

Half-yearly financial report
January 1 to June 30, 2011
Dräger Group



THE DRÄGER GROUP OVER THE PAST FIVE YEARS

		Six months 2007	Six months 2008	Six months 2009	Six months 2010	Six months 2011	Change on 2010 in %
Order intake	€ million	914.7	954.5	932.8	1,048.9	1,109.1	+5.7
Orders on hand ¹	€ million	392.1	494.9	439.5	496.5	484.4	(2.4)
Net sales	€ million	837.4	863.5	893.9	1,016.7	1,033.3	+1.6
EBITDA ²	€ million	76.7	86.4	46.0	128.8	120.8	(6.2)
EBIT ³	€ million	50.9	47.6	15.1	102.6	94.5	(8.0)
in % of net sales (EBIT margin)	%	6.1	5.5	1.7	10.1	9.1	
Interest result	€ million	(12.0)	(12.6)	(14.5)	(17.8)	(14.1)	+20.7
Income taxes	€ million	(14.8)	(11.7)	0.7	(28.9)	(26.6)	(8.0)
Earnings after income taxes	€ million	24.1	23.3	1.3	55.9	53.7	(3.9)
Earnings attributable to shareholders	€ million	16.9	14.9	(1.8)	47.4	46.3	(2.2)
Earnings per share							
per preferred share ⁴	€	1.35	1.18	(0.13)	3.75	2.82	(24.8)
per common share ⁴	€	1.32	1.15	(0.16)	3.72	2.79	(25.0)
Equity ¹	€ million	502.3	535.2	543.5	578.2	640.6	+10.8
Equity ratio ¹	%	31.2	33.8	31.6	29.3	34.0	
Capital employed ^{1,5}	€ million	985.5	960.5	944.6	952.4	903.3	(5.2)
EBIT ^{3,7} / capital employed ^{1,5} (ROCE)	%	14.8	12.6	7.8	17.6	20.4	
Net financial debt ^{1,6}	€ million	322.6	279.0	256.3	350.1	153.9	(56.1)
DVA ⁸	€ million	62.2	36.4	(13.2)	91.3	104.3	+14.2
Headcount ¹		10,169	10,697	11,027	11,139	11,598	+4.1

¹ Value as of June 30

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

³ EBIT = Earnings before interest and taxes

⁴ Conversion to a partnership limited by shares on December 14, 2007

⁵ Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities

⁶ Since the end of financial year 2009, finance lease liabilities are recognized in net financial debt. Previous years' figures were adjusted accordingly.

⁷ EBIT of the last twelve months

⁸ Dräger Value Added = EBIT of the last twelve months less cost of capital

TO OUR SHAREHOLDERS

Letter from the Executive Board Chairman	3
Dräger shares	6

MANAGEMENT REPORT

General economic conditions	10
Business performance of the Dräger Group	14
Business performance of the medical division	20
Business performance of the safety division	26
Drägerwerk AG & Co. KGaA/other companies	32
Research and development	33
Personnel	35
Risks to future development	36
Changed conditions after the close of the interim reporting period	36
Outlook	37

**INTERIM FINANCIAL STATEMENTS OF THE DRÄGER GROUP
AS OF JUNE 30, 2011**

Consolidated income statement of the Dräger Group from January 1 to June 30, 2011	40
Consolidated statement of comprehensive income of the Dräger Group	41
Consolidated balance sheet of the Dräger Group as of June 30, 2011	42
Consolidated cash flow statement of the Dräger Group from January 1 to June 30, 2011	44
Consolidated statement of changes in equity of the Dräger Group from January 1 to June 30, 2011	45

NOTES OF THE DRÄGER GROUP AS OF JUNE 30, 2011 (condensed) 46**FINANCIAL CALENDAR** 55

Possible rounding differences in the interim report may lead to slight discrepancies.

Letter from the Executive Board Chairman

Dear Shareholders,

We had a very good first half of the year: Slight sales growth meant that we achieved an EBIT margin of some 9 percent and can increase our forecast for the year as a whole from 8.0 to 9.5 percent. In the 12-month cycle, we generated more than EUR 100 million, measured as Dräger Value Added. However, it was not all just as a result of our performance. The current positive economic situation also spurred us on. Nevertheless, our customers selecting us as their first choice in this positive environment is our success.

A look back: While our share price reached its high of EUR 73.80 on May 4, 2007, our share price on March 12, 2009 was a mere EUR 13.09. We have and will never use the financial crisis as an excuse. There were also fundamental reasons for the price drop: In 2009, our EBIT fell to EUR 80.1 million at a low margin of 4.2 percent, our net profit was a modest EUR 14.9 million, and the Dräger Value Added was negative at EUR –1.4 million. The share of new products in medical sales only amounted to 6 percent as of mid-2009, and to 29 percent including upgrades to existing products. We focused our development resources in the medical division on a major project, which was significantly held up. In addition, research and development activities were not completely bundled and were hardly coordinated. Our competitive position was in acute danger. And finally, we had not yet established a stable management structure to lead the Company in the long term. Although the stock exchange is not immune to short-term irrational behavior, we understood the obvious doubts in the share price: In an ideal world, the stock exchange pays in excess of the net cash on hand, in expectation of future cash flows. However, these cash flows were not as secure at that time as they are now.

What has changed since 2007? At the beginning of July, the price of preferred shares reached a new high of more than EUR 80. This means that the capital market has never valued the Company higher than today – expectations that we want to meet. At the same time, we know that we cannot influence all factors – positively or negatively. In 2010, we profited from positive one-time effects that exaggerated our basic trend. Today we work consciously to maintain our trend. We will make investments in 2011 to increase our sustainable profitability to an EBIT margin of at least 10 percent in the medium term and grow faster than our relevant markets.

In phases of high global economic growth, calls for a focus on an especially promising looking segment grow louder in all industries. Growth targets are defined independently of the related risks. We also ask key questions in times of high growth. However, we ask them from a completely different perspective: How can we use the current tailwind without failing to make our Company watertight? Will we be able to hedge market fluctuations, avoid losses? How do we generate sustainable value? Are we prepared for stagnation, a recession, a resulting economic upturn? How responsive are we? Are we in a position to improve our market position in our sales markets during a crisis – for instance by using

our liquidity as a strategic resource? Do we have the right teams at all levels that can proof themselves in a crisis situation? Are we investing in the right markets? Have we sufficiently diversified the risk?

We can already see external risks in the overall development of the world and the economy for the rest of the year. The insecurity has increased, which is why we have expanded the range of our forecast.

We know that we cannot create absolute security. But in contrast to the slump in value gain between 2007 and 2009, we are better prepared for a possible slow patch today. Our business model reduces the risk for our owners with high diversification and is also oriented towards high potential: We are active in some 30 market segments, all close in terms of the type of segment but global, compensating for local fluctuations. Finally, the various cycles of the Equipment, Service and System businesses counteract high volatility. Our future collective agreement has created flexibility for the German companies. Our stable financing safeguards us not only in times of extremely tight financial markets and recession, but also allows for anticyclical investments. The turnaround program also showed that we can rely on our employees. Our management structure has also been established.

We are increasing our research and development expenses to be able to offer the right products in particular in markets with high growth and earnings potential in the future. Unlike in 2007, we are not concentrating our research and development on a very large, complex project such as the Infinity Acute Care System. The share of completely new products in the medical division is to rise from 14 percent to 15-20 percent in the medium term, to reach 35-40 percent including upgrades. This ensures the necessary technological advances and the corresponding value leverage. We are taking a big step forward here this year, also by implementing projects quicker. We are focusing on ventilation and monitoring technology as well as country-specific adjustments of the product portfolio in order to strengthen our market position in the US and the emerging countries. We are also concentrating on expanding our consumables business. As planned, we are currently investing in our IT infrastructure, to push ahead process automation and in particular, we are investing in the further development of our CRM system to better support sales and services. At the same time, we are further developing our marketing and sales structure. We want to strengthen our geographic diversification in promising countries and grow quickly in the most attractive product markets.

We will also remain true to our roots: We want to strike a balance between risks and opportunities, between courage and humility. The orientation will not only just maintain capital, but will allow us to grow in the long term and add even greater value.

Best regards,



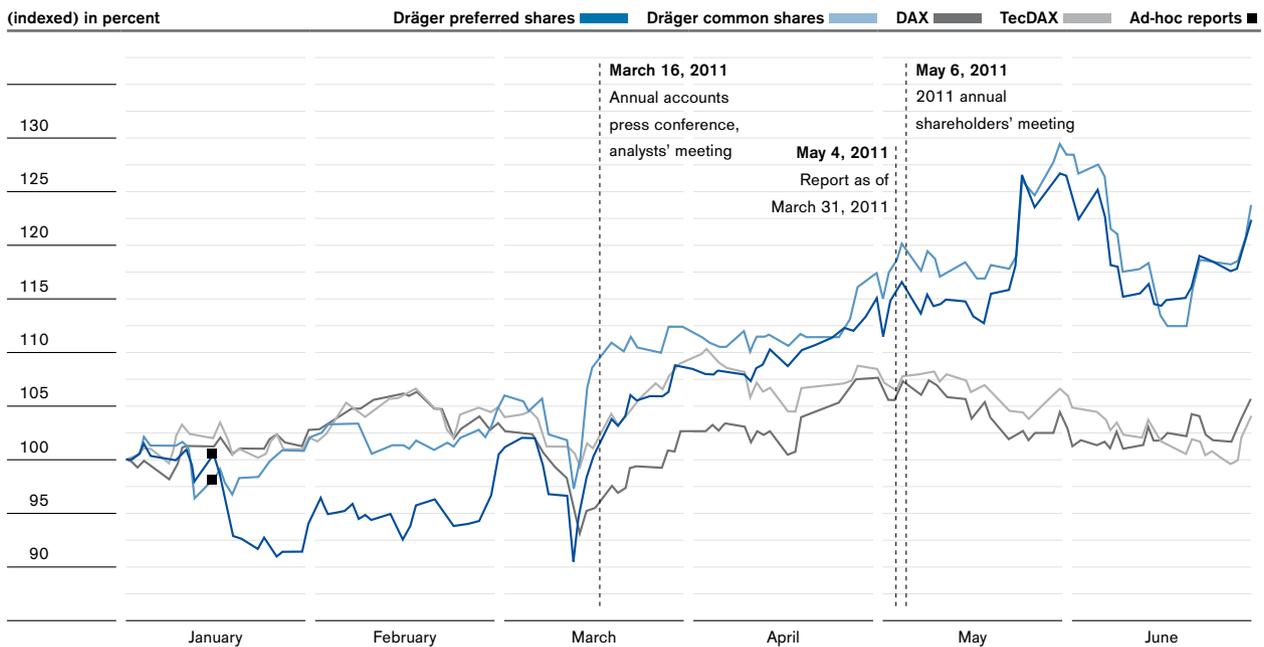
Stefan Dräger

Dräger shares

SHARE PRICE DEVELOPMENTS

Despite turbulent market developments in the first half of 2011 – due among other things to the protests in the Arab world, the natural disaster and nuclear catastrophe in Japan, and the new negotiations on financial help for heavily indebted eurozone countries from the European Union – both Dräger common and preferred shares achieved their all-time highs on May 31, 2011, at EUR 64.50 and EUR 79.78, up by approximately 23 percent and some 22 percent respectively on June 30, 2011, since the beginning of the year and significantly outperformed their benchmark indices DAX (+6 percent) and TecDAX (+4 percent).

PERFORMANCE OF THE DRÄGER SHARE



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

	Six months 2011	Six months 2010
Common shares¹		
No. of shares on the reporting date	10,160,000	10,160,000
High (in €)	64.50	46.50
Low (in €)	48.00	40.40
Share price on the reporting date (in €)	61.50	41.44
Average daily trading volume	6,657	72,227
Earnings per common share		
Undiluted (in €)	2.79	3.72
Diluted (in €)	2.78	–
Preferred share		
No. of shares on the reporting date	6,350,000	6,350,000
High (in €)	79.78	56.25
Low (in €)	57.05	31.35
Share price on the reporting date (in €)	77.00	46.45
Average daily trading volume ²	26,356	59,758
Earnings per preferred share		
Undiluted (in €)	2.82	3.75
Diluted (in €)	2.81	–
Market capitalization	1,113,790,000	715,987,900

¹ Initial listing at Frankfurt Stock Exchange on June 21, 2010.

² All German stock exchanges (Source: designated sponsor).

ANNUAL SHAREHOLDERS' MEETING

629 preferred and common shareholders attended the annual shareholders' meeting of Drägerwerk AG & Co. KGaA on May 6, 2011, at the Lübeck Music and Congress Center. In total, 84.55 percent of the Company's common shares and 42.21 percent of its preferred shares were represented. 69 preferred shareholders, representing 41.73 percent of preferred shares, attended the separate meeting of preferred shareholders on the same day.

The annual shareholders' meeting authorized the Executive Board of Drägerwerk Verwaltungs AG to increase the capital stock of the Company, subject to approval by the Supervisory Board, until May 5, 2016, by issuing new bearer common shares and/or preferred shares (no-par shares) in return for cash and/or deposits in kind by up to EUR 21,132,800.00 (authorized share capital) in one or several tranches. The Executive Board can opt to issue new common shares and/or non-voting preferred shares, which carry the same status as the previously issued non-voting preferred shares with regard to the distribution of profits and/or Company assets. The statutory maximum as stipulated in Sec. 139 (2) AktG is to be taken into account: No more than half of the capital stock may be issued as non-voting preferred shares. Shareholders are entitled to receive subscription rights that can, under certain circumstances, be excluded with the approval of the Supervisory Board, to offset fractional amounts in case shares are issued in return for contributions in kind and in case the issuing of new shares in return for cash does not make the issue price per share fall significantly below the price of a similar, already listed share of the same type. In the case of common and preferred shares being issued together, the right of holders of one share type to subscribe to the other type of shares ("crossed exclusion of subscription rights") can be excluded.

The authorization to increase the capital stock pursuant to Sec. 6 (4) of the articles of association (authorized share capital), issued last year, was lifted by the annual shareholders' meeting to the extent that it had not yet been used.

The separate meeting of preferred shareholders approved the resolution by the ordinary annual shareholders' meeting to cancel the authorized share capital and the authorization to increase the capital stock to a total of EUR 21,132,800.00 (authorized share capital) with the option to exclude subscription rights with a clear majority of 89.27 percent.

CASH COMPENSATION FOR PARTICIPATION CERTIFICATE HOLDERS

Pursuant to the terms and conditions of participation certificates, the annual shareholders' meeting on May 6, 2011, had to make a decision with regard to issuing new participation certificates at terms and conditions similar to the capital increase. As the shareholders' meeting disapproved of the proposal by the Supervisory Board and the general partner to issue new participation certificates, Dräger paid cash compensation of EUR 5.48 for each series A participation certificate, EUR 5.51 each for series K and EUR 5.53 each for series D plus EUR 0.25 each in interest on top of the distribution for participation certificates on May 9, 2011, in addition to the dividend distribution of EUR 11.90 each, to offset the disadvantage resulting from the capital increase carried out in June 2010.

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

General economic conditions

GLOBAL ECONOMY

The global economy cooled slightly compared to the very strong start to 2011 by the summer of 2011. This is the opinion held by the International Monetary Fund (IMF) based on surveys. The global economy showed strong growth in the first three months of 2011. According to the IMF, the global domestic product (GDP) rose by 4.3 percent year on year. While the economies of most emerging countries, such as China, India and Brazil, again recorded strong growth in the first quarter of 2011, the necessity of strict budgetary consolidation and the continuing weak employment markets slowed down growth in the industrial nations. The loss in production as a consequence of the natural disaster and nuclear catastrophe caused Japan's gross domestic product to fall by 0.9 percent compared to the previous quarter in the first quarter of 2011, resulting in the second quarter of economic contraction in a row. The US economy saw a 1.9 percent GDP rise in the first quarter, although higher commodity prices, bad weather and the results of the catastrophe in Japan increasingly put the brake on US economic recovery. At the end of June, the US Federal Reserve's Open Market Committee (FOMC) reduced its forecast for 2011 by 0.4 percentage points to 2.8 percent.

Eurozone economies continued on the path to recovery in the first quarter of 2011 with growth of 2.5 percent, despite the temporary deterioration of the debt crisis, in particular in Greece. The European Central Bank (ECB) sees the slight slowdown until mid-2011 as mainly the result of special factors such as the end of the construction catch-up effect caused by the weather. Economic momentum again slowed in some eurozone countries. Germany started 2011 with growth of 5.2 percent. The strongest growth since German reunification was driven by higher investments, as a result of the catch-up effect, and a steep rise in private spending; exports continued to increase. According to the Deutsche Bundesbank, the expected low GDP growth in the second quarter of 2011 was not an economic slowdown, rather the result of diminishing economic stimulus from construction and transport in particular. According to the Federal Statistical Office (Statistisches Bundesamt), German foreign trade continued to develop very positively in April and May: Imports in May 2011 were up 15.6 percent year on year, and exports rose by 19.9 percent.

INFLATION

The global economy's strong recovery led to high demand for commodities, especially crude oil, resulting in oil prices at the beginning of May 2011 reaching a high for the year of USD 125.50 per barrel. However, crude oil prices fell slightly in the course of May and June 2011. The continuing high commodity prices increased inflationary pressure. According to Eurostat¹, prices in the eurozone went up by 2.6 percent in May 2011, hitting 2.7 percent in June 2011, the highest level since October 2008. According to Destatis², the price increases for energy products (household energy and fuels) in Germany led to a further rise in inflation from 2.1 percent in March 2011 to 2.3 percent in June 2011. For the second time this year, the ECB put up its key interest rate at the beginning of July by 25 basis points to 1.5 percent as a consequence of inflation developments. The US Federal Reserve did not change any of its monetary policies due to the weak economic recovery in the US and the budget deficit. For the third time this year, the Chinese central bank increased its key interest rate by 0.25 basis points to 6.56 percent as a result of continually increasing inflationary pressure.

EXCHANGE RATE

Uncertainty surrounding the ability of the state budgets of some eurozone countries to service debt in the first half of 2011 was reflected in euro exchange rate fluctuations. In the first four months of 2011, the common currency initially gained significantly in value as against the central currencies, while the threat of Greece going bankrupt at times led to high fluctuations in May until the beginning of July 2011. On July 6, 2011, the euro's nominal effective exchange rate – measured against the currencies of 20 of the eurozone's most important trading partners – was similar to that at the end of March of this year and up approximately 1.1 percent on the prior-year average. The nominal appreciation of the common currency from the end of March 2011 to July 6, 2011 was mainly due to exchange rate gains in relation to the Swedish krona, pound sterling and US dollar; the euro is valued differently against the Chinese renminbi as against the US dollar. The common currency recorded significant losses against the Swiss franc and the Japanese yen. On July 6, 2011, the euro traded at USD 1.432, 0.5 percent below its price on January 1, 2011 and approximately 8.0 percent above the average for 2010.

MEDICAL DIVISION – INDUSTRY PERFORMANCE

The positive trend in the medical division continued in the second quarter of 2011. However, there was still a significant north-south divide within Europe: While countries such as Greece and Portugal decided to cut health costs as a result of ongoing economic problems, demand from Germany and France surged. Medical division sales in South America grew as a result of strong demand. The Asian market showed positive impulses thanks to local construction programs. Demand in North America, however, grew slower.

¹ EU Statistical Office

² German Federal Statistical Office

SAFETY DIVISION – INDUSTRY PERFORMANCE

The performance of the safety division was marked by regional differences in the second quarter of 2011. While emerging countries such as China, India and Brazil displayed strong growth as a result of an infrastructure backlog, the effects of the financial crisis led to more subdued demand in the US and Southern Europe. The global mining industry and the steel industry among others profited from the growth markets' positive momentum, although steel production in Japan fell as a result of the natural disaster and nuclear catastrophe. The chemical industry made use of the high demand from Asia and South America. Global public sector demand for firefighter equipment remained unchanged, local consolidation programs have only had a limited effect to date.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Second quarter			Six months		
		Second quarter 2011	Second quarter 2010	Change in %	Six months 2011	Six months 2010	Change in %
Order intake	€ million	555.5	560.7	(0.9)	1,109.1	1,048.9	+5.7
Orders on hand¹	€ million	484.4	496.5	(2.4)	484.4	496.5	(2.4)
Net sales	€ million	533.1	550.8	(3.2)	1,033.3	1,016.7	+1.6
EBITDA²	€ million	65.4	78.8	(17.1)	120.8	128.8	(6.2)
Depreciation / amortization	€ million	(13.5)	(13.0)	+4.4	(26.4)	(26.2)	+0.6
EBIT³	€ million	51.9	65.8	(21.3)	94.5	102.6	(8.0)
Interest result	€ million	(7.1)	(10.1)	+30.1	(14.1)	(17.8)	+20.7
Income taxes	€ million	(14.4)	(18.6)	(22.8)	(26.6)	(28.9)	(8.0)
Earnings after income taxes	€ million	30.4	37.2	(18.1)	53.7	55.9	(3.9)
Earnings per share							
per preferred share	€	1.60	2.37	(32.5)	2.82	3.75	(24.8)
per common share	€	1.59	2.36	(32.6)	2.79	3.72	(25.0)
Research and development costs	€ million	38.8	34.2	+13.5	76.5	68.1	+12.3
Equity ratio ¹	%	34.0	29.3		34.0	29.3	
Cash flow from operating activities	€ million	21.0	(1.1)		13.8	25.1	(45.1)
Net financial debt ¹	€ million	153.9	350.1	(56.1)	153.9	350.1	(56.1)
Investments	€ million	12.7	13.6	(6.3)	30.7	21.3	+44.3
Capital employed ^{1,4}	€ million	903.3	952.4	(5.2)	903.3	952.4	(5.2)
Net working capital ^{1,5}	€ million	388.2	439.3	(11.6)	388.2	439.3	(11.6)
EBIT ³ / net sales	%	9.7	11.9		9.1	10.1	
EBIT ^{3,7} / capital employed ^{1,4} (ROCE)	%	20.4	17.6		20.4	17.6	
Net financial debt ¹ / EBITDA ⁹	Factor	0.6	1.5		0.6	1.5	
Gearing ⁶	Factor	0.2	0.6		0.2	0.6	
DVA ⁸	€ million	104.3	91.3	+14.2	104.3	91.3	+14.2
Headcount ¹		11,598	11,139	+4.1	11,598	11,139	+4.1

¹ Value as of June 30² EBITDA = Earnings before net interest result, income taxes, depreciation and amortization³ EBIT = Earnings before interest and taxes⁴ Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities⁵ Net working capital = Current, non-interest-bearing assets less current, non-interest-bearing debt⁶ Gearing = net financial debt / equity⁷ EBIT of the last twelve months⁸ Dräger Value Added = EBIT of the last twelve months less cost of capital⁹ EBITDA of the last twelve months

Business performance of the Dräger Group

ORDER INTAKE

in € million	Second quarter				Six months			
	Second quarter 2011	Second quarter 2010	Change in %	Net of currency effects in %	Six months 2011	Six months 2010	Change in %	Net of currency effects in %
Germany	112.9	109.9	+2.7	+2.7	227.6	218.3	+4.3	+4.3
Rest of Europe	223.4	195.8	+14.1	+13.9	411.9	369.5	+11.5	+10.8
Americas	103.2	143.6	(28.1)	(20.7)	223.6	248.4	(10.0)	(6.0)
Asia/Pacific	82.8	76.8	+7.8	+11.1	166.7	150.1	+11.1	+9.7
Other	33.2	34.6	(3.9)	(1.8)	79.3	62.6	+26.7	+27.3
Total	555.5	560.7	(0.9)	+1.5	1,109.1	1,048.9	+5.7	+6.3

Following slight order intake growth of 1.5 percent (net of currency effects) in the second quarter of 2011, Dräger Group's order intake after the first six months of 2011 was up 6.3 percent (net of currency effects) on the previous year. The extent of the growth is all the more remarkable given the extraordinarily high prior-year level in the Americas region. A major order in Brazil and an order for deep sea diving in the second quarter 2010 resulted in a significant increase in orders. Growth in the rest of Europe and Asia-Pacific regions not only offset the decline in the Americas region, it resulted in the order intake in the first half of the year exceeding global economic growth. The order intake trend resulting from currency effects in the two divisions showed a different picture: The order intake in the safety division rose by 8.9 percent in the second quarter of 2011, while the order intake in the medical division fell by 2.3 percent.

ORDERS ON HAND

in € million	June 30, 2011	June 30, 2010	Change in %	Net of currency effects in %
Germany	82.5	96.0	(14.1)	(14.1)
Rest of Europe	188.3	169.2	+11.3	+11.3
Americas	101.3	126.2	(19.8)	(10.6)
Asia/Pacific	72.1	68.5	+5.2	+11.3
Other	40.3	36.6	+10.1	+13.2
Total	484.4	496.5	(2.4)	+1.0

Equipment orders on hand covered a 2.7 month period as of June 30, 2011 (June 30, 2010: 3.3 months). On December 31, 2010, they covered a period of 2.4 months.

NET SALES

in € million	Second quarter				Six months			
	Second quarter 2011	Second quarter 2010	Change in %	Net of currency effects in %	Six months 2011	Six months 2010	Change in %	Net of currency effects in %
Germany	117.1	107.8	+8.6	+8.6	215.7	200.9	+7.3	+7.3
Rest of Europe	196.9	206.8	(4.8)	(4.7)	370.6	390.4	(5.1)	(5.6)
Americas	102.8	121.1	(15.1)	(6.0)	214.7	206.5	+4.0	+9.0
Asia/Pacific	78.7	79.4	(0.9)	+2.6	162.9	149.1	+9.3	+8.1
Other	37.4	35.7	+4.7	+6.8	69.4	69.8	(0.6)	(0.1)
Total	533.1	550.8	(3.2)	(0.6)	1,033.3	1,016.7	+1.6	+2.3

Despite a slight decline of 0.6 percent in the second quarter of 2011, the Dräger Group's sales in the first half of 2011 were up 2.3 percent on the prior-year period. The sales of the two divisions developed differently in the second quarter of 2011: The safety division, driven by strong demand in the Germany and Americas regions as well as the delivery of a deep sea diving component to the US, generated an increase of sales of 9.1 percent (net of currency effects). This is in contrast to a 5.0 percent decline in sales in the medical division (net of currency effects). This was due to the high prior-year figures in the second quarter of 2010 from a major order from Brazil.

EARNINGS

Dräger increased its gross profit by EUR 24.2 million against the first half of 2010 to EUR 513.7 million, up 5.0 percent. The gross margin also increased, up 1.6 percentage points to 49.7 percent. This was due on the one hand to the high capacity utilization and the resulting size and efficiency advantages in the safety division, which drove the Group's entire sales growth. On the other hand, the improved product mix comprising of products with strong margins helped increase gross profitability.

In the first half of 2011, functional costs rose by approximately 9 percent compared to the previous year's figure. This is due to higher personnel costs in both sales and services and research and development. Dräger therefore also invests personnel in future product and market potential as well as in the expansion of sales activities and more intensive customer relations. Dräger spent more on IT to improve the IT infrastructure. In addition,

it is important to note that the prior-year's functional costs included a one-time gain from the sale of software codes. In contrast, the changes in exchange rates compared to the euro relieved the pressure on functional costs in the first half of 2011.

In the first half of 2011, Dräger invested an additional 12 percent or so in research and development to increase the percentage of new products in total net sales, and thus increase the earnings power. The research and development (R&D) ratio therefore went up to 7.4 percent of net sales year-on-year (6 months 2010: 6.7 percent).

The other financial result fell by EUR 2.9 million compared to the previous year, mainly due to the repayment of the option component, which was issued as part of the buyback of the 25 percent Siemens share in the medical division.

In the first six months of 2011, Dräger achieved total Group EBIT of EUR 94.5 million (6 months 2010: EUR 102.6 million). The EBIT margin was therefore 9.1 percent (6 months 2010: 10.1 percent).

The interest result increased slightly by EUR 3.7 million to EUR -14.1 million year-on-year, as a result of the repayment of two note loans in December 2010 and April 2011. The cessation of the loan commitment fees for the loan agreement which was concluded with the Kreditanstalt für Wiederaufbau in September 2009 as well as the syndicated loan concluded at the beginning of 2010 also improved the interest result.

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

Earnings after income taxes amounted to EUR 53.7 million, down slightly on the prior-year period (6 months 2010: EUR 55.9 million).

The dividend for participation certificates, based on the half-yearly result and applying the current dividend policies, was taken into account when calculating the share in net profit for participation certificates (excluding minimum dividend after taxes). The dividend for the first half of the year came to EUR 0.60 per common share and EUR 0.63 per preferred share.

INVESTMENTS

In the first half of 2011, Dräger invested EUR 2.8 million (6 months 2010: EUR 2.2 million) in intangible assets and EUR 27.9 million in property, plant and equipment (6 months 2010: EUR 19.0 million). Investments included EUR 6.3 million for a new

production and logistics building for the medical division. These investments totaling approximately EUR 13 million were largely completed in the first quarter of 2011.

Depreciation and amortization in the first half of 2011 amounted to EUR 26.4 million and covered 86 percent of the investments. In the same period in 2010, EUR 26.2 million in depreciation and amortization covered the investments in full.

CASH FLOW STATEMENT

In the first six months of 2011, Dräger Group's cash inflow from operating activities amounted to EUR 13.8 million compared to cash inflow of EUR 25.1 million in the prior-year period. This development is mainly as a result of a EUR 35.1 million reduction in trade payables (6 months: increase of EUR 6.6 million), provisions of EUR 23.8 million (6 months 2010: increase of EUR 17.1 million) and other liabilities of EUR 8.4 million (6 months 2010: increase of EUR 9.8 million). This was mainly countered by a slight increase in inventories at EUR 14.7 million (6 months 2010: EUR 48.9 million) as well as other assets at EUR 16.9 million (6 months 2010: EUR 32.9 million).

EUR 5.1 million of the cash outflow from investing activities of EUR 29.2 million (6 months 2010: EUR 17.4 million) were for investments in the new production and logistics building for the infrastructure projects business at the Lübeck site, which is currently under construction. Further investments in this project to the amount of EUR 0.5 million were still classed as a non-cash expense as of the reporting date.

In addition to the dividend payment of EUR 35.3 million and the paid cash compensation for participation certificate holders of net EUR 5.7 million, the repaying of a note loan of EUR 24.5 million is mainly responsible for the cash outflow from financing activities of EUR 54.2 million (6 months 2010: EUR 165.9 million). In contrast, a bank loan of EUR 10.8 million was taken out to finance the construction of a new production and logistics building for the Infrastructure Projects business in Lübeck. The cash outflow in the prior-year period was marked by the EUR 175.0 million payment of the Siemens shares in April 2010 (total purchase price: EUR 250.6 million) to acquire a 25 percent share in the previous Dräger Medical AG & Co. KG.

Net cash provided by operating activities includes: EUR 31.5 million (6 months 2010: EUR 16.5 million) in income taxes paid, EUR 2.2 million (6 months 2010: EUR 1.2 million) in interest received, and EUR 8.0 million (6 months 2010: EUR 20.3 million) in interest paid.

Cash and cash equivalents as of June 30, 2011, exclusively comprised cash, of which EUR 11.9 million was subject to restrictions (June 30, 2010: EUR 11.4 million).

Changes in the balance sheet items recognized in the cash flow statement are translated into euros net of currency effects and cannot, therefore, be reconciled with the published balance sheet figures.

Financial management

BORROWING

Compared to the financing measures described in the 2010 Annual Report, there was only one major change relating to the contractual repayment of a note loan of EUR 24.5 million in April 2011. The 2011 Annual Report may be downloaded on the internet at www.draeger.com.

NET ASSETS

Dräger Group's equity rose by EUR 4.0 million to EUR 640.6 million in the first six months of 2011. This was due to the balance from the net profit for the period of EUR 53.7 million in the first six months of 2011, the dividend payment of EUR -35.3 million and the negative differences arising from currency translations at the foreign subsidiaries of EUR -15.1 million. The equity ratio went up to 34.0 percent (December 31, 2010: 32.2 percent).

Total assets decreased by EUR 92.4 million to EUR 1,884.5 million in the first six months of 2011. Whereas other current assets rose by EUR +15.9 million and inventories by EUR +5.5 million, cash and cash equivalents dropped by EUR -77.7 million and trade receivables by EUR -30.1 million. On the liabilities side, trade payables in particular fell by EUR -33.0 million, current provisions by EUR -32.2 million and current liabilities to banks by EUR -22.6 million.

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Second quarter			Six months		
		Second quarter 2011	Second quarter 2010 ⁷	Change in %	Six months 2011	Six months 2010 ⁷	Change in %
Order intake	€ million	356.7	375.2	(4.9)	713.9	698.8	+2.2
Orders on hand¹	€ million	323.4	340.8	(5.1)	323.4	340.8	(5.1)
Net sales	€ million	341.4	371.1	(8.0)	663.0	677.2	(2.1)
EBITDA²	€ million	45.3	57.9	(21.7)	81.4	103.7	(21.5)
Depreciation / amortization	€ million	(6.0)	(5.3)	+14.3	(11.5)	(10.8)	+6.5
EBIT³	€ million	39.3	52.6	(25.3)	69.9	93.0	(24.8)
Research and development costs	€ million	25.7	23.6	+9.1	52.1	47.3	+10.1
Cash flow from operating activities	€ million	24.0	9.2	+162.7	33.1	48.8	(32.1)
Investments	€ million	6.0	6.8	(12.4)	16.7	10.7	+55.7
Capital employed ^{1,4}	€ million	541.1	582.3	(7.1)	541.1	582.3	(7.1)
Net working capital ^{1,5}	€ million	273.4	316.5	(13.6)	273.4	316.5	(13.6)
EBIT ³ / net sales	%	11.5	14.2		10.5	13.7	
EBIT ^{3,6} / capital employed ^{1,4} (ROCE)	%	30.2	26.1		30.2	26.1	
DVA ⁸	€ million	114.6	108.2	+5.9	114.6	108.2	+5.9
Headcount ¹		6,538	6,350	+3.0	6,538	6,350	+3.0

¹ Value as of June 30² EBITDA = Earnings before net interest result, income taxes, depreciation and amortization³ EBIT = Earnings before interest and taxes⁴ Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities⁵ Net working capital = Current, non-interest-bearing assets less current, non-interest-bearing debt⁶ EBIT of the last twelve months⁷ Due to the integration of Dräger Medical AG & Co. KG in September 2010, the previous year's figures were adjusted accordingly.⁸ Dräger Value Added = EBIT of the last twelve months less cost of capital

Business performance of the medical division

ORDER INTAKE

€ million	Second quarter				Six months			
	Second quarter 2011	Second quarter 2010	Change in %	Net of currency effects in %	Six months 2011	Six months 2010	Change in %	Net of currency effects in %
Germany	75.6	78.5	(3.7)	(3.7)	157.8	154.9	+1.9	+1.9
Rest of Europe	137.3	124.4	+10.3	+9.9	245.7	228.2	+7.7	+6.9
Americas	71.3	95.2	(25.0)	(17.1)	160.9	174.7	(7.9)	(3.8)
Asia / Pacific	49.4	51.5	(4.1)	+0.1	97.2	97.6	(0.4)	(0.1)
Other	23.1	25.6	(9.6)	(7.6)	52.3	43.4	+20.5	+21.6
Total	356.7	375.2	(4.9)	(2.3)	713.9	698.8	+2.2	+3.0

Given a major order from Brazil in the previous year, the order intake for the medical division was down slightly on the prior-year figure in the second quarter of 2011 (–2.3 percent). Excluding this effect, the medical division did show slight growth against the previous year. Total order intake for the company rose by 3.0 percent (net of currency effects) in the first half of 2011.

Order intake rose the most in the Lifecycle Solutions business field. However, this increase in orders was unable to offset a decline in monitoring, systems and IT. These business fields profited greatly from the Brazilian major order in the previous year.

Order intake in Germany was down slightly year on year in the second quarter of 2011. This was due, among other things, to a strong prior-year order intake in Infrastructure Projects, which is marked by larger individual orders and generally does not follow a straight-line trend.

In the rest of Europe region, Dräger significantly increased the order volume in the second quarter of 2011 against the prior-year quarter. This was mainly due to two larger projects in Poland as well as a good order intake level in both Spain and the Netherlands.

Order intake in the Americas region in the second quarter of 2011 was significantly lower than in the previous year. This was mainly due to the above-mentioned prior-year order from Brazil as well as a 15.2 percent (net of currency effects) weaker development in the US, which is mainly as a consequence of a basis effect: The previous year saw orders

that were absent during the financial crisis. However, this was only partially offset by increased order intake in Mexico.

Order intake in the Asia/Pacific region was on a par with the previous year (net of currency effects). The positive trend in China and India offset declines in other countries, which resulted, among other things, from the natural disasters in Australia and Japan.

The other countries region recorded a slightly lower order volume in the second quarter of 2011 than in the previous year as a result of a decline in orders from Arab countries.

ORDERS ON HAND

€ million	June 30, 2011	June 30, 2010	Change in %	Net of currency effects in %
Germany	52.6	68.6	(23.4)	(23.4)
Rest of Europe	118.3	107.8	+9.7	+8.9
Americas	84.6	92.5	(8.6)	+2.4
Asia/Pacific	43.4	48.4	(10.5)	(3.4)
Other	24.6	23.4	+5.1	+9.2
Total	323.4	340.8	(5.1)	(1.1)

On June 30, 2011, orders on hand were EUR 323.4 million, down 1.1 percent (net of currency effects) on the previous year's figure of EUR 340.8 million.

The lower level of orders on hand for the Germany region was mainly due to the delivery of orders placed last year, leading to sales growth in 2011. The rise in the rest of Europe region is mainly due to the above-mentioned projects in Poland. Order backlog in the Americas and Asia-Pacific regions only changed slightly (net of currency effects), despite fluctuations in individual countries. Orders on hand in the other countries regions rose mainly as a result of not yet completed infrastructure projects from Saudi Arabia.

Equipment orders on hand covered a 2.8 month period (June 30, 2010: 3.6 months).

NET SALES

€ million	Second quarter				Six months			
	Second quarter 2011	Second quarter 2010	Change in %	Net of currency effects in %	Six months 2011	Six months 2010	Change in %	Net of currency effects in %
Germany	83.1	76.4	+8.8	+8.8	151.6	140.0	+8.3	+8.3
Rest of Europe	111.9	125.3	(10.7)	(10.7)	211.7	238.1	(11.1)	(11.6)
Americas	71.8	92.5	(22.3)	(14.0)	148.0	152.9	(3.2)	+1.6
Asia/Pacific	48.3	50.8	(4.9)	+0.3	102.0	97.3	+4.9	+5.2
Other	26.2	26.0	+0.6	+2.8	49.7	49.0	+1.4	+2.4
Total	341.4	371.1	(8.0)	(5.0)	663.0	677.2	(2.1)	(1.1)

As a result of the previous year's large order from Brazil, the medical division recorded a 5.0 percent (net of currency effects) decline in sales in the second quarter of 2011, 1.1 percent (net of currency effects) down year on year in the first half of 2011.

In Germany, the medical division increased sales year on year mainly thanks to service orders in lifecycle solutions as well as a larger volume in monitoring, systems and IT.

The decline in sales in the rest of Europe region is primarily due to the previous year's delivery of larger ventilation orders to the Ukraine and Spain. Sales in Russia developed very positively as a result of the ongoing modernization of hospitals there.

In the Americas region, sales in the second quarter of 2011 dropped against the prior-year quarter, as sales growth in the US (+4.7 percent net of currency effects) as well as growth in Columbia and Mexico were unable to offset the previous year's order from Brazil.

Net sales in the Asia/Pacific region in the second quarter of 2011 were almost the same as in the previous year (net of currency effects). In a similar way to order intake, growth in China, Thailand and India offset declines in Australia and Japan.

The other countries region recorded slight sales growth in the second quarter of 2011 thanks to, among other things, a neonatal order from Zambia.

EARNINGS

In the first half of 2011, the gross profit of the medical division was down slightly on the previous year. This was due to comparatively lower sales and negative currency effects. However, a favorable product mix meant that the gross margin was up slightly on the prior-year level.

Higher functional costs impacted earnings: Higher costs for marketing and sales, research and development as well as administration are expected to support future growth. In contrast, proceeds from the sale of software codes of EUR 4.4 million reduced functional costs in the first half of 2010.

Research and development expenses rose by 10.1 percent year on year to EUR 52.1 million. The euro, which was relatively stronger compared to the currencies of many subsidiaries, had a positive effect on research and development costs as well as on sales costs.

EBIT of the medical division fell by a total of 24.8 percent to EUR 69.9 million for the reasons stated above (6 months 2010: EUR 93.0 million). The EBIT margin was therefore 10.5 percent (6 months 2010: 13.7 percent).

INVESTMENTS

In the first half of 2011, the medical division invested EUR 16.7 million in intangible assets and property, plant and equipment (6 months 2010: EUR 10.7 million). Dräger invested EUR 6.3 million in buildings and equipment for the construction of a new production and logistics building for the Infrastructure Projects business field (6 months 2010: EUR 0.9 million). These project investments totaling approximately EUR 13 million were largely completed in the first quarter of 2011. Depreciation and amortization in the first half of 2011 amounted to EUR 11.5 million and covered 69 percent of investments. In the same period in 2010, EUR 10.8 million in depreciation and amortization covered the investments in full.

NET ASSETS

As of June 30, 2011, capital employed in the medical division decreased by EUR 41.2 million to EUR 541.1 million (June 30, 2010: EUR 582.3 million). Although the building for the Infrastructure Projects business field contributed to a slight rise in non-current assets, this effect was more than offset by the steep reduction in inventories and receivables. Overall, the medical division improved the efficiency of net current assets: The days of working capital fell by 1.5 days to 122.6 days. Cash inflow from operating activities amounted to EUR 33.1 million in the first half of the year (6 months 2010: EUR 48.8 million).

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Second quarter			Six months		
		Second quarter 2011	Second quarter 2010	Change in %	Six months 2011	Six months 2010 ⁷	Change in %
Order intake	€ million	206.2	192.8	+7.0	410.2	365.1	+12.4
Orders on hand¹	€ million	162.4	157.9	+2.8	162.4	157.9	+2.8
Net sales	€ million	199.2	186.0	+7.1	385.2	353.0	+9.1
EBITDA²	€ million	29.2	21.9	+33.2	55.6	39.8	+39.7
Depreciation / amortization	€ million	(4.9)	(5.3)	(5.9)	(9.8)	(10.5)	(7.3)
EBIT³	€ million	24.2	16.6	+46.4	45.8	29.3	+56.5
Research and development costs	€ million	11.9	9.8	+22.5	22.7	19.6	+15.9
Cash flow from operating activities	€ million	14.1	9.2	+53.4	7.9	20.3	(60.9)
Investments	€ million	4.7	5.5	(14.2)	10.0	8.8	+14.4
Capital employed ^{1,4}	€ million	213.5	205.6	+3.8	213.5	205.6	+3.8
Net working capital ^{1,5}	€ million	137.4	127.0	+8.2	137.4	127.0	+8.2
EBIT ³ / net sales	%	12.2	8.9		11.9	8.3	
EBIT ^{3,6} / capital employed ^{1,4} (ROCE)	%	36.4	20.1		36.4	20.1	
DVA ⁷	€ million	59.4	22.7	+161.7	59.4	22.7	+161.7
Headcount ¹		4,473	4,352	+2.8	4,473	4,352	+2.8

¹ Value as of June 30² EBITDA = Earnings before net interest result, income taxes, depreciation and amortization³ EBIT = Earnings before interest and taxes⁴ Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities⁵ Net working capital = Current, non-interest-bearing assets less current, non-interest-bearing debt⁶ EBIT of the last twelve months⁷ Dräger Value Added = EBIT of the last twelve months less cost of capital

Business performance of the safety division

ORDER INTAKE

€ million	Second quarter				Six months			
	Second quarter 2011	Second quarter 2010	Change in %	Net of currency effects in %	Six months 2011	Six months 2010	Change in %	Net of currency effects in %
Germany	44.7	38.7	+15.5	+15.5	84.8	78.4	+8.2	+8.2
Rest of Europe	86.1	71.3	+20.8	+20.9	166.2	141.3	+17.6	+17.1
Americas	31.9	48.5	(34.2)	(28.0)	62.7	73.7	(14.9)	(11.1)
Asia / Pacific	33.4	25.2	+32.5	+34.1	69.5	52.5	+32.4	+27.8
Other	10.1	9.1	+11.0	+13.2	27.0	19.2	+40.6	+40.1
Total	206.2	192.8	+7.0	+8.9	410.2	365.1	+12.4	+12.2

Following growth of 8.9 percent (net of currency effects) in the second quarter of 2011, the safety division's order intake in the first half of the year was up 12.2 percent (net of currency effects).

This was also helped by products from all business fields: The Portable Gas Detectors and the Light Respiratory Protection businesses for example continued to profit from the high global demand from industrial customers. The safety division again won new light respiratory protection supply contracts with customers in the oil and gas industry in South America in the second quarter of 2011. The Alcohol Testing Devices business also won tenders, including in Australia, Sweden and France. The Engineered Solutions business received a major order for the construction of a training facility for firefighters in Saudi Arabia. Stationary gas detection devices also again recorded above-average year-on-year growth. This was mainly due to orders from the petrochemical and manufacturing industry in the Netherlands, Turkey and Australia. Dräger also won tenders for the Fire Services business in the US, the UK, Russia, China and Singapore.

Industry demand for both portable and stationary gas detection systems was the main driver for the significant growth in order intake in Germany in the second quarter of 2011.

Dräger also grew strongly in the rest of Europe region in the second quarter of 2011. The safety division received orders in various product areas including: compressed air breathing apparatus for the military in the UK and for the fire services in Russia, alcohol detection devices in Sweden and France, rescue chambers from the petrochemical indus-

try in the Netherlands, and stationary gas detection systems from the petrochemicals industry in Turkey.

The main reason for the decline in order intake in the Americas region in the second half of 2011 was the order for components for producing a deep sea diving system, which was received in the prior-year quarter. Order intake here fell by 42.9 percent (net of currency effects) compared with the figure for the prior-year period. In contrast, the core business achieved growth of 3.2 percent (net of currency effects). The main contributors to this were the Fire Services and Portable Gas Detection Systems businesses. In addition, the Light Respiratory Protection and Fire Services businesses won extraordinarily large orders.

The Asia/Pacific region also again recorded considerable net sales growth in the second quarter of 2011. In addition to the tenders won for alcohol testing devices in Australia, this was due to orders from the petrochemicals industry in Thailand for stationary gas detection devices and smoke hoods. The business in respiratory protection and gas detection devices in China, Singapore and South Korea also developed very positively.

The other countries region recorded positive growth in the second quarter of 2011, particularly due to larger orders for stationary gas detection devices in Arab countries.

ORDERS ON HAND

€ million	June 30, 2011	June 30, 2010	Change in %	Net of currency effects in %
Germany	31.3	29.6	+5.7	+5.7
Rest of Europe	70.0	61.4	+14.0	+15.5
Americas	16.7	33.7	(50.4)	(46.3)
Asia / Pacific	28.7	20.1	+42.8	+46.8
Other	15.7	13.1	+19.8	+21.4
Total	162.4	157.9	+2.8	+4.9

Orders on hand in Germany and the rest of Europe region grew thanks to higher demand from industry. In the Americas region, especially the now concluded delivery of the components for a deep sea diving system, which was sold in the summer of 2010, resulted in a steep decrease in orders on hand, The Asia-Pacific region profited from the very positive business situation in Australia, India and Indonesia. The order volume in the other countries region increased mainly due to an order received from Kazakhstan in

the first quarter of 2011. Equipment orders on hand covered a 2.6 month period (June 30, 2010: 2.4 months).

NET SALES

€ million	Second quarter				Six months			
	Second quarter 2011	Second quarter 2010	Change in %	Net of currency effects in %	Six months 2011	Six months 2010	Change in %	Net of currency effects in %
Germany	41.7	37.6	+10.9	+10.9	79.0	74.4	+6.2	+6.2
Rest of Europe	85.0	81.5	+4.3	+4.5	158.9	152.3	+4.3	+3.8
Americas	31.0	28.6	+8.4	+19.6	66.7	53.6	+24.4	+30.0
Asia/Pacific	30.4	28.5	+6.7	+7.0	60.9	51.8	+17.6	+13.5
Other	11.2	9.8	+14.3	+16.3	19.7	20.9	(5.7)	(6.2)
Total	199.3	186.0	+7.2	+9.1	385.2	353.0	+9.1	+9.1

Sales in the safety division were up 9.1 percent (net of currency effects) on the previous year in both the second quarter of 2011 and the first half of 2011.

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

As a result of strong industrial demand, sales in Germany rose year-on-year in the second quarter of 2011.

In the rest of Europe region, larger respiratory protection orders were delivered to fire services, alcohol detection orders to the police, and stationary gas detection orders to the petrochemical industry. Demand from Southern Europe was also up year on year.

The very positive net sales development in the US with a growth of 52.7 percent (net of currency effects) led to a significant rise in sales in the Americas region in the second quarter of 2011. This was mainly due to the delivery of alcohol detection and respiratory protection devices, portable gas detection systems and the cancellation of a contract for the components of a deep sea diving system. Growth, adjusted for this one-off effect, was 19.9 percent. The safety division also delivered larger orders for stationary gas detection systems and light respiratory protection devices to Brazil.

The positive sales trends in the Asia-Pacific region paralleled the order intake, as Dräger delivered larger orders of alcohol testing devices and respiratory protection to Australia and New Zealand in the second quarter of 2011. Firefighters in China, Singapore and South Korea were also kited out with respiratory protection.

Sales growth in the other countries region in the second half of 2011 was mainly aided by deliveries of light respiratory protection devices to South Africa and the handover of stationary gas detection projects in the Arab world.

EARNINGS

The product mix shifted towards more profitable products, again improving the gross margin in the safety division in the second quarter of 2011. This was mainly due to higher demand from high-margin industrial customers. To increase the rate of innovations, research and expenses rose by 15.8 percent to EUR 22.7 million (6 months 2010: EUR 19.6 million), as scheduled. Marketing, sales and administration costs were also up on the previous year as planned, some of the reasons being increased personnel and IT expenses. Due to the high net sales volume and increased gross margin, EBIT in the safety division rose by 56.3 percent to EUR 45.8 million in the first three months of 2011 (6 months 2010: EUR 29.3 million). The EBIT margin was therefore 11.9 percent (6 months 2010: 8.3 percent).

INVESTMENTS

The safety division invested a total of EUR 9.9 million (6 months 2010: EUR 8.6 million) in intangible assets and property, plant and equipment in the first half of 2011. Depreciation and amortization of EUR 9.7 million came to significantly less than the investment volume.

NET ASSETS

As expected, capital employed rose by 3.8 percent due to an increase in receivables and inventories, amounting to EUR 213.5 million at the end of the first half of 2011 (June 30, 2010: EUR 205.6 million). The safety division increased its working capital days by 5.5 days to 98.7 days. Cash flow from operating activities only amounted to EUR 7.9 million in the first half of 2011 due to the growth (6 months 2010: EUR 20.3 million).

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

		Second quarter			Six months		
		Second quarter 2011	Second quarter 2010 ⁶	Change in %	Six months 2011	Six months 2010 ⁶	Change in %
Order intake	€ million	4.1	3.7	+10.4	7.9	7.5	+4.7
Orders on hand¹	€ million	0.0	0.0		0.0	0.0	
Net sales	€ million	4.1	3.7	+10.4	7.9	7.5	+4.7
EBITDA²	€ million	75.0	19.9	+278.1	97.4	7.9	+1,125.8
Depreciation / amortization	€ million	(2.6)	(2.4)	+5.5	(5.2)	(4.9)	+4.4
EBIT³	€ million	72.5	17.4	+316.3	92.2	3.0	+2,969.4
Research and development costs	€ million	1.1	0.7	+75.3	1.7	1.1	+46.4
Cash flow from operating activities	€ million	53.4	9.2	+481.7	67.1	(17.7)	(478.9)
Investments	€ million	2.1	1.3	+60.0	3.9	1.8	+123.5
Capital employed ^{1,4}	€ million	763.6	765.0	(0.2)	763.6	765.0	(0.2)
Net working capital ^{1,5}	€ million	(18.2)	(13.4)	+35.8	(18.2)	(13.4)	+35.8
Headcount ¹		587	437	+34.3	587	437	+34.3

¹ Value as of June 30

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

³ EBIT = Earnings before interest and taxes

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

⁵ Net working capital = Current, non-interest-bearing assets less current, non-interest-bearing debt

⁶ Due to the integration of Dräger Medical AG & Co. KG in September 2010, some companies are now being recognized in the financial statements of the medical division. Previous year's figures were adjusted accordingly.

Drägerwerk AG & Co. KGaA/other companies

EARNINGS

As discussed in the 2010 annual report, Drägerwerk AG & Co. KGaA provides services to the divisions and their subsidiaries.

Drägerwerk AG & Co. KGaA's EBIT rose in the first six months of 2011 to EUR 92.2 million (6 months 2010: EUR 3.0 million), mainly as a result of larger profits being transferred by Dräger Medical GmbH and Dräger Safety AG & Co. KGaA.

Dräger Medical GmbH therefore transferred EUR 65.4 million in the first six months of 2011 to Drägerwerk AG & Co. KGaA. In contrast, the former Dräger Medical AG & Co. KG did not transfer any earnings in the first half of 2011, as the control and profit and loss transfer agreement with Drägerwerk AG & Co. KGaA was only transferred to Dräger Medical GmbH in the third quarter of 2010. Dräger Medical GmbH originated from the integration of Dräger Medical AG & Co. KG in Dräger Medical Holding GmbH and the subsequent renaming of the company.

The distribution by Dräger Safety AG & Co. KGaA amounted to EUR 33.5 million as a result of its improved operating result, up EUR 10.0 million on the prior-year period (6 months 2010: EUR 22.5 million).

It should also be noted that the option component of the purchase price for the 25 percent Siemens share in the former Dräger Medical AG & Co. KG reduced earnings by EUR 3.9 million in the first half of 2010.

INVESTMENTS

In the first half of 2011, investments in intangible assets and property, plant and equipment came to EUR 3.9 million (6 months 2010: EUR 1.8 million). These investments were mainly made to improve the IT infrastructure and to modernize buildings.

Research and development

In the first six months of 2011, research and development (R&D) costs at Dräger Group came to EUR 76.5 million, EUR 8.4 million up on the previous year's value of EUR 68.1 million. This is equivalent to 7.4 percent of net sales (6 months 2010: 6.7 percent). As announced, Dräger strengthens research and development activities to profit from an increase in the percentage of new products in total net sales and the products' related higher earnings power.

R&D costs in the medical division rose to EUR 52.1 million in the first six months of 2011 (6 months 2010: EUR 47.3 million), amounting to 7.9 percent of sales (6 months 2010: 7.0 percent). This was mainly due to a rise in the number of development projects as well as increased expenses for product maintenance. In the second quarter of 2011, new components for ceiling supply units were launched that support the ergonomics as well as occupational health and safety of hospital personnel and create a patient-friendly atmosphere. The launch of the “PS500” external power supply now allows the “Evita V500” and “Babylog VN500” ventilators to run for some three hours independent from power supply system, allow patients to be transported within the hospital, for example. Dräger also launched improved versions (upgrades) of the “ICM” and “Innovian Anesthesia” data management systems in the second quarter of 2011. The “ICM” system now allows better insight into the chronology of patient information during the course of treatment, from anesthesia in the operating theatre to treatment in intensive care. The “Innovian Anesthesia” anesthesia documentation system was adjusted to comply with the amended rules on anesthesia documentation within the US health care system.

The safety division spent EUR 22.7 million (5.9 percent of net sales) on R&D in the first six months of 2011 (6 months 2010: EUR 19.6 million, 5.6 percent). The first six months of 2011 were marked by nine product launches and activities to increase the efficiency and performance of R&D. Preparations to construction a local development center in China started in the second quarter of 2011. In future, this center will carry out product modifications and expansions for the growing Asian market. In the second quarter of 2011, Dräger launched “CAT ex 125 PR”, a particularly robust and durable catalytic sensor for combustible substances for portable gas detection devices to be used by industrial customers. Many of the chemicals used in industry, such as widely-used silicone, can impact the sensor technology’s measurement principle. Dräger has now achieved better resistibility and stability by continuously working on the product. The customer also profits from reduced maintenance and calibration expenses. Dräger’s “UCF 7000” thermal imaging camera was officially approved in the second quarter of 2011, following the strict international guidelines for explosion protection in accordance with ATEX¹ and IECEx². Emergency personnel can therefore also look for missing people or fire sources in areas where there is danger of explosion that are filled with smoke. The integrated “FPS COM Plus” communications solution enables firefighters to communicate securely using state-of-the-art digital acoustic filtering, even in the most difficult of circumstances.

¹ “Atmosphère Explosive” – European Union guideline

² “International Electrotechnical Commission System on equipment for use in explosive atmospheres”

Personnel

Dräger Group employed a total of 11,598 people as of June 30, 2011, 459 more than in the previous year. It should be noted that besides sales and services also research and development upped their personnel numbers to increase the pace of development.

PERSONNEL EXPENSES

	Six months 2011	Six months 2010
Wages and salaries	310.4	292.3
Social security contributions and related employee benefits	53.1	50.2
Pension expenses	7.5	6.4
	371.0	348.9

In the first six months of 2011, personnel costs totaled EUR 371.0 million, up 6.3 percent on the prior-year period. This is mainly due to the increase in employees, the currently applicable collective wage agreement in Germany and Dräger's future collective agreement.

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

WORKFORCE TREND

	June 30, 2011	December 31, 2010	June 30, 2010
Medical division	6,538	6,386	6,350
Safety division	4,473	4,409	4,352
Drägerwerk AG & Co. KGaA and other companies	587	496	437
Dräger Group total	11,598	11,291	11,139
Germany	5,263	5,085	4,937
Other	6,335	6,206	6,202
Turnover in % of employees (Basis: average of the past twelve months)	5.4	5.3	5.0
Sick days in % of work days (Basis: average of the past twelve months)	3.2	3.2	3.2
Temporary staff in Germany	529	584	611

The rise in the number of employees at Drägerwerk AG & Co. KGaA compared to the prior-year period is chiefly due to transfers under the planned merger of departments. Since July 1, 2010, a total of 78 employees from the Purchasing and Human Resources departments of the medical and safety divisions have been transferred to the Shared Services of Drägerwerk AG & Co. KGaA. An additional 72 people were employed.

In the medical division, headcount rose by 188 year-on-year. The majority of the new employees were hired in Germany (+56). The focus here was on research and development (+46). The foreign sales and service companies hired a total of 130 additional employees. Headcount in the producing subsidiaries developed differently: While operations at Dräger Medical B.V., Netherlands, was closed during fiscal year 2010 (-38), Dräger increased the workforces at Shanghai Dräger Medical Instruments Co., Ltd., China (+23) and Draeger Medical Systems, Inc., USA (+14).

From the 121 additional people employed at the safety division since June 30, 2010, 120 work at the German companies Dräger Safety AG & Co. KGaA and the logistics subsidiary Interservices GmbH, mainly in Production (+45), Logistics (+28), Research and Development (+27), and Sales (+19).

The number of temporary staff in Germany fell by 82 year-on-year to 529, due among other things to the low capacity required in production at the medical division.

RISKS TO FUTURE DEVELOPMENT

The structure of our risk management system and significant risks to our net assets, financial position and results of operations are outlined in the annual report for fiscal year 2010, which may be downloaded on the internet at www.draeger.com.

CHANGED CONDITIONS AFTER THE CLOSE OF THE INTERIM REPORTING PERIOD

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

Outlook

FUTURE MARKET ENVIRONMENT

The global economy will continue to expand for full year 2011. The IMF is of the opinion that the expected slight slowdown in global GDP growth in the second quarter of 2011 is no cause for alarm. The IMF forecasts GDP growth of 4.3 percent for full year 2011. The emerging countries will continue to expand at a rate of 6.6 percent, while GDP in the industrialized nations will grow by 2.2 percent. The IMF sees growing risks for the global economy in the Euro debt crisis, growth and financial problems in the US as well as the increasing signs of overheating in the central emerging countries. For 2012, the IMF expects a slightly higher growth rate of 4.5 percent, with the economies of the industrialized nations growing by 2.6 percent, slightly higher than this year, while the emerging countries will expand by 6.4 percent.

The economies in the eurozone will continue to recover, albeit somewhat more moderately. Favorable refinancing conditions, positive profits and the growing capacity utilization strengthen private investments. Falling unemployment aids consumer spending in the largest eurozone countries. The IMF expects eurozone GDP to grow by 2.0 percent in 2011 and slightly less growth of 1.7 percent in 2012. The ifo institute predicts that Germany will see GDP growth of 3.3 percent, mainly as a result of favorable financing conditions for domestic investments, which are driven by falling unemployment and rising salaries as well as robust foreign demand. The ifo institute also expects significant growth in 2012, although this should be slower at 2.3 percent.

FUTURE SITUATION OF THE COMPANY

Dräger expects its order intake in fiscal year 2011 to grow at least at the pace of global economic growth (IMF June 2011 forecast: +4.3 percent). This is based on the assumption of a stabilizing economy in Europe, continued economic recovery in North America, sustained market growth in developing countries and stable exchange rates. Global uncertainty factors have increased further, which makes an exact forecast difficult.

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

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

fields of gas and alcohol detection technology will grow disproportionately and the Light Respiratory Protection business could reach the previous year's level, the volume for Engineered Solutions is expected to decrease.

Dräger expects to have a stable gross margin for the year as a whole. While the new products of both divisions brought to market in previous years as well as increased net sales from transactions with industrial customers in the safety division will generally improve the margin, the gross margin of the medical division may drop slightly in 2011. This decline in margins is due to the expected changes in the product mix and some one-off transactions in the previous year with above-average margins such as the sale of ventilators in connection with the H1N1 virus. As announced on July 19, 2011, Dräger expects a Group EBIT margin between 8.0 percent and 9.5 percent for fiscal year 2011 (to date: 7.5 percent to 8.5 percent) with planned increases in product development investments, improvements to the Group-wide IT infrastructure and the expansion of the sales organization.

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

FORWARD-LOOKING STATEMENTS

This management report contains forward-looking statements. The statements are based on the current expectations, presumptions, and forecasts of the Executive Board of Drägerwerk Verwaltungs AG as well as the information available to it to date. The forward-looking statements do not provide any warranty for the future developments and results contained therein. The future developments and results are dependent on a number of factors; they entail various risks and contingencies and are based on assumptions which could prove to be incorrect. Dräger is under no obligation to update the forward-looking statements contained in this report.

Interim financial statements of the Dräger Group as of June 30, 2011

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

	Notes	Second quarter 2011	Second quarter 2010	Six months 2011	Six months 2010
		€ thousand	€ thousand	€ thousand	€ thousand
Net sales		533,057	550,889	1,033,344	1,016,750
Cost of sales		(271,122)	(289,859)	(519,621)	(527,700)
Gross profit		261,935	261,030	513,723	489,050
Research and development costs		(38,828)	(34,200)	(76,465)	(68,064)
Marketing and selling expenses		(139,494)	(136,864)	(274,822)	(262,548)
General administrative costs		(32,417)	(27,710)	(64,942)	(56,608)
Other operating income		2,141	1,537	3,817	7,295
Other operating expenses		(1,539)	(2,065)	(6,396)	(3,340)
		(210,137)	(199,302)	(418,808)	(383,265)
		51,798	61,728	94,915	105,785
Profit from investments in associates		0	0	212	271
Profit from other investments		0	76	0	143
Other financial result		62	4,059	(674)	(3,585)
Financial result (before interest result)	6	62	4,135	(462)	(3,171)
EBIT		51,860	65,863	94,453	102,614
Interest result	6	(7,071)	(10,114)	(14,138)	(17,824)
Earnings before income taxes		44,789	55,749	80,315	84,790
Income taxes	7	(14,350)	(18,594)	(26,636)	(28,937)
Earnings after income taxes		30,439	37,155	53,679	55,853
Earnings after income taxes		30,439	37,155	53,679	55,853
Earnings attributable to non-controlling interests		806	646	1,594	1,128
Earnings attributable to participation certificates (excluding minimum dividend, after taxes) ¹		3,318	6,499	5,783	7,316
Earnings attributable to shareholders		26,315	30,010	46,302	47,409
Undiluted earnings per share²					
per preferred share (in €)		1.60	2.37	2.82	3.75
per common share (in €)		1.59	2.36	2.79	3.72
Diluted earnings per share^{2,3}					
per preferred share (in €)		1.59	–	2.81	–
per common share (in €)		1.58	–	2.78	–

¹ The figure is calculated by accruing a dividend for participation certificates of EUR 6.30 based on earnings in the first half of 2011 and in line with Dräger's dividend policy to distribute around 30 percent of total Group net profit (less the earnings attributable to non-controlling interests). In the previous year, the figure was calculated by accruing a dividend for participation certificates of EUR 2.00 on the basis of the pro rata dividend for participation certificates of the previous year 2009 to the amount of EUR 4.00.

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

³ The option rights exercised by Siemens have a dilutive effect since April 2011 and were included in the calculation in accordance with IAS 33 "Earnings per share".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

	Six months 2011	Six months 2010
	€ thousand	€ thousand
Earnings after income taxes	53,679	55,853
Currency translation adjustment for foreign subsidiaries	(15,996)	43,759
Change in the fair value of financial instruments recognized directly in equity	216	(1,202)
Deferred taxes on changes in the fair value of financial instruments recognized directly in equity	0	326
Actuarial gains/losses from defined benefit pension plans	(777)	266
Deferred taxes on actuarial gains/losses from defined benefit pension plans	0	0
Other earnings (after taxes)	(16,557)	43,149
Total comprehensive income	37,122	99,002
thereof earnings attributable to non-controlling interests	687	2,522
thereof earnings attributable to participation certificates (excluding minimum dividend, after taxes) ¹	5,783	7,316
thereof earnings attributable to shareholders	30,652	89,164

¹ The figure is calculated by accruing a dividend for participation certificates of EUR 6.30 based on earnings in the first half of 2011 and in line with Dräger's dividend policy to distribute around 30 percent of total Group net profit (less the earnings attributable to non-controlling interests). In the previous year, the figure was calculated by accruing a dividend for participation certificates of EUR 2.00 on the basis of the pro rata dividend for participation certificates of the previous year 2009 to the amount of EUR 4.00.

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

	Notes	June 30, 2011	December 31, 2010
		€ thousand	€ thousand
Assets			
Intangible assets	8	274,742	277,351
Property, plant and equipment	8	255,247	253,715
Investments in associates		904	904
Other non-current financial assets		10,397	11,403
Deferred tax assets		107,403	109,502
Other non-current assets		25,103	28,160
Non-current assets		673,796	681,035
Inventories	9	362,156	356,666
Trade receivables and receivables from construction contracts		503,103	533,163
Other current financial assets		22,365	22,514
Cash and cash equivalents		242,291	320,037
Current tax refund claims		14,417	13,027
Other current assets	10	66,398	50,465
Current assets		1,210,730	1,295,872
Total assets		1,884,526	1,976,907

	Notes	June 30, 2011	December 31, 2010
		€ thousand	€ thousand
Equity and liabilities			
Capital stock		42,266	42,266
Capital reserves		158,098	158,098
Reserves retained from earnings, incl. group result		399,127	380,285
Participation capital		50,405	50,404
Other comprehensive income		(14,762)	111
Non-controlling interests		5,443	5,399
Equity		640,577	636,563
Liabilities from participation certificates		30,540	29,916
Provisions for pensions and similar obligations		183,216	183,448
Other non-current provisions	11	45,512	44,973
Non-current interest-bearing loans	12	326,837	318,042
Other non-current financial liabilities		6,130	6,893
Deferred tax liabilities		2,486	2,581
Other non-current liabilities		1,374	715
Non-current liabilities		596,095	586,568
Current income tax provisions		36,184	41,584
Other current provisions	11	199,202	226,026
Current loans and liabilities to banks		66,851	89,496
Trade payables	13	138,342	171,301
Other current financial liabilities		49,526	68,499
Current income tax liabilities		16,008	18,552
Other current liabilities		141,741	138,318
Current liabilities		647,854	753,776
Total equity and liabilities		1,884,526	1,976,907

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

	Second quarter 2011	Second quarter 2010	Six months 2011	Six months 2010
	€ thousand	€ thousand	€ thousand	€ thousand
Operating activities				
Earnings after income taxes	30,439	37,155	53,679	55,853
+ Write-down of non-current assets	13,469	13,052	26,413	26,229
-/+ Decrease/increase in provisions	(23,189)	(106)	(23,786)	17,111
+/- Other non-cash expenses/income	625	(14,280)	11,145	(24,591)
+/- Loss/gain from the disposal of non-current assets	78	374	(184)	(412)
+/- Decrease/increase in inventories	5,679	(2,423)	(14,696)	(48,865)
+/- Decrease/increase in trade receivables	5,799	(23,327)	21,619	16,224
+/- Decrease/increase in other assets	7,129	(6,434)	(16,894)	(32,868)
-/+ Decrease/increase in trade payables	(9,026)	1,952	(35,123)	6,603
-/+ Decrease/increase in other liabilities	(10,039)	(7,091)	(8,391)	9,821
Net cash provided by/used in operating activities	20,964	(1,128)	13,782	25,105
Investing activities				
- Cash outflow for investments in intangible assets	(1,085)	(1,642) ¹	(2,824)	(2,587) ¹
+ Cash inflow from the disposal of intangible assets	5	3	5	5
- Cash outflow for investments in property, plant and equipment	(13,685)	(11,694)	(27,678)	(18,730)
+ Cash inflow from disposals of property, plant and equipment	(52)	967	1,318	2,285
- Cash outflow for investments in non-current financial assets	(21)	(30)	(43)	(90)
+ Cash inflow from the disposal of non-current financial assets	15	1,737	22	1,740
Net cash used in investing activities	(14,823)	(10,659)¹	(29,200)	(17,377)¹
Financing activities				
- Distribution of dividends (including dividends for participation certificates)	(35,310)	(9,806)	(35,310)	(9,806)
- Reduction in participation capital due to cash compensation	(5,681)	0	(5,681)	0
+ Cash provided by raising loans	10,885	0	10,885	0
- Cash used to redeem loans	(24,697)	(283)	(27,074)	(1,858)
-/+ Net balance of other liabilities to banks	(2,647)	9,595	3,980	11,027
-/+ Net balance of finance lease liabilities repaid/incurred	(114)	82	(402)	(15)
+ Cash inflows from capital increases	0	9,754	0	9,754
- Cash outflows from the purchase of the 25 percent share in Dräger Medical AG & Co. KG (now: Dräger Medical GmbH)	0	(175,000) ¹	0	(175,000) ¹
- Profit distributed to non-controlling interests	(578)	0	(643)	(2)
Net cash used in/provided by financing activities	(58,142)	(165,658)¹	(54,245)	(165,900)¹
Change in cash and cash equivalents in the fiscal year	(52,001)	(177,445)	(69,663)	(158,172)
-/+ Effect of exchange rates on cash and cash equivalents	(752)	16,366	(8,083)	26,609
+ Cash and cash equivalents at the beginning of the reporting period	295,044	373,567	320,037	344,051
Cash and cash equivalents on the reporting date	242,291	212,488	242,291	212,488

¹ Cash outflows from tractions between providers of equity capital (without change in control) are entirely due to the cash outflow from financing activities. The prior year figures were adjusted accordingly.

For notes to the cash flow statement, please see page 18f.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

	Capital Stock	Capital reserves	Reserves retained from earnings incl. Group result	Participation capital	Other comprehensive income				Total equity of shareholder Drägerwerk AG & Co. KGaA	Non-controlling interests	Equity
					Actuarial gains and losses recognized directly in equity	Currency translation differences	Derivative financial instruments	Total other comprehensive income			
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	
Jan. 1, 2010	32,512	39,449	303,326	56,086	(10,725)	(30,928)	(390)	(42,043)	389,330	4,490	393,820
Reclassification of actuarial gains/ losses recognized directly in equity			(10,725)		10,725			10,725	0		0
Capital increase incl. cash compensation to participation certificate holders	9,754	90,170		(5,682)				0	94,242		94,242
Total comprehensive income			54,990			42,366	(876)	41,490	96,480	2,522	99,002
Distribution			(9,806)					0	(9,806)	(2)	(9,808)
Changes in the scope of consolidation/ other			916					0	916	11	927
June 30, 2010	42,266	129,619	338,701	50,404	0	11,438	(1,266)	10,172	571,162	7,021	578,183
Jan. 1, 2011	42,266	158,098	380,285	50,404	0	803	(692)	111	631,164	5,399	636,563
Total comprehensive income			51,308			(15,089)	216	(14,873)	36,435	687	37,122
Distribution			(35,310)					0	(35,310)	(643)	(35,953)
Changes in the scope of consolidation/ other			2,844	1				0	2,845		2,845
June 30, 2011	42,266	158,098	399,127	50,405	0	(14,286)	(476)	(14,762)	635,134	5,443	640,577

Notes of the Dräger Group as of June 30, 2011 (condensed)

1 BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA, Lübeck, prepared its group financial statements for financial year 2010 in accordance with the International Financial Reporting Standards (IFRS) as defined by the International Accounting Standards Boards (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). In financial year 2011, the interim financial statements of the Dräger Group have therefore also been prepared in accordance with IFRS and the interim reports in compliance with IAS 34 as well as German Accounting Standard No. 16 (GAS 16 – Interim Financial Reporting) of the German Accounting Standards Committee (GASC).

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

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

2 ACCOUNTING POLICIES

The Group applied the same accounting principles as in the 2010 group financial statements in preparing the interim financial statements and calculating the comparative figures. A detailed description of these methods is published in the notes to the group financial statements in the 2010 annual report. The report is available for download online at www.draeger.com.

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

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

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

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

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

3 SCOPE OF CONSOLIDATION AND CONSOLIDATION PRINCIPLES

There were no significant changes to the scope of consolidation compared to December 31, 2010 and June 30, 2010. The same consolidation principles were applied as in the 2010 group financial statements.

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

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

5 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Medical division	
		Six months 2011	Six months ⁴ 2010
Order intake	€ million	713.9	698.8
Orders on hand¹	€ million	323.4	340.8
Net sales	€ million	663.0	677.2
thereof intersegment net sales	€ million	0.4	0.7
thereof third party net sales	€ million	662.7	676.5
EBITDA	€ million	81.4	103.7
Depreciation / amortization	€ million	(11.5)	(10.8)
EBIT	€ million	69.9	93.0
Interest result	€ million		
Income taxes	€ million		
Earnings after income taxes	€ million		
thereof profit/loss from investments in associates	€ million		
Research and development costs	€ million	52.1	47.3
Cash flow from operating activities	€ million	33.1	48.8
Capital employed¹	€ million	541.1	582.3
Assets¹	€ million	928.9	973.5
thereof investments in associates	€ million	0.0	0.0
Liabilities¹	€ million	358.8	352.4
Net financial debt¹	€ million		
Investments	€ million	16.7	10.7
Non-cash expenses	€ million	58.6	76.4
EBIT / net sales	%	10.5	13.7
EBIT² / capital employed¹ (ROCE)	%	30.2	26.1
Net financial debt¹ / EBITDA³	factor		
Gearing	factor		
DVA	€ million	114.6	108.2
Headcount¹		6,538	6,350

¹ Value as of June 30² EBIT of the last twelve months³ EBITDA of the last twelve months⁴ Due to the integration of Dräger Medical AG & Co. KG in September 2010, the previous year's values were adjusted accordingly.⁵ Prior year's figures adjusted

	Safety division		Drägerwerk AG & Co. KGaA / other companies		Consolidations		Dräger Group	
	Six months 2011	Six months 2010	Six months 2011	Six months ⁴ 2010	Six months 2011	Six months ⁴ 2010	Six months 2011	Six months 2010
	410.2	365.1	7.9	7.5	(22.9)	(22.4)	1,109.1	1,048.9
	162.4	157.9	0.0	0.0	(1.4)	(2.3)	484.4	496.5
	385.2	353.0	7.9	7.5	(22.7)	(21.0)	1,033.3	1,016.7
	15.6	14.0	6.7	6.3	(22.7)	(21.0)	–	–
	369.6	339.0	1.1	1.3	0.0	0.0	1,033.3	1,016.7
	55.6	39.8	97.4	7.9	(113.6)	(22.6)	120.8	128.8
	(9.8)	(10.5)	(5.2)	(4.9)	–	–	(26.4)	(26.2)
	45.8	29.3	92.2	3.0	(113.6)	(22.6)	94.5	102.6
							(14.1)	(17.8)
							(26.6)	(28.9)
							53.7	55.9
							0.2	0.3
	22.7	19.6	1.7	1.1	0.0	0.0	76.5	68.1
	7.9	20.3	67.1	(17.7)	(94.4)	(26.2)	13.8	25.1
	213.5	205.6	763.6	765.0	(614.9)	(600.5)	903.3	952.4
	369.3	363.1⁵	844.0	839.4	(647.8)	(541.0)	1,494.4	1,635.1
	0.6	0.5	0.3	0.3	0.0	0.0	0.9	0.7
	142.5	147.7	70.4	48.7	(41.7)	63.5	529.9	612.2
							153.9	350.1
	10.0	8.8	3.9	1.8	0.0	0.0	30.7	21.3
	32.6	31.2	13.6	17.9	7.2	(8.5)	112.0	117.0
	11.9	8.3	–	–	–	–	9.1	10.1
	36.4	20.1	–	–	–	–	20.4	17.6
							0.6	1.5
							0.2	0.6
	59.4	22.7	–	–	–	–	104.3	91.3
	4,473	4,352	587	437	–	–	11,598	11,139

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

The key figures from the segment report are as follows:

EBIT / EBITDA

	Six months 2011	Six months 2010
Earnings after income taxes	53,679	55,853
+ Interest result	14,138	17,824
+ Income taxes	26,636	28,937
EBIT	94,453	102,614
+ Depreciation / amortization	26,375	26,229
EBITDA	120,828	128,843

CAPITAL EMPLOYED

	June 30, 2011	June 30, 2010
Total assets	1,884,526	1,971,974
– Deferred tax assets	(107,403)	(94,872)
– Cash and cash equivalents	(242,291)	(212,488)
– Non-interest bearing liabilities	(631,555)	(712,212)
Capital employed	903,277	952,402

ASSETS

	June 30, 2011	June 30, 2010
Total assets	1,884,526	1,971,974
– All other financial assets	(3,839)	(4,748)
– Deferred tax assets	(107,403)	(94,872)
– Tax refund claims (current and non-current)	(36,606)	(24,675)
– Cash and cash equivalents	(242,291)	(212,488)
Assets	1,494,387	1,635,191

LIABILITIES

	June 30, 2011	June 30, 2010
Liabilities recognized in the balance sheet	1,243,949	1,393,791
– Provisions for pensions and similar obligations	(183,216)	(170,519)
– Tax liabilities, tax provisions, tax accruals and deferred tax liabilities	(104,098)	(97,937)
– Interest-bearing liabilities	(426,692)	(513,297)
Liabilities	529,943	612,038

NET FINANCIAL DEBT

	June 30, 2011	June 30, 2010
Non-current interest-bearing loans	326,837	356,411
+ Current loans and liabilities to banks	66,851	124,722
+ Non-current and current finance lease liabilities	2,464	2,837
+ Liabilities from the buy-back of the shares in Dräger Medical AG & Co. KG	0	78,642
– Cash and cash equivalents	(242,291)	(212,488)
Net financial debt	153,861	350,124

NON-CASH EXPENSES

	Six months 2011	Six months 2010
Write-downs on inventories	8,166	12,564
+ Losses from bad debt allowances	5,777	2,293
+ Allocations to provisions	98,030	102,066
Non-cash expenses	111,973	116,923

DVA

	June 30, 2011	June 30, 2010
EBIT (of the last twelve months)	184,622	167,654
– Cost of capital (Basis: average of capital employed in the past twelve months)	(80,318)	(76,367)
DVA	104,304	91,287

Gearing is the ratio of net financial debt to equity.

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

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

6 FINANCIAL RESULT

FINANCIAL RESULT

	Six months 2011	Six months 2010
Financial result (before interest result)	(462)	(3,171)
Interest and similar income	2,275	1,246
Interest and similar expenses	(16,413)	(19,070)
Interest result	(14,138)	(17,824)

The financial result changed mainly due to the valuation of the option component of the purchase price of the 25 percent share in Dräger Medical AG & Co. KG in the previous year. In the first half of 2010, a total of EUR 3,926 thousand was recognized as expenses under “Other financial result” to cover this.

7 INCOME TAXES

Income taxes for the first half of 2011 were calculated on the basis of an anticipated group tax rate of 33 percent (6 months 2010: 36 percent).

8 NON-CURRENT ASSETS (SELECTED ITEMS)

NON-CURRENT ASSETS (SELECTED ITEMS)

	Carrying value January 1, 2011	Additions	Disposals/ other changes	Depreciation/ amortization	Carrying value June 30, 2011
Intangible assets	277,351	2,755	(1,460)	3,904	274,742
Property, plant and equipment	253,715	27,917	(3,914)	22,471	255,247

Additions included EUR 5,586 thousand (net of an allowance for investment costs of EUR 741 thousand) for the completion of the new production and logistics building for the Infrastructure Projects business of the medical division in Lübeck.

9 INVENTORIES

INVENTORIES

	June 30, 2011	December 31, 2010
Finished goods and merchandise	180,142	170,488
Work in progress	70,331	60,318
Raw materials, consumables and supplies	99,004	98,872
Payments made	12,679	26,988
	362,156	356,666

Dräger Group's inventories increased by EUR 5,490 thousand in the first half of 2011, mainly due to the high volume of orders on hand. Compared to June 30, 2010, inventories dropped by EUR 7,516 thousand.

10 OTHER CURRENT ASSETS

OTHER CURRENT ASSETS

	June 30, 2011	December 31, 2010
Prepaid expenses	25,069	21,118
Other tax refund claims	22,189	16,865
Other current assets	19,140	12,482
	66,398	50,465

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

11 OTHER NON-CURRENT AND CURRENT PROVISIONS

Other non-current provisions as of June 30, 2011, mainly comprised provisions for personnel obligations of EUR 24,893 thousand (December 31, 2010: EUR 23,913 thousand).

Other current provisions as of June 30, 2011, also included monthly accruals and chiefly consisted of provisions for personnel obligations of EUR 56,035 thousand (December 31, 2010: EUR 83,710 thousand), and warranty provisions of EUR 36,548 thousand (December 31, 2010: EUR 40,130 thousand).

12 NON-CURRENT INTEREST-BEARING LOANS

Long-term interest-bearing loans increased compared to December 31, 2010, primarily due to a bank loan of EUR 10,800 thousand taken out for the construction of a new production and logistics building for the Infrastructure Projects business.

13 TRADE PAYABLES

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

14 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

	June 30, 2011	December 31, 2010
Guarantees	7,709	7,709

Guarantees were given as part of phased retirement agreements.

15 RELATED-PARTY TRANSACTIONS

Services were rendered for companies related to Stefan Dräger and for the Dräger Foundation totaling EUR 16 thousand in the first half of 2011. In the first half of 2010, refunds were issued for EUR 15 thousand net overpayments for services rendered in 2009 and services were rendered to the amount of EUR 4 thousand. Claudia Dräger, Stefan Dräger's wife, is an employee of Drägerwerk AG & Co. KGaA.

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

Lübeck, Germany, July 27, 2011

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

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

Management compliance statement

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

Lübeck, Germany, July 27, 2011

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

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

FINANCIAL CALENDAR

Report as of June 30, 2011, conference call, Lübeck	August 4, 2011
Report as of September 30, 2011, conference call, Lübeck	November 3, 2011
Annual shareholders' meeting, Lübeck	May 4, 2012

Drägerwerk AG & Co. KGaA

Moislinger Allee 53 – 55
23558 Lübeck, Germany
www.draeger.com

Corporate Communications

Tel. +49 451 882-3998
Fax +49 451 882-3944

Investor Relations

Tel. +49 451 882-2685
Fax +49 451 882-3296