36
Preferred shares		
No. of shares on the reporting date	7,100,000 [3]	6,650,000
High (in €)	116.15	98.12
Low (in €)	79.28	86.82
Share price on the reporting date (in €)	116.05	89.16
Average daily trading volume [1]	34,520	19,319
Earnings per preferred share		
Undiluted (in €)	–0.18	0.49
Diluted (in €)	–0.17	0.48
Earnings per preferred share on full distribution [2]		
Undiluted (in €)	–0.18	0.39
Diluted (in €)	–0.17	0.38
Market capitalization (in €)	1,666,015,800	1,354,914,000

[1] All German stock exchanges (Source: designated sponsors)
[2] Based on an imputed actual full distribution of earnings attributable to shareholders
[3] Increased to 7.100.000 shares due to the excercise of share-options (see note 6)

Management report of the Dräger Group for the first quarter of 2015

General economic conditions

WEAK GROWTH

According to the Institute for the World Economy (IfW) in Kiel, Germany, the global economy is currently undergoing some major structural changes. For example, the decline in oil prices and considerable changes to exchange rates between major industrial economies resulted in a significant shift in key development figures since the summer of 2014. At the same time, the global economy has developed more or less in line with expectations and there are indications that it will experience moderate recovery in 2015. Growth will be borne above all by industrialized countries. The expansive monetary policy and falling oil price are having a stimulating effect on these economies. Growth momentum in emerging markets was mostly low, with growth in China in particular continuing to slow down. Economic development stabilized in the eurozone, but the pace of the upward trend remains moderate. The IfW currently sees Germany as a shining light of economic development. Increased consumer spending and investment in residential construction by private individuals are driving the German economy. The IfW believes that the increase in real disposable income due to low inflation rates is playing a major role in this trend. The IfW believes that the German economy will come close to overstretching its capacities this year.

DIVERGING MONETARY POLICY

In early September 2014, the European Central Bank (ECB) cut its benchmark interest rate to a record low of 0.05 percent and has charged banks a penalty rate of 0.2 percent ever since to deposit excess liquidity at the ECB. Since early March 2015, the ECB has been purchasing euro-denominated public sector securities worth EUR 60 billion every month as part of its bond-buying program. The ECB intends to continue this program through September 2016. The US central bank, the Federal Reserve (Fed), has left interest rates untouched since mid-September 2014 and ended its monthly bond-buying program last October. So far, the Fed has not yet revealed exactly when and to what extent it intends to raise interest rates again. However, we are seeing increasingly diverging monetary policies between Europe and the US.

INFLATION RATES REMAIN EXTREMELY LOW, EURO LOSES MAJOR GROUND

Rates of inflation are still hovering around the zero line in 2015, partly because of low energy costs. In the eurozone, energy prices declined in March by 0.3 percent year on year. The rate of inflation in Germany was marginally positive, standing at 0.3 percent in March compared to the same month in the prior year. The euro has lost value significantly compared to the US dollar over the past year. The euro traded at almost USD 1.40 at some points in the first quarter of 2014, but by the end of the first quarter of 2015 it had slumped to under USD 1.10.

MARKET AND INDUSTRY PERFORMANCE

Growth in the medical technology industry was moderate overall in the first quarter of 2015. Market growth in the US was slightly positive in the first quarter of the year, despite of pressure to cut costs in the health sector. Sales development in Europe remained sluggish overall. The medical technology market in South Europe remained dominated by budgetary consolidation in the first quarter of 2015, whereas the market in North Europe recorded slight gains. Emerging economies, particularly China, reported steady demand for medical equipment. China is continuing the expansion of its health sector. It is currently building a large number of hospitals, or extending and modernizing existing facilities. The Russian market continued its downward trend in the first quarter of 2015, with investments in medical technology declining strongly. The South American market is following a slight growth course, with Brazil and Mexico recording particularly positive demand in the first quarter. Strong investment in the expansion of the healthcare system in the Middle East also caused demand for medical technology to rise.

Growth in the safety technology industry was also positive overall in the first quarter of 2015. Rising investments by the US chemicals industry and the continued growth in natural gas and crude oil output ensured that demand for safety technology products was positive. Demand in Europe was sluggish. In South Europe, demand for safety products fell slightly due to the persistently weak economic situation, whereas stable growth was recorded in North Europe. The Chinese market made moderate gains overall. Economic growth in China may have continued to slow somewhat in the first quarter, but growth rates remained at a high level, as did demand in the safety division thanks to stricter health and safety requirements. In Latin America, demand increased moderately, while in the Middle East it remained at a high level.

OVERALL ASSESSMENT OF FRAMEWORK CONDITIONS

Global economic growth remains at moderate levels at the current time. A certain level of economic recovery is evident, particularly in industrialized countries, whereas many emerging economies have suffered a loss of momentum. Geopolitical risks, such as the

Ukraine conflict and the unstable situation in the Middle East, represent a potential burden for the economic climate. The diverging monetary policies in the US and in Europe have already led to a major devaluation of the euro, particularly compared to the US dollar. Medical and safety technology markets remain robust and are continuing their slight growth trend, albeit with regional differences.

CHANGE IN SEGMENT REPORTING FROM THE FIRST QUARTER OF 2015

Dräger is managed in line with its segments of the medical division and the safety division. These segments form the foundations of strategic development and are the primary management parameters for the development of operating business. The Company's legal structures were largely division-based until 2014, in other words separate legal entities usually exist for the safety division and for the medical division. These structures require consolidation if Dräger is to achieve the corporate structure that forms the basis of the "One Dräger" project. In many countries it is a logical process to merge legal units with each other, thereby reducing complexity and costs. We are now systematically pursuing this process. Consolidation has already taken place in Switzerland and Austria, while further consolidation is set to follow in Germany and abroad.

The merger of the previously separate legal entities of the safety division and of the medical division will require changes to segment reporting. From the first quarter of 2015, the results of the medical and safety divisions are determined on the basis of product attribution to the medical or safety division rather than based on the legal entities as had been the case previously.

This results in the following changes to our reporting in the income statement:

– Net sales are no longer reported using consolidated net sales of the sub-groups (including internal Group net sales); reporting will instead be based on third-party net sales. This means that it is no longer necessary to eliminate intersegment net sales during the consolidation process.

– Non-product-related costs, including headquarter costs, previously recognized in the Drägerwerk AG & Co. KGaA/Other Companies segment, are now allocated to the two divisions on the basis of the planned net sales.

– The Drägerwerk AG & Co. KGaA/Other Companies segment, as well as the need for consolidation in the reporting process, therefore no longer applies.

Balance sheet items are only recognized for each segment in the case of items that can be allocated to products in the medical and safety divisions or their customers:

– Balance sheet items not allocated to products in the medical and safety divisions or to their customers are only reported at Group level.

– Reporting capital employed by segment is based on the key drivers of net working capital (trade receivables, inventories including prepayments received). Long-term capital such as property, plant and equipment is no longer included in segment reporting, as they can no longer be allocated to the segments following the merger of the respective legal units.

Please find below a list of the differences in figures between the old and new reporting systems in the first quarter of 2014 for the segments. For further details please refer to Note 3:

EFFECTS ON SEGMENT REPORTING

First quarter of 2014	Medical division		Safety division		Drägerwerk AG & Co. KGaA/ other companies		Consolidation		Dräger Group	
in € million	old	new	old	new	old	new	old	new	old	new
Net sales	329.4	330.0	193.5	183.2	3.4	–	–13.0	–	513.2	513.2
EBIT	7.4	3.6	19.1	15.4	23.2	–	–30.7	–	19.0	19.0
Capital Employed*	654.4	660.4	233.9	250.7	787.7		–630.6		1,045.4	1,045.4
DVA	75.7	47.6	69.5	50.9	–		–		90.3	90.3

* Capital employed in segments = trade receivables, inventories incl. prepayments received; Capital employed Group = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities

OTHER CHANGES TO REPORTING

The way in which selling and marketing expenses and general administrative expenses are reported has changed. Until now, administrative expenses at the sales companies in the regions have been charged as a lump sum to marketing and selling expenses. Following the successful introduction of our new reporting system with a corporate chart of accounts applicable throughout the Group, these costs will now also be reported in the regions as administrative expenses. This does not affect the sum total of marketing and selling expenses and general administrative expenses.

EFFECTS ON FUNCTIONAL COSTS

in Mio. €	old	new
Marketing and selling expenses	–145.9	–127.4
General administrative expenses	–25.4	–43.9
Total	–171.3	–171.3

Important events in the first quarter of 2015

DECISION TO CLOSE THE SITE IN PITTSBURGH, US

For the US, Dräger has decided to close its site in Pittsburgh in July 2016. All customer activities such as Sales and Service are to be moved to the existing Dräger site in Houston, Texas. This site will be home to global strategy and business developments for customers in the oil and gas industry. This decision sees Dräger reinforce its access to the most important growth markets for its safety division in the US and beyond. The administrative areas in Pittsburgh will be housed at other Dräger sites. A total of 150 employees are affected by the closure of the Pittsburgh site. Dräger is offering some of these employees the opportunity to move to another Dräger site.

ACQUISITION OF GASSECURE AS, NORWAY

Dräger has added a pivotal technology of the future to its gas detection portfolio in order to strengthen its strategic position as a systems provider to the oil and gas industry and the chemicals industry alike. Dräger Holding International GmbH, a subsidiary of Drägerwerk AG & Co. KGaA, acquired a 100 percent stake in GasSecure AS, based in Oslo, Norway. The start-up, founded in 2008 and financed through venture capital since 2010, has developed a cableless optical gas sensor that detects hydrocarbons and has a marketable product based on this pioneering technology.

CHANGE TO THE EXECUTIVE BOARD OF DRÄGERWERK VERWALTUNGS AG

Dr. Fehrecke retired as of March 31, 2015 as planned. Rainer Klug is to become the new Chief Supply Chain Officer (CSCO) and will start his role at Dräger by October 1, 2015 at the latest.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

				Three months
		2015	2014	Change in %
Order intake	**€ million**	**615.3**	**544.6**	**+13.0**
Net sales	**€ million**	**545.5**	**513.2**	**+6.3**
EBITDA [1]	**€ million**	**20.7**	**36.1**	**–42.6**
Depreciation	€ million	–19.6	–17.1	+15.0
EBIT [2]	**€ million**	**1.1**	**19.0**	**–94.4**
Interest result	€ million	–5.6	–6.2	–9.7
Income taxes	€ million	1.4	–4.3	–131.9
Earnings after income taxes	**€ million**	**–3.1**	**8.5**	**–136.8**
Earnings per share [3]				
per preferred share	€	–0.18	0.49	–135.7
per common share	€	–0.20	0.47	–141.5
Earnings per share on full distribution [4]				
per preferred share	€	–0.18	0.39	–144.9
per common share	€	–0.20	0.37	–152.7
Research and development costs	€ million	56.3	50.3	+12.0
Equity ratio [5]	%	39.0	40.6	
Cash flow from operating activities	€ million	–62.6	25.1	–349.2
Net financial debt [5]	€ million	150.4	93.2	+61.4
Investments	€ million	91.3	20.1	+353.4
Capital employed [5,6]	€ million	1,269.7	1,045.4	+21.5
Net working capital [5,7,8]	€ million	618.1	514.9	+20.0
EBIT [2]/net sales	%	0.2	3.7	
EBIT [2,9]/capital employed [5,6] (ROCE)	%	12.7	17.2	
Net financial debt [5]/EBITDA [1,9]	Factor	0.63	0.37	
Gearing [10]	Factor	0.17	0.11	
DVA [9,11]	€ million	60.2	90.3	–33.3
Headcount as of March 31		13,698	13,426	+2.0

Business performance of the Dräger Group

ORDER INTAKE

				Three months
in € million	2015	2014	Change in %	Net of currency effects in %
Europe	341.2	304.5	+12.1	+10.4
thereof Germany	123.7	115.3	+7.3	+7.3
Americas	116.4	97.9	+18.9	+3.7
Asia/Pacific	104.1	94.1	+10.7	–3.0
Middle East, Africa & Others	53.6	48.1	+11.4	+2.0
Total	**615.3**	**544.6**	**+13.0**	**+6.1**

Our Order intake rose by 6.1 percent (net of currency effects) in the first quarter. In nominal terms, order intake increased by 13.0 percent. In the medical division, demand increased by 7.7 percent (net of currency effects), amounting to 15.2 percent in nominal terms. Orders in the safety division went up by 3.4 percent (net of currency effects) and by 9.0 percent in nominal terms.

In the Europe region, including Germany, our order intake rose by 10.4 percent (net of currency effects). Order intake rose by 7.3 percent in Germany, while demand in the Americas region rose by 3.7 percent (net of currency effects). In the Middle East, Africa and Other Countries region, order intake in the first quarter increased by 2.0 percent (net of currency effects). In contrast, order intake in the Asia/Pacific region declined (net of currency effects). Demand declined by 3.0 percent (net of currency effects), while order intake rose by 10.7 percent in nominal terms.

Footnotes for page 12

1 EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
2 EBIT = Earnings before net interest result and income taxes
3 On the basis of the proposed dividend
4 Based on an imputed actual full distribution of earnings attributable to shareholders
5 Value as of reporting date March 31
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 plus non-current trade receiveables less current, non-interest-bearing debt
8 The prior year figures were adjusted to the redefinition of the "net working capital" which now incudes non-current trade receiveables.
9 Value of the last twelve months
10 Gearing = Net financial debt/equity
11 Dräger Value Added = EBIT less cost of capital

NET SALES

				Three months
in € million	2015	2014	Change in %	Net of currency effects in %
Europe	296.4	280.5	+5.7	+4.6
thereof Germany	107.9	102.2	+5.6	+5.6
Americas	113.1	95.2	+18.8	+2.2
Asia/Pacific	94.9	98.5	–3.6	–14.6
Middle East, Africa & Others	41.2	39.0	+5.5	–5.5
Total	**545.5**	**513.2**	**+6.3**	**–0.3**

In the first quarter, our net sales declined by 0.3 percent (net of currency effects), while rising by 6.3 percent in nominal terms. In the medical division, net sales increased slightly by 0.3 percent (net of currency effects), amounting to 7.4 percent in nominal terms. Net sales in the safety division declined by 1.3 percent (net of currency effects) and rose by 4.4 percent in nominal terms.

In the Europe region, including Germany, our net sales rose by 4.6 percent (net of currency effects). In Germany, we increased net sales by 5.6 percent. In the Americas region, deliveries were also up slightly year on year (net of currency effects). We recorded negative net sales development in the other regions. In the Asia/Pacific region, deliveries declined by 14.6 percent (net of currency effects), while net sales in the Middle East, Africa and Other Countries region fell by 5.5 percent (net of currency effects), while rising here by 5.5 percent in nominal terms.

EARNINGS

In the first quarter of 2015, our gross profit developed slightly disproportionately in relation to net sales, with an increase of EUR 17.8 million to EUR 257.8 million (3 months 2014: EUR 240.0 million). At 47.3 percent, our gross margin was 0.5 percentage points higher than in the prior year. The decrease in the value of the euro compared to other important Group currencies had a positive impact on the gross margin. Adjusted for this effect, our gross margin declined. While the medical division's gross margin was up year on year (net of currency effects), the gross margin in the safety division was significantly impacted by weaker margins in the business with government agencies as well as with occupational health and safety products.

The rise in gross profit was not enough to offset the increase in functional costs. Functional costs rose by 8.2 percent (net of currency effects). Net of negative currency effects, sales and marketing costs were up 4.3 percent year on year. This rise was due to continued investment in our growth regions, as well as an increase in freight costs and traders' commissions. Research and development expenditure continued to rise as planned, increasing by 5.0 percent (net of currency effects). The research and development (R&D) ratio therefore amounted to 10.3 percent of net sales (3 months 2014: 9.8 percent). Provisions for the planned closure of our site in Pittsburgh, USA, had a significant impact on administrative expenses (+21.8 percent net of currency effects). Increased costs for patent and legal disputes also affected the rise. Personnel expenses rose by 13.5 percent (by 7.6 percent net of currency effects). This increase was due, on the one hand, to recruitment and, on the other hand, increases in wages and salaries. The pay raise for the German metal and electrical industries also contributed to the increase.

The other financial result decreased significantly year on year to EUR –3.5 million (3 months 2014: EUR –0.2 million). This decline was mainly due to measurement losses resulting from changes in exchange rates.

Overall, we generated Group earnings before interest and taxes (EBIT) of EUR 1.1 million (3 months 2014: EUR 19.0 million). Despite the impact on earnings resulting from the weak euro, the EBIT margin fell from 3.7 percent in the prior-year period to 0.2 percent.

The interest result improved slightly to EUR –5.6 million (3 months 2014: EUR –6.2 million). The tax rate fell to 30.5 percent (3 months 2014: 33.5 percent). Earnings after income taxes amounted to EUR –3.1 million, down EUR 11.7 million on the prior-year period (3 months 2014: EUR 8.5 million).

INVESTMENTS

In the first quarter of 2015, we invested EUR 27.9 million in property, plant and equipment (3 months 2014: EUR 18.7 million) and EUR 63.4 million in intangible assets (3 months 2014: EUR 1.5 million). Most of the investments related to the goodwill and patents of acquired company GasSecure AS (total effect on investments: EUR 62.4 million – please refer to Note 5 in the notes). Further additions to property, plant and equipment also resulted from the modernization of the production site within the scope of the "factory of the future" project (EUR 9.3 million).

Depreciation and amortization totaled EUR 19.6 million in the first quarter of 2015 (3 months 2014: EUR 17.1 million). Investments covered 464.8 percent of depreciation (adjusted for GasSecure: 147.4 percent), meaning that non-current assets rose by EUR 71.8 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 quarter of fiscal year 2015, Dräger Group's cash outflow from operating activities amounted to EUR 62.6 million compared to cash inflow of EUR 25.1 million in the prior-year period. This was mainly due to the decline in earnings after income taxes – adjusted for write-downs, changes to cash neutral provisions as well as other non-cash earnings/expenses – from EUR 0.5 million to EUR –21.8 million. Other assets also improved by EUR 71.2 million (3 months 2014: EUR 33.2 million). In addition, inventories rose by EUR 56.2 million (3 months 2014: EUR 32.5 million) and trade receivables decreased by EUR 65.2 million which is less than in the prior year period (3 months 2014: EUR 85.6 million). In contrast, other liabilities increased by EUR 57.2 million (3 months 2014: EUR 36.6 million).

The cash outflow from operating activities includes EUR 12.1 million in income taxes paid (3 months 2014: EUR 10.3 million), EUR 0.8 million in interest received (3 months 2014: EUR 0.5 million) and EUR 3.7 million in interest paid (3 months 2014: EUR 5.9 million).

At EUR 79.2 million, cash outflow from investing activities increased (3 months 2014: EUR 17.3 million). This rise was mainly due to the EUR 53.1 million purchase price payment for the shares in GasSecure AS, Oslo, Norway. Investments in property, plant and equipment also rose, mainly due to a number of modernizing measures at the Lübeck production site within the scope of the "factory of the future" project (EUR 9.3 million) and the renovation of existing buildings at the Lübeck site.

Cash outflow from financing activities of EUR 25.4 million was primarily impacted by the repayment of a note loan in the amount of EUR 25.0 million. The acquisition of the remaining shares in a Turkish subsidiary led to a payment of EUR 4.0 million.

Cash and cash equivalents as of March 31, 2015 exclusively comprised cash, of which EUR 7.5 million (December 31, 2014: EUR 8.4 million) was subject to restrictions.

Financial management

BORROWING

The number of note loans has been reduced compared to the borrowing described in the Annual Report 2014. In the first quarter of 2015, we redeemed a mature note loan in cash to the amount of EUR 25.0 million. Note loans of EUR 61.5 million are due to mature in 2015. As of March 31, 2015, total note loans amounted to EUR 157.3 million (December 31, 2014: EUR 182.3 million).

NET ASSETS

Equity rose by EUR 3.1 million to EUR 899.7 million in the first three months of 2015. The equity ratio came to 39.0 percent as of March 31, 2015, down on the figure as of December 31, 2014 (40.1 percent). The adjustment of the underlying interest rate for German pension provisions from 2.0 percent to 1.5 percent increased pension provisions by EUR 33.1 million; the net amount of this adjustment of EUR 22.8 million after deferred tax liabilities reduced reserves from retained earnings recognized directly in equity.

Total assets rose by EUR 73.2 million in the first quarter of 2015 to EUR 2,307.3 million. On the assets side, intangible assets increased by EUR 62.8 million, mainly due to the acquisition of GasSecure AS and property, plant and equipment by EUR 21.3 million. Deferred tax assets also went up by EUR 22.8 million, primarily as a result of the adjustment of the underlying interest rate for German pension provisions. Increased inventories (EUR +77.4 million) were only partially offset by a drop in trade receivables (EUR –34.5 million). Cash and cash equivalents, other current financial assets and other current assets fell by EUR 82.6 million.

The change on the liabilities side resulted mainly from pension provisions (EUR +36.6 million). Other current financial liabilities rose by EUR 54.5 million. Furthermore, trade payables fell by EUR –29.7 million and loans and liabilities to banks by EUR –13.4 million. This reflects, among other things, the repayment of a note loan to the amount of EUR 25 million.

DRÄGER VALUE ADDED

Our Dräger Value Added (DVA) fell by EUR 30.1 million to EUR 60.2 million year on year as of March 31, 2015 (twelve months to March 31, 2014: EUR 90.3 million). Our rolling EBIT fell substantially by EUR 19.4 million year on year. The average cost of capital increased by EUR 10.7 million, as the average capital invested rose by 11.9 percent to EUR 1,115.9 million. The increase in capital employed is mainly due to a rise in non-current assets, higher inventories and trade receivables. This trend is also reflected in days of working capital (coverage of current assets), which rose by 1.3 days to 119.6 days.

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Three months		
		2015	2014	Change in %
Order intake with third parties	**€ million**	**402.5**	**349.3**	**+15.2**
Net sales with third parties	**€ million**	**354.3**	**330.0**	**+7.4**
EBIT[1]	**€ million**	**3.8**	**3.6**	**+4.8**
Research and development costs	€ million	41.4	35.6	+16.1
Capital Employed[2, 3]	€ million	758.5	660.4	+14.9
EBIT[1]/net sales	%	1.1	1.1	–2.3
EBIT[1,4]/capital employed[2] (ROCE)	%	13.1	16.1	–18.4
DVA[5]	€ million	37.4	47.6	–21.4

[1] EBIT = Earnings before net interest result and income taxes
[2] Capital Employed in segments = trade receivables, inventories incl. prepayments received
[3] Value as of reporting date March 31
[4] Value of the last twelve months
[5] Dräger Value Added = EBIT less cost of capital

Business performance of the medical division

ORDER INTAKE

				Three months
in € million	2015	2014	Change in %	Net of currency effects in %
Europe	206.1	181.2	+13.7	+11.9
thereof Germany	81.7	77.1	+6.0	+6.0
Americas	80.1	64.5	+24.2	+9.0
Asia/Pacific	73.6	65.5	+12.4	–1.9
Middle East, Africa & Others	42.6	38.0	+12.1	+2.0
Total	**402.5**	**349.3**	**+15.2**	**+7.7**

In the medical division, order intake increased in the first quarter by 7.7 percent year on year (net of currency effects); in nominal terms, orders rose by 15.2 percent.

In the first quarter, order intake in the anesthesia device business increased significantly (net of currency effects). Demand for hospital consumables also saw double-digit growth. Orders for respiratory care and thermoregulation devices as well as the service business also increased. Order intake in the workplace infrastructure business as well as in the patient monitoring and clinical data management business was only up slightly year on year (net of currency effects).

Order intake in the Europe region, including Germany, increased by 11.9 percent (net of currency effects) due to high demand in Turkey, the UK, Germany and Poland, while orders in the Netherlands were down on the strong prior-year level.

In Germany, order intake rose by 6.0 percent in the first quarter. Demand in anesthesiology, respiratory care and thermoregulation devices as well as hospital consumables products increased, but it fell considerably in the patient monitoring and data management business.

In the Americas region, we recorded an increase in order intake of 9.0 percent (net of currency effects). Demand rose in particular in Mexico, Ecuador and the USA, but fell in Chile.

Order intake in the Asia/Pacific region declined slightly in the first quarter (net of currency effects), mainly due to a considerable decline in orders in Japan where demand in the prior-year quarter had risen significantly due to an upcoming tax increase. However, demand rose in China.

In the Middle East, Africa and Other Countries region, order intake increased slightly once more compared to the strong prior-year figure (net of currency effects). A rise in demand in Iran, the United Arab Emirates and India was offset by a considerable decline in order intake in Egypt.

NET SALES

				Three months
in € million	2015	2014	Change in %	Net of currency effects in %
Europe	177.1	164.2	+7.9	+7.0
thereof Germany	71.3	66.9	+6.6	+6.6
Americas	77.8	62.5	+24.4	+7.2
Asia/Pacific	68.6	73.5	–6.8	–17.5
Middle East, Africa & Others	30.9	29.8	+3.8	–7.6
Total	**354.3**	**330.0**	**+7.4**	**+0.3**

Net sales in the medical division increased slightly by 0.3 percent (net of currency effects) in the first quarter of 2015. In nominal terms, net sales increased by 7.4 percent.

There was a substantial rise in net sales (net of currency effects) in the hospital consumables business and in the workplace infrastructure area. The service business also experienced net sales growth. We recorded a significant decline in net sales of respiratory care and thermoregulation devices, as well as in patient monitoring and clinical data management. Deliveries of anesthesiology devices also declined.

In the Europe region, including Germany, net sales rose by 7.0 percent (net of currency effects) mainly due to a rise in deliveries in Germany, France, Italy, Azerbaijan and Turkey.

In Germany, net sales rose by 6.6 percent in the first quarter. Increases were recorded in particular in the hospital consumables and service businesses. Deliveries in the workplace infrastructure business as well as in anesthesiology also rose. Net sales of respiratory care and thermoregulation products on the other hand were down significantly.

In the Americas region, net sales were up a considerable 7.2 percent year on year (net of currency effects) in the first quarter. This was mainly as a result of a double-digit rise in deliveries in the USA and Mexico, while net sales declined in Peru and Ecuador.

In the Asia/Pacific region, we were faced with a considerable decline in net sales. Net of currency effects, net sales fell by 17.5 percent, mainly due to the steep drop in deliveries in China, Japan and South Korea, a development that a rise in net sales in Indonesia and Malaysia was unable to compensate for.

In the Middle East, Africa and Other Countries region, net sales were down by 7.6 percent (net of currency effects). A rise in deliveries in Saudi Arabia was not able to compensate for the falls in Iraq and Egypt.

EARNINGS

In the first quarter of 2015, gross profit and the gross margin (+3.9 percentage points) of the medical division were up on the prior year's figures.

A large part of this improvement is down to changes in exchange rates. But margin development was also positive net of currency effects. A slight improvement in the product mix helped to increase the margin, and we had also concluded some low-margin projects in the prior-year quarter.

Functional costs were up 15.4 percent year on year, due in part to exchange rate effects (8.6 percent net of currency effects). Research and development expenditure rose by 16.1 percent (7.8 percent net of currency effects) and resulted in a research and development ratio of 11.7 percent (3 months 2014: 10.8 percent).

EBIT in the medical division totaled EUR 3.8 million as margin improvements offset an increase in functional costs (3 months 2014: EUR 3.6 million). The EBIT margin came in at 1.1 percent in the first quarter of 2015 (3 months 2014: 1.1 percent).

FINANCIAL POSITION AND NET ASSETS

As of March 31, 2015, capital employed increased by EUR 98.1 million to EUR 758.5 million. This is essentially due to an increase in trade receivables as well as inventories.

DRÄGER VALUE ADDED

Our DVA in the medical division fell by EUR 10.2 million to EUR 37.4 million year on year as of March 31, 2015 (twelve months to March 31, 2014: EUR 47.6 million). This drop in DVA was mainly driven by EBIT, which fell by around EUR 7 million (on a twelve-month rolling basis). Capital employed, which was higher on average, also had a negative impact on DVA (higher capital costs of around EUR 3 million).

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Three months		
		2015	2014	Change in %
Order intake with third parties	**€ million**	**212.8**	**195.3**	**+9.0**
Net sales with third parties	**€ million**	**191.2**	**183.2**	**+4.4**
EBIT[1]	**€ million**	**–2.7**	**15.4**	**–117.7**
Research and development costs	€ million	14.9	14.7	+1.9
Capital employed[2,3]	€ million	293.3	250.7	+17.0
EBIT[1]/net sales	%	–1.4	8.4	–117.0
EBIT[1,4]/capital employed[2] (ROCE)	%	20.9	29.5	–29.2
DVA[5]	€ million	37.1	50.9	–27.1

[1] EBIT = Earnings before net interest result and income taxes
[2] Capital Employed in segments = trade receivables, inventories incl. prepayments received
[3] Value as of reporting date March 31
[4] Value of the last twelve months
[5] Dräger Value Added = EBIT less cost of capital

Business performance of the safety division

ORDER INTAKE

				Three months
in € million	2015	2014	Change in %	Net of currency effects in %
Europe	135.1	123.3	+9.6	+8.2
thereof Germany	42.1	38.2	+10.0	+10.0
Americas	36.3	33.4	+8.7	–6.4
Asia/Pacific	30.5	28.6	+6.8	–5.4
Middle East, Africa & Others	11.0	10.1	+8.6	+1.6
Total	**212.8**	**195.3**	**+9.0**	**+3.4**

In the first quarter, order intake in the safety division increased by 3.4 percent (net of currency effects). In nominal terms, order intake rose by 9.0 percent.

In our business with government agencies, we recorded a double-digit increase in demand (net of currency effects), with demand being particularly high for alcohol testing devices. Order intake for personal protection products for fire services rose, while demand for diving equipment fell. We also recorded a rise in order intake for plant safety equipment. Demand in the maintenance and equipment rental business increased significantly and order intake for stationary gas detection products was also up. Order intake in the area of engineered solutions remained on par with the prior year's level. Order intake in the service business declined in all regions in the first quarter, and demand in the occupational health and safety business also fell.

In the Europe region, including Germany, our order intake rose by 8.2 percent in the first quarter (net of currency effects), due to positive demand in Russia, Spain, France, Scandinavia as well as in Germany. Orders in the UK, however, fell.

In Germany, we recorded an increase in order intake of 10.0 percent. In particular, demand rose for personal protective equipment for fire services and in the occupational health and safety business. However, demand in the service business declined in the first quarter.

In the Americas region, order intake decreased by 6.4 percent (net of currency effects). Demand rose sharply in countries in Central and South America, such as in Mexico, Venezuela and Argentina. And this was offset by a double-digit fall in orders in Canada and the USA. Order intake also declined in Brazil.

Order intake in the Asia/Pacific region fell by 5.4 percent (net of currency effects). A rise in demand in China was unable to offset the significant drop in orders in South Korea as well as in Australia and New Zealand.

In the Middle East, Africa and Other Countries region, order intake in the first quarter increased slightly (net of currency effects). A considerable rise in orders in Saudi Arabia and India was offset by a drop in demand in South Africa in particular.

NET SALES

				Three months
in € million	2015	2014	Change in %	Net of currency effects in %
Europe	119.2	116.2	+2.6	+1.3
thereof Germany	36.5	35.3	+3.6	+3.6
Americas	35.3	32.7	+8.0	–7.3
Asia/Pacific	26.4	25.0	+5.5	–6.3
Middle East, Africa & Others	10.3	9.2	+11.0	+1.2
Total	**191.2**	**183.2**	**+4.4**	**–1.3**

In the first quarter, net sales in the safety division decreased by 1.3 percent (net of currency effects). In nominal terms, net sales rose by 4.4 percent.

In the area of engineered solutions, net sales in the first quarter increased significantly. Deliveries in the occupational health and safety business were on par with the prior year. However, net sales in the service business fell significantly. Deliveries were also down in the plant safety business. Growth in maintenance and equipment rental business was not sufficient to compensate for the drop in stationary gas detection systems. Our business with government agencies also declined. A rise of deliveries of alcohol testing devices was offset by a slight decline in personal protection products for fire services.

Net sales in the Europe region, including Germany, increased slightly (net of currency effects). We recorded strong growth in countries in South and Southeast Europe. Deliveries increased in Turkey and France, for example. Net sales in Russia, on the other hand, fell significantly. Net sales also declined in Switzerland where we had partially invoiced a tunnel rescue train order for Schweizer Bundesbahn, the Swiss national railway, in the prior-year period.

In Germany, net sales grew by 3.6 percent. In the area of engineered solutions, we increased net sales as a result of further partial invoicing for the tunnel rescue trains from the large Deutsche Bahn order. In the plant safety business, growth in maintenance and equipment rental business was offset by a decline in stationary gas detection systems. Net sales also rose in our business with government agencies. Net sales decreased in the service business as well as in the area of occupational health and safety.

In the Americas region, net sales fell by 7.3 percent (net of currency effects) in the first quarter. A significant increase in net sales in the countries in Central and South America did not compensate for declines in the USA and Canada. Net sales growth was especially strong in Mexico, Argentina and Chile, while net sales decreased in Brazil.

Net sales in the Asia/Pacific region went down by 6.3 percent (net of currency effects) in the first quarter. This development was due to declining deliveries in Japan, Australia, New Zealand and China, while net sales increased significantly in Indonesia.

Net sales in the Middle East, Africa and Other region grew by 1.2 percent (net of currency effects). Net sales growth was especially strong in Saudi Arabia, Egypt and India.

EARNINGS

Despite higher net sales, gross profit in the safety division was down year on year in the first quarter of 2015. The gross margin was down by 5,7 percentage points compared to the prior year quarter. In total, currency fluctuations had a negative impact on the gross margin.

The gross margin for our government applications showed a poor start in the year 2015. In addition to an unfavorable product mix and weaker price performance, we made additional investments into the quality for these products. Our occupational health and safety business was also impacted by an unfavorable product mix.

Functional costs were up 13.2 percent year on year (7.5 percent net of currency effects). Research and development expenditure rose slightly by 1.9 percent (–1.8 percent net of currency effects) and resulted in a research and development ratio of 7.8 percent (3 months 2014: 8.0 percent).

EBIT in the safety division decreased to EUR –2.7 million (3 months 2014: EUR 15.4 million) due to poor margin developments and the rise in functional costs. The EBIT margin came in at –1.4 percent in the first quarter of 2015 (3 months 2014: 8.4 percent).

FINANCIAL POSITION AND NET ASSETS

As of March 31, 2015, capital employed increased by EUR 42.6 million to EUR 293.3 million. This is essentially due to an increase in trade receivables as well as inventories.

DRÄGER VALUE ADDED

Our DVA in the safety division fell to EUR 37.1 million as of March 31, 2015, (twelve months to March 31, 2014: EUR 50.9 million). EBIT (on a twelve-month rolling basis) fell while capital costs remained stable compared to the prior-year period.

Subsequent events

EXERCISING OF FURTHER OPTION RIGHTS

On April 13, 2015, three share options and on April 21 two option rights on 50,000 preferred shares each were exercised and a total of 250,000 preferred shares were issued. The exercise price amounted to EUR 63.43 per preferred share. The new preferred shares will participate in the profits of Drägerwerk AG & Co. KGaA from fiscal year 2015. As a result, out of the total of 25 option rights five option rights have not yet been exercised on a total of 250,000 non-voting preferred shares.

Research and development

In the first quarter of 2015, we invested EUR 56.3 million in R&D, which was more than in the prior-year period (EUR 50.3 million). The research and development expenses amounted to 10.3 percent of net sales (3 months 2014: 9.8 percent).

We increased research and development expenditure in the medical division to EUR 41.4 million (3 months 2014: EUR 35.6 million). In the first quarter, we invested 11.7 percent of net sales, more than in the prior-year period (3 months 2014: 10.8 percent).

The focus remained on expanding our intensive care and operating room product portfolio, and especially on developing customer solutions within the Infinity Acute Care System. We also aimed our investments at updating several products so as to comply with the IEC 60601 3rd edition compliance[1].

Within the safety division, we invested EUR 14.9 million in the first quarter of 2015 (3 months 2014: EUR 14.7 million) in research and development, corresponding to 7.8 percent of net sales (3 months 2014: 8.0 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 progressively modularized.

In the first quarter of 2015, we further optimized the “Dräger tubes” portfolio, a product used to measure gases. We added a new product for low-range benzene measurement in the shape of the “Dräger Tube for Benzene 0.25a.” This ensures that the measurement of threshold values meets legislative requirements, particularly those in the petrochemicals and chemicals industries. The measurement time has been shortened considerably,

[1] International Electrotechnical Commission

while the color display on the tube has also been improved. At the same time, the development of a single tube has also made using the product much simpler for customers than with a double tube. At the end of 2013, an NFPA (National Fire Protection Association) thermal imaging camera standard was introduced for the US market, for which our “UCF 9000” received immediate approval. Now we have also received approval for our small-format thermal imaging cameras “UCF 6000” and “UCF 7000” as well as for the “UCF 8000.” This means that we have a refined portfolio of thermal imaging cameras for the fire service market, all of which fully meet the strict requirements of the US thermal imaging camera standard NFPA 1801.

Personnel

As of March 31, 2015 Dräger employed a total of 13,698 people around the world, an increase of 272 on the previous year (March 31, 2014: 13,426). This corresponds to a rise of 2.0 percent. In Germany, the number of people working for the Dräger Group rose by 54. The number of employees working abroad went up by 218. As of March 31, 2015, a total of 54.1 percent (March 31, 2014: 53.5 percent) of employees were working outside of Germany.

In line with the long-term growth strategy, we expanded the workforce above all in Service (+167) and in Sales (+71).

The increase in the number of employees in Germany (+54) was mainly due to the number of temporary employees that were hired for short-term projects in Shut Down Rental Management. As a result, the number of employees in Service rose by 78.

In Sales, we employed 26 more employees than the year before. Furthermore, the number of employees in administrative functions, such as in IT (+8) at Drägerwerk AG & Co. KGaA , increased by 37. In Production, the number of employees at Dräger Medical GmbH and Dräger Safety AG & Co. KGaA fell by 71 due to the expiry of temporary employment agreements.

The number of employees outside of Germany increased by 218 year on year; 39 of these employees are attributed to the acquired company Dräger-Simsa S.A. in Chile and 11 to the newly acquired company GasSecure AS in Norway. Particular increases were seen in Service (+89) and Sales (+45). We also expanded our workforce at our Czech production company Dräger Chomutov s.r.o. by 46 employees.

Personnel expenses within the Group rose by 13.5 percent year on year (adjusted for currency effects +7.6 percent) to EUR 248.1 million. Changes to the euro exchange rates and the resulting negative currency effects resulted in a EUR 13.0 million increase in personnel expenses. Another reason for the rise was the growth-related recruitment and pay raises, including raises in accordance with wage agreements in the metal and electrical industries in Germany, as well as an employee share program. The personnel cost ratio came to 45.5 percent in the first quarter of 2015 (first quarter of 2014: 42.6 percent).

PERSONNEL EXPENSES [1]

in € thousand	Three months 2015	Three months 2014
Wages and salaries	**204,815**	**180,395**
Social security contributions and related employee benefits	36,240	32,969
Pension expenses	7,007	5,112
	248,062	**218,476**

[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, 2015	December 31, 2014	March 31, 2014
Dräger Group total	**13,698**	**13,737**	**13,426**
Germany	6,291	6,324	6,237
Other	7,407	7,413	7,189
Turnover in % of employees (Basis: average of the past twelve months)	3.8	3.6	4.0
Sick days in % of work days (Basis: average of the past twelve months)	5.4	5.2	4.7
Temporary staff in Germany (incl. short-term project employment)	239	277	216

RISKS TO FUTURE DEVELOPMENT

The material risks to our net assets, financial position and results of operations as well as the structure of our risk management system are outlined in the annual report for fiscal year 2014 on pages 101 et seq. The annual report may be downloaded online at **www.draeger.com**.

There were no material changes to the 2014 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

In its latest economic forecast from mid-April 2015, the International Monetary Fund (IMF) suggested that global economic recovery would continue, but would vary from region to region. The rate of growth for the global economy remains too slow. Economic expansion in industrialized countries is set to increase further in 2015 overall. Developments in key economies such as the US and the UK are promising, while growth prospects in the eurozone have also improved. As the economic prospects in some of these countries have worsened, growth momentum in developing and emerging countries is not as strong. Nevertheless, emerging economies still account for over 70 percent of global economic growth.

In terms of the global economy, the IMF expects growth to stand at 3.5 percent in 2015 with no change from their January forecast. The largest contributor to economic growth worldwide among the industrialized nations is the US; the IMF has slightly lowered its forecast for this region. The IMF anticipates an improvement in economic prospects in the eurozone. Southern European countries are also expected to make significant gains in terms of gross domestic product, while the rate of unemployment is likely to fall in almost all countries in the eurozone. The IMF also slightly increased its growth forecast for Germany.

The IMF considers the risks to the global economy to be slightly more balanced than in October 2014, but still with a negative tendency. The major decline in oil prices has bolstered real income in a large number of countries and is creating demand momentum there. The major shifts in exchange rates are also good for the global economy as a whole. However, the risk of geopolitical tensions remains high and, in the view of the IMF, the dangers posed to global financial stability have risen.

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

in %	2015	2016
Global economy	3.5	3.8
USA	3.1	3.1
Eurozone	1.5	1.6
Germany	1.6	1.7
China	6.8	6.3

FUTURE SITUATION OF THE MEDICAL TECHNOLOGY INDUSTRY

We expect demand in the medical technology industry to be positive overall over the rest of the year. According to our assessment, growth in the US will be marginally positive. The pressure to cut costs may be having a negative impact on industry growth, but long-term demand trends such as growing population, the ageing of society and the increase of “lifestyle diseases” will overcompensate for this situation. We consider prospects for Europe to be subdued. The economy may have recovered recently, but the IMF believes the long-term outlook remains conservative. The medical technology industry, particularly in South Europe, will continue to be affected by budgetary consolidation in 2015. In emerging economies, we anticipate a moderate rise in sales. Demand for medical technology due to a need to modernize and replace equipment remains in place. We anticipate moderate growth in the medical technology industry in the Middle East and in Latin America.

FUTURE SITUATION OF THE SAFETY TECHNOLOGY INDUSTRY

Overall, we anticipate a positive development of the safety technology industry in 2015. Investments in the area of oil exploration are on the decline, but this trend is being overcompensated for by investment in other areas. Persistently high volumes of oil production are driving investment for capacity expansion in the transport, storage and processing of crude oil. Prospects for the chemicals industry remain positive. In our view, the demand trend in the US is moderate overall. We consider the prospects for the safety technology industry in Europe to be subdued. Austerity measures will be top priority in Southern European countries and mean that the investment climate will be restrained. We expect expenditure for safety technology products to rise in emerging economies. In spite of constantly falling economic growth compared to prior years, demand for safety technology products will continue at its current level throughout the rest of 2015 due to increasingly stricter health and safety requirements. Sales opportunities for safety technology products in the Middle East will be bolstered through the rest of 2015 by investment in the mining and, in particular, the processing of commodities and experience moderate growth. In Latin America, we anticipate extremely low growth in 2015.

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 2014 (pages 116 et seq.), which describes our expectations for 2015 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 2015

	Results achieved in 2014	Forecast 2015 based on Annual Report	Current forecast
Net sales	+4.0 percent (net of currency effects)	Between 2 percent and 5 percent (net of currency effects)	Confirmed
EBIT margin	7.3 percent	Between 6.0 percent and 8.0 percent [1]	Confirmed
DVA	EUR 81.6 million	Moderate improvement	Confirmed
Other forecast figures:			
Gross margin	46.7 percent	On a par with prior year	Confirmed
Research and development costs	EUR 212.0 million	EUR 220 million to EUR 230 million	Confirmed
Interest result	EUR –25.0 million	Slight improvement	Confirmed
Effective tax rate	31.8 percent	Between 30 percent and 33 percent	Confirmed
Operating cash flow	105 percent of EBIT	>70 percent of EBIT	Confirmed
Investment volume	EUR 124.7 million	EUR 110 to 130 million [2]	EUR 170 to 190 million
Equity ratio	40.1 percent	Over 40 percent	Confirmed
Net financial debt	EUR 10.7 million	Slight improvement	Increase

[1] Based on exchange rates at the start of the year
[2] Excluding goodwill

The acquisition of the Norwegian company GasSecure AS in early March 2015 had an impact on our investment volume and net financial debt forecasts. As a result of the acquisition, we now expect investment volume including goodwill to be higher than originally forecasted. We also now expect net financial debt to increase year on year.

DRÄGER MANAGEMENT ESTIMATE

The expansion of the global economy continues, albeit at a moderate pace. The economic situation has stabilized, particularly in the eurozone, and growth is gradually taking hold. The moderate growth trend in our medical and safety technology industries persists.

In the wake of record net sales at the end of the last fiscal year, business development so far in fiscal year 2015 has been disappointing overall. Our net sales rose by a nominal amount, but they declined when adjusted for currency effects. The order intake trend indicates that growth could rise in the course of the second quarter. This will also benefit our earnings, which suffered in the first quarter from a rise in functional costs due to the higher cost base caused by changes in exchange rates as well as from expenses relating to the planned closure of our site in Pittsburgh, USA.

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, April 27, 2015

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Gert-Hartwig Lescow
Anton Schrofner

Interim financial statements of the Dräger Group as of March 31, 2015

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

in € thousand	Note	Three months 2015	Three months 2014
Net sales		545,525	513,214
Cost of sales		–287,698	–273,209
Gross profit		**257,827**	**240,004**
Research and development costs		–56,305	–50,290
Marketing and selling expenses		–140,985	–127,365
General administrative costs		–55,542	–43,928
Other operating income		1,516	1,804
Other operating expenses		–1,913	–1,089
		–253,229	**–220,867**
		4,598	**19,137**
Profit from other investments		0	32
Other financial result		–3,542	–166
Financial result (before interest result)	**8**	**–3,542**	**–134**
EBIT		**1,056**	**19,003**
Interest result	8	–5,569	–6,168
Earnings before income taxes		**–4,513**	**12,835**
Income taxes	9	1,375	–4,305
Earnings after income taxes		**–3,138**	**8,530**
Earnings after income taxes		**–3,138**	**8,530**
Non-controlling interests in net profit		87	–81
Earnings attributable to participation certificates (excluding minimum dividend, after taxes) [1]		0	725
Earnings attributable to shareholders		–3,225	7,886
Undiluted earnings per share [2]			
per preferred share (in €)		–0.18	0.49
per common share (in €)		–0.20	0.47
Diluted earnings per share [2]			
per preferred share (in €)		–0.17	0.48
per common share (in €)		–0.19	0.46
Undiluted earnings per share on full distribution [2]			
per preferred share (in €)		–0.18	0.39
per common share (in €)		–0.20	0.37
Diluted earnings per share on full distribution [2]			
per preferred share (in €)		–0.17	0.38
per common share (in €)		–0.19	0.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

in € thousand	Three months 2015	Three months 2014
Earnings after income taxes	**–3,138**	**8,530**
Items which will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans	–33,078	–10,722
Deferred taxes on Remeasurements of defined benefit pension plans	10,254	3,315
Items which may be reclassified subsequently to profit or loss		
Currency translation adjustment for foreign subsidiaries	33,056	–758
Change in the fair value of financial assets designated as available for sale recognized directly in equity	–18	–
Change in the fair value of derivative financial instruments recognized directly in equity	–183	–374
Deferred taxes on changes in the fair value of derivative financial instruments recognized directly in equity	18	–
Other comprehensive income (after taxes)	**10,049**	**–8,539**
Total comprehensive income	**6,911**	**–8**
of which earnings attributable to non-controlling investments	238	–174
of which earnings attributable to participation certificates (excluding minimum dividend, after taxes) [1]	0	725
of which earnings attributable to shareholders	6,673	–560

[1] The figure is calculated by accruing a dividend for participation certificates of EUR 0.00 (March 31, 2014: EUR 1.30) based on earnings in the first three months and in line with Dräger`s actual dividend policy to distribute around 30% (March 31, 2014: around 30%) of total Group net profit (less earnings attributable to non-controlling interests).

Footnotes for page 38

[1] The figure is calculated by accruing a dividend for participation certificates of EUR 0.00 (March 31, 2014: EUR 1.30) based on earnings in the first three months and in line with Dräger`s actual dividend policy to distribute around 30% (March 31, 2014: around 30%) of total Group net profit (less earnings attributable to non-controlling interests).

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

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

in € thousand	Note	March 31, 2015	December 31, 2014
Assets			
Intangible assets	10	357,000	294,242
Property, plant and equipment	10	371,257	349,936
Investments in associates		277	277
Other non-current financial assets		16,138	14,523
Deferred tax assets		142,315	119,528
Other non-current assets		2,983	2,959
Non-current assets		**889,970**	**781,465**
Inventories	11	465,866	388,497
Trade receivables and receivables from construction contracts		622,915	657,394
Other current financial assets		77,108	33,843
Cash and cash equivalents		141,935	296,855
Current tax refund claims		28,233	23,797
Other current assets	12	81,288	52,260
Current assets		**1,417,345**	**1,452,645**
Total assets		**2,307,314**	**2,234,110**

in € thousand	Note	March 31, 2015	December 31, 2014
Equity and liabilities			
Capital Stock		44,186	44,186
Capital reserves		203,760	203,760
Reserves retained from earnings, incl. group result		593,360	622,342
Participation capital		29,497	29,497
Other comprehensive income		26,551	–5,325
Non-controlling interests		2,316	2,146
Equity	**13**	**899,670**	**896,606**
Liabilities from participation certificates		21,099	20,872
Provisions for pensions and similar obligations	14	333,630	297,009
Other non-current provisions	15	55,915	55,619
Non-current interest-bearing loans	16	167,186	168,563
Other non-current financial liabilities		29,166	27,653
Non-current income tax liabilities		10,352	10,286
Deferred tax liabilities		7,200	1,540
Other non-current liabilities		5,863	5,830
Non-current liabilities		**630,411**	**587,373**
Other current provisions	15	187,632	189,278
Current interest-bearing loans and liabilities to banks	16	114,280	127,686
Trade payables		171,670	201,340
Other current financial liabilities		84,627	30,166
Current income tax liabilities		29,120	25,854
Other current liabilities		189,904	175,808
Current liabilities		**777,233**	**750,132**
Total equity and liabilities		**2,307,314**	**2,234,110**

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

	in € thousand	Three months 2015	Three months 2014
Operating activities			
	Earnings after income taxes	–3,138	8,530
+	Write-down/write-up of non-current assets	19,644	17,085
+/–	Increase/decrease in provisions	–6,996	–16,916
+/–	Other non-cash expenses/income	–31,295	–8,213
+/–	Losses/gains from the disposal of non-current assets	–92	–50
–	Increase in inventories	–56,152	–32,453
–	Increase in leased equipment	–1,137	–2,983
+/–	Decrease/increase in trade receivables	65,175	85,631
+/–	Decrease/increase in other assets	–71,167	–33,193
+/–	Increase/decrease in trade payables	–34,610	–28,923
+/–	Increase/decrease in other liabilities	57,210	36,602
	Cash inflow from operating activities	**–62,558**	**25,117**
Investing activities			
–	Cash outflow for investments in intangible assets	–1,098	–1,463
+	Cash inflow from the disposal of intangible assets	67	459
–	Cash outflow for investments in property, plant and equipment	–25,662	–17,164
+	Cash inflow from disposals of property, plant and equipment	944	734
–	Cash outflow for investments in non-current financial assets	–791	–13
+	Cash inflow from the disposal of non-current financial assets	368	124
–	Cash outflow from the acquisition of subsidiaries	–53,063	–
	Cash outflow from investing activities	**–79,237**	**–17,321**
Financing activities			
+	Cash inflow from the exercise of option rights to preferred shares	–	6,349
–	Cash outflow from the acquisition of treasury shares for the employee share program	–1,143	–
+	Cash provided by raising loans	12	7,565
–	Cash used to redeem loans	–26,683	–51,852
+/–	Net balance of other liabilities to banks	6,836	4,568
–	Net balance of finance lease liabilities repaid/incurred	–423	–367
+/–	Cash inflow/outflow from the changes in shareholdings in subsidiaries	–4,000	3,689
	Cash outflow from financing activities	**–25,401**	**–30,049**
Change in cash and cash equivalents in the fiscal year		**–167,197**	**–22,253**
+/–	Effect of exchange rates on cash and cash equivalents	12,277	–1,019
+	Cash and cash equivalents at the beginning of the reporting period	296,855	232,131
	Cash and cash equivalents on reporting date	**141,935**	**208,859**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

						Other comprehensive income						
in € thousand	Capital Stock	Capital reserves	Reserves retained from earnings incl. group result	Participation capital	Treasury shares	Currency translation differences	Derivative financial instruments	Financial assets available for sale	Total other comprehensive income	Total equity of shareholder Drägerwerk AG & Co. KGaA	Non-controlling interests	Equity
January 1, 2014	**42,778**	**170,280**	**591,926**	**29,497**	**0**	**–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 comprehensive income	–	–	–7,406	–	–	–666	–374	–	–1,039	–8,446	–93	–8,539
Total comprehensive income	**–**	**–**	**1,205**	**–**	**–**	**–666**	**–374**	**–**	**–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**	**0**	**–21,635**	**–1,970**	**10**	**–23,595**	**818,709**	**7,556**	**826,266**
January 1, 2015	**44,186**	**203,760**	**622,342**	**29,497**	**0**	**–2,970**	**–2,405**	**51**	**–5,325**	**894,459**	**2,146**	**896,606**
Earnings after income taxes	–	–	–3,225	–	–	–	–	–	0	–3,225	87	–3,138
Other comprehensive income	–	–	–22,824	–	–	32,905	–183	–	32,722	9,898	151	10,049
Total comprehensive income	**–**	**–**	**–26,049**	**–**	**–**	**32,905**	**–183**	**–**	**32,722**	**6,673**	**238**	**6,911**
Repurchase of treasury shares	–	–	–	–	–	–	–	–	0	0	–	0
Employee share program	–	–	–	–	–1,143	–	–	–	0	–1,143	–	–1,143
Exercise of option rights to preferred shares	–	–	–	–	1,143	–	–	–	0	1,143	–	1,143
Changes in the shares of subsidiaries, excluding loss of control	–	–	–3,086	–	–	–846	–	–	–846	–3,932	–68	–4,000
Changes in the scope of consolidation/other	–	–	153	–	–	–	–	–	0	153	–	153
March 31, 2015	**44,186**	**203,760**	**593,360**	**29,497**	**0**	**29,089**	**–2,588**	**51**	**26,551**	**897,354**	**2,316**	**899,670**

Notes of the Dräger Group as of March 31, 2015 (condensed)

1 BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA, Lübeck, Germany, prepared its Group financial Statements for fiscal year 2014 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 2015, 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, 2014. 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 2014 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 2014 annual report in Note 8.

A discount rate of 1.5 percent (December 31, 2014: 2.0 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 **wvww.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 2015, in the event that transactions fall within the respective scopes of application:

- The “Annual Improvements to IFRSs 2010–2012 Cycle (issued December 2013)” resulted in slight adjustments or corrections to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.
- The “Annual Improvements to IFRSs 2011–2013 Cycle (issued December 2013)” resulted in slight adjustments or corrections to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

– The amendments to IAS 19 "Defined Benefit Plans: Employee Contributions (issued November 2013)" pertain to the amendments to IAS 19.93 to the effect that an employee's contributions to defined benefit plans that are related to the services rendered by that employee (such as deferred compensation) reduce the service costs for that period, insofar as the contributions and the employee's services apply to the same period. Consequently, these contributions may not be attributed to years of service as a negative benefit. 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, 2016 and/or that have not yet been endorsed can be found in the Dräger IFRS annual report as of December 31, 2014.

The first-time application of the remaining amended standards has any significant effects on the net assets, financial position and results of operations of the Dräger Group.

AMENDMENTS TO SEGMENT REPORTING

3 Dräger is reducing unnecessary double structures in the medical and safety divisions within the scope of the introduction of the functional, cross-departmental management model so as to simplify the use of synergy effects. Dräger therefore started to gradually merge the legal entities in the various countries, thereby cutting complexity and costs.

The merger of the previously separate legal entities of the safety division and the legal entities of the medical division will require amendments to segment reporting:
– The results of the medical and safety divisions will in future be consolidated on the basis of the products, rather than the legal entities as had been the case until now.
– The reporting of net sales will no longer be based on the consolidated net sales of the sub-groups; the reporting will instead be based on third party net sales.
– Drägerwerk AG & Co. KGaA/Other Companies will no longer exist in the future. This segment had, until now, recognized, among other things, non-product-related costs, including a share of headquarter costs. These will now be allocated to the two segments on the basis of the plan-based net sales formula.

The amendments were applied retrospectively in accordance with IAS 8. This results in the following effects on the Group financial statements as of March 31, 2014:

EFFECTS ON SEGMENT REPORTING

		Medical division		
		March 31, 2014 after adjustments	Adjustments	March 31, 2014 before adjustmens
Order intake with third parties	**€ million**	**349.3**	**2.5**	**346.8**
Net sales with third parties	**€ million**	**330.0**	**0.7**	**329.4**
EBIT [1]	**€ million**	**3.6**	**–3.8**	**7.4**
Research and development expenses	**€ million**	**35.6**	**–0.2**	**35.9**
Capital employed [2,3]	**€ million**	**660.4**	**6.0**	**654.4**
EBIT [1]/net sales	**%**	**1.1**	**–1.2**	**2.3**
EBIT [1,4]/capital employed [2,3] (ROCE)	**%**	**16.1**	**–4.3**	**20.3**
DVA [4,5]	**€ million**	**47.6**	**–28.1**	**75.7**

[1] EBIT = Earnings before net interest result and income taxes
[2] Capital Employed in segments = trade receiveables, inventories incl. prepaymants received; Capital employed group = Total assets less deferred tax assets, current securities, cash and cash equiva
[3] Value as of reporting date
[4] Value of the last twelve months
[5] Dräger Value Added = EBIT less cost of capital

4 AMENDMENTS TO FUNCTIONAL REPORTING

Until now, administrative expenses in the regions have been charged as a lump sum to marketing and selling expenses. Following the successful introduction of our new reporting system with a cost center plan applicable throughout the Group, these costs are now also reported properly in the regions as administrative expenses. This does not affect the sum total of marketing and selling expenses and administrative expenses.

The amendment was applied retrospectively in accordance with IAS 8. This results in the following effects on the Group financial statements as of March 31, 2014:

EFFECTS ON INCOME STATEMENT

in € thousand	Three Months 2014 after adjustments	Adjustments	Three Months 2014 before adjustments
Marketing and selling expenses	–127,365	18,578	–145,942
General administrative costs	–43,928	–18,578	–25,350

	Safety division			Drägerwerk AG & Co. KGaA/ others/consolidation			Dräger Group		
	March 31, 2014 after adjustments	Adjustments	March 31, 2014 before adjustments	March 31, 2014 after adjustments	Adjustments	March 31, 2014 before adjustments	March 31, 2014 after adjustments	Adjustments	March 31, 2014 before adjustments
	195.3	–12.7	208.0	–	10.2	–10.2	544.6	–	544.6
	183.2	–10.3	193.5	–	9.7	–9.7	513.2	–	513.2
	15.4	–3.7	19.1	–	7.5	–7.5	19.0	–	19.0
	14.7	0.5	14.1	–	–0.3	0.3	50.3	–	50.3
	250.7	16.8	233.9	–	–157.1	157.1	1,045.4	–	1,045.4
	8.4	–1.4	9.9				3.7		3.7
	29.5	–9.0	38.4				17.2		17.2
	50.9	–18.6	69.5	–	–	–	90.3	–	90.3

lents and non-interest bearing liabilities

5 SCOPE OF CONSOLIDATION AND CONSOLIDATION PRINCIPLES

In March 2015, Dräger acquired 100 percent of the shares in GasSecure AS, Oslo, Norway, and added this company to the scope of consolidation. GasSecure AS develops and sells wireless gas detection systems for explosion protection in the oil and gas industry. The acquisition of shares enables Dräger to expand its portfolio of gas detection systems.

The purchase price of the shares in GasSecure AS amounted to the equivalent of EUR 58,378 thousand and has already been paid in cash. The payment of the remaining sum of EUR 5,000 thousand is subject to the condition precedent that the company is certified as meeting the provisions of safety integrity level 2 for wireless gas detection systems by April 30, 2015. Dräger expects that the conditional purchase price will be paid out, meaning that the fair value of the conditional payment also amounts to EUR 5,000 thousand.

The current net outflow of funds in the Group financial statements totaled EUR 53,063 thousand on account of the simultaneous takeover of cash in the amount of EUR 314 thousand.

The acquisition of shares impacted the consolidated balance sheet as follows:

EFFECT OF ACQUISITION ON THE CONSOLIDATED BALANCE SHEET

In € thousand	
Goodwill	45,887
Other intangible assets	16,431
Property, plant and equipment	35
Other non-current financial assets	61
Inventories	384
Trade receivables and construction contracts	253
Other current financial assets	1
Other current assets	340
Cash and cash equivalents	314
Total assets acquired	**63,706**
Deferred tax liabilities	4,428
Other current provisions	16
Trade payables	244
Other current financial liabilities	360
Other current liabilities	280
Total non-controlling interests and liabilities assumed	**5,328**

The goodwill remaining after the provisional purchase price allocation relates to expected synergy effects that cannot be capitalized as well as to the expected income related to future innovations to maintain competitiveness. The goodwill is calculated from the purchase price, less the acquired assets and assumed liabilities. Goodwill is not deductible for tax purposes.

The fair value of the acquired trade receivables corresponds to a gross amount of EUR 253 thousand. There is no doubt as to the recoverability of these receivables. There are no contingent liabilities.

Since joining the scope of consolidation, the net sales of GasSecure AS of EUR 149 thousand as well as corresponding earnings after income taxes of EUR –913 thousand are included in the consolidated income statement of the Dräger Group. Had GasSecure AS joined the scope of consolidation effective January 1, 2015, net sales of EUR 381 thousand as well as corresponding earnings after income taxes of EUR –1,178 thousand would have been included in the consolidated income statement of the Dräger Group.

In January 2015, Dräger also acquired the shares in the non-controlling shareholders of Draeger Medikal Ticaret ve Servis Limited Sirketi, Istanbul, Turkey, of 11.25 percent at a total cost of EUR 4,000 thousand. This means that Dräger is now this subsidiary's sole shareholder.

6 EXERCISING OPTION RIGHTS

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 per option. The option 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 by up to EUR 3,200,000 by issuing up to 1,250,000 new no-par preferred bearer shares (no-par shares) in return for cash or contributions in kind (conditional capital).

No option rights have yet been exercised in fiscal year 2015. The following option rights were exercised in fiscal year 2014.

EXERCISING OPTION RIGHTS

Exercise date	Number	Exercise price (EUR)	Total value (€ thousand)
February 2014	2 option rights = 100,000 preferred shares	63.51	6,351
November 2014	8 option rights = 400,000 preferred shares	63.43	25,372
December 2014	1 option right = 50,000 preferred shares	63.43	3,172
			34,895

Equity, less transaction fees (EUR 7 thousand), increased by a total of EUR 34,888 thousand as of December 31, 2014 (of which capital stock in the amount of EUR 1,408 thousand).

A total of four option rights (200,000 preferred shares) had been exercised in fiscal year 2013. A total of 10 option rights have yet to be exercised as of March 31, 2015 from the initial 25 option rights.

7 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Medical division		Safety division		Dräger Group	
		Three months 2015	Three months 2014	Three months 2015	Three months 2014	Three months 2015	Three months 2014
Order intake with third parties	€ million	402.5	349.3	212.8	195.3	615.3	544.6
Net sales with third parties	€ million	354.3	330.0	191.2	183.2	545.5	513.2
EBIT [1]	€ million	3.8	3.6	–2.7	15.4	1.1	19.0
Research and development expenses	€ million	41.4	35.6	14.9	14.7	56.3	50.3
Capital Employed [2,3]	€ million	758.5	660.4	293.3	250.7	1,269.7	1,045.4
EBIT [1]**/net sales**	%	1.1	1.1	–1.4	8.4	0.2	3.7
EBIT [1,4]**/capital employed** [2,3] **(ROCE)**	%	13.1	16.1	20.9	29.5	12.7	17.2
DVA [4,5]	€ million	37.4	47.6	37.1	50.9	60.2	90.3

[1] EBIT = Earnings before net interest result and income taxes

[2] Capital Employed in segments = trade receiveables, inventories incl. prepaymants received; Capital employed group = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest bearing liabilities

[3] Value as of reporting date

[4] Value of the last twelve months

[5] Dräger Value Added = EBIT less cost of capital

The key figures from the segment report are as follows:

EBIT

in € thousand	Three months 2015	Three months 2014
Earnings after income taxes	–3,138	8,530
+ Interest result	5,569	6,168
+ Income taxes	–1,375	4,305
EBIT	**1,056**	**19,003**

CAPITAL EMPLOYED

in € thousand	March 31, 2015	March 31, 2014
Total assets	2,307,314	2,036,222
– Deferred tax assets	–142,315	–124,867
– Cash and cash equivalents	–141,935	–208,859
– Non-interest bearing liabilities	–753,346	–657,127
Capital Employed	**1,269,719**	**1,045,368**

DVA

in € thousand	March 31, 2015	March 31, 2014
EBIT (of the last twelve months)	160,650	180,025
– Cost of capital (Basis: average of capital employed in the past twelve months)	–100,428	–89,715
DVA	**60,222**	**90,309**

Tax accruals and deferrals formed during the year are taken into account in the “Capital employed” item 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.

8 FINANCIAL RESULT

FINANCIAL RESULT

in € thousand	Three months 2015	Three months 2014
Financial result (before interest result)	**–3,542**	**–134**
Interest and similar income	813	475
Interest and similar expenses	–6,383	–6,643
Interest result	**–5,569**	**–6,168**

9 INCOME TAXES

Income taxes for the first quarter of 2015 were calculated on the basis of an anticipated Group tax rate of 32.0 percent (3 months 2014: 32.5 percent).

10 INTANGIBLE ASSETS/PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS/PROPERTY, PLANT AND EQUIPMENT

in € thousand	Carrying value January 1, 2015	Additions	Disposals/ other changes	Depreciation/ amortization	Carrying value March 31, 2015
Intangible assets	294,242	64,056	1,548	2,847	357,000
Property, plant and equipment	349,936	28,105	10,014	16,797	371,257

The additions include the additions from the initial consolidation of GasSecure AS, Oslo, Norway (see our comments in Note 5).

11 INVENTORIES

INVENTORIES

in € thousand	March 31, 2015	December 31, 2014
Finished goods and merchandise	272,701	209,576
Work in progress	61,226	51,057
Raw materials, consumables and supplies	129,665	126,291
Payments made	2,275	1,574
	465,866	**388,497**

12 OTHER CURRENT ASSETS

OTHER CURRENT ASSETS

in € thousand	March 31, 2015	December 31, 2014
Prepaid expenses	36,848	24,674
Other tax refund claims	34,863	20,830
Receivables from investment allowances	860	593
Other	8,716	6,163
	81,288	**52,260**

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.

13 EQUITY

Retained earnings

The drop in interest rates to 1.5 percent (December 31, 2014: 2.0 percent) affected provisions for pensions and similar obligations as well as retained earnings. Please also see our explanations in Note 14 of these notes.

Own shares within the scope of the employee share program

The Executive Board again resolved to enable Dräger employees in Germany to participate in the Company through an employee share program. This is designed to increase employees' identification with the Company and Dräger's attractiveness as an employer.

One bonus share is issued for three investment shares bought by the employee. The maximum purchase price per investment share for the employees amounts to EUR 92.36 (which corresponds to the closing price of the preferred shares in Xetra trading on the last trading day before the start of the acquisition period, meaning on March 10, 2015). The shares have a two-year holding period and may not be sold or otherwise transferred during this period. Employees do not have to continue their employment in the Group during the holding period.

The participation period, during which employees could acquire the share parcels, started on March 11, 2015 and ended on March 23, 2015. During this period, 7,303 bonus shares resulted from the shares acquired by employees, including Executive Board members. An account was opened with Deutsche Bank Privat- und Geschäftskunden AG, Frankfurt am Main, Germany (paying agent) for the entry and custody of bonus shares for participating employees.

The 7,303 bonus shares were acquired on the stock exchange in the period from March 12 to March 24, 2015 by the paying agent on a commission basis in the form of a share buyback at a total cost of EUR 792 thousand. The price on the stock exchange amounts to an average of EUR 108.41. The shares were transferred directly to the respective employee's securities accounts. The contractually-agreed benefits for the employees arising from this program, consisting of bonus shares and the maximum purchase price, were recognized in personnel expenses at EUR 1,143 thousand. Aside from the price paid on the stock exchange, no other expectations for future dividends or other characteristics were included in the fair value of the bonus shares.

The acquisition of own shares to pass on to participating employees in the form of bonus shares is covered by resolution of the annual shareholders' meeting on May 4, 2012, according to which the general partner was authorized to acquire until May 3, 2017, up to 10 percent in own shares of both types (common and/or preferred shares) of the Company's capital stock as of the date of resolution or – if this value is lower – as of the date on which the authorization is exercised. Together with all other shares held by the Company or attributable to it according to Secs. 71a et seq. AktG, shares purchased under this provision may at no time equal more than 10 percent of capital stock. The authorization may not be used for the purpose of trading in treasury shares. The authorization may be exercised in whole or in part, on one or more occasions and for one or more purposes by the Company or by dependent Group companies or enterprises in which the Company has a majority shareholding, or by third parties for its or their account. The purchase may be limited in part or in full to a single class of shares by excluding, in part or in full, shareholders' right to sell the other class of share.

The purchase may, at the discretion of the general partner, be affected by the stock exchange, or by means of a public purchase offer to all holders of the respective type of share or by means of a public invitation to all holders of the respective type of share to submit offers for sale.

The general partner is authorized to use treasury shares acquired on the basis of this authorization for any lawful purposes.

The purchase of treasury shares by the general partner may be initiated only with the approval of the Supervisory Board.

14 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations increased by EUR 36,620 thousand in the first three months of fiscal year 2015. The underlying interest rate was adjusted from 2.0 percent to 1.5 percent for German pension entitlements. This resulted in a loss from the remeasurement of pension plans of EUR 33,078 thousand. The net amount of EUR 22,824 thousand is recognized directly in equity under other comprehensive income and offset against retained earnings.

15 OTHER NON-CURRENT AND CURRENT PROVISIONS

Other non-current provisions as of March 31, 2015 mainly comprised provisions for personnel obligations of EUR 32,458 thousand (December 31, 2014: EUR 32,571 thousand).

Other current provisions as of March 31, 2015 also included monthly accruals and chiefly consisted of provisions for personnel obligations of EUR 82,736 thousand (December 31, 2014: EUR 94,876 thousand), provisions for unpaid invoices of EUR 28,073 thousand (December 31, 2014: EUR 22,164 thousand) and warranty provisions of EUR 25,935 thousand (December 31, 2014: EUR 23,828 thousand).

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

A note loan of EUR 25,000 thousand recognized in current loans and liabilities to banks was redeemed in March 2015.

17 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

in € thousand	Level	March 31, 2015	December 31, 2014
Assets measured at fair value			
Derivatives with positive fair value (non-current)	2	811	41
Derivatives with positive fair value (current)	2	38,318	490
Securities (non-current)	1	674	674
Liabilities measured at fair value			
Derivatives with negative fair value (non-current)	2	5,131	3,760
Derivatives with negative fair value (current)	2	49,156	3,334

Level 1:

Prices in the active markets are assumed for identical financial assets or liabilities. The fair values of non-current securities 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; these 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. The 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 as of the balance sheet date.

The fair value of the note loans is approximately EUR 1.5 million up on the corresponding carrying value. The fair value of the remaining assets and liabilities largely corresponds with their carrying value.

18 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 5 thousand (3 months 2014: EUR 6 thousand) in the first quarter of 2015. Remaining rent of EUR 20 thousand for 2014 was also invoiced in the first quarter of 2015. Receivables in this respect amounted to EUR 4 thousand as of March 31, 2015 (March 31, 2014: EUR 5 thousand).

Drägerwerk AG & Co. KGaA rendered rental services and other services totaling EUR 6 thousand for associate MAPRA Assekuranzkontor GmbH in the first quarter of 2015 (3 months 2014: EUR 24 thousand). Receivables in this respect amounted to EUR 1 thousand on March 31, 2015 (March 31, 2014: EUR 0 thousand); there were no liabilities.

The disclosure obligations of IAS 24 also apply to the close family members of related parties within the meaning of IAS 24. In 2015, 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 in association with 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 amounted to EUR 2.5 million as of March 31, 2015 (March 31, 2014: EUR 3.0 million).

Two members of the Executive Board of Drägerwerk Verwaltungs AG participated in the 2015 employee share program. Both Executive Board members purchased nine sets of three shares at a cost of EUR 92.36 per share using their own funds. For every three preferred shares, participants received one preferred share worth EUR 109.20 free of charge from Dräger. The holding period for these preferred shares – including those that participants acquired themselves – runs until April 30, 2017.

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

19 SUBSEQUENT EVENTS

In April 2015, a total of five options on 50,000 preferred shares each were exercised and a total of 250,000 new preferred shares were issued. The exercise price amounted to EUR 63.43 per preferred share. The new preferred shares will participate in the profits of Drägerwerk AG & Co. KGaA from fiscal year 2015. As a result, 5 of the total of 25 share options on 250,000 non-voting preferred shares have not been exercised.

Lübeck, April 27, 2015

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Gert-Hartwig Lescow
Anton Schrofner

FINANCIAL CALENDAR

Report for the first quarter 2015, Conference call	April 29, 2015
Annual shareholders' meeting, Lübeck, Germany	April 30, 2015
Half-yearly report for 2015, Conference call	July 30, 2015
Report for the third quarter 2015, Conference call	November 5, 2015

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