Dräger

Half-yearly financial report
January 1 to June 30, 2012
Dräger Group

Dräger. Technology for Life®

THE DRÄGER GROUP OVER THE PAST FIVE YEARS

		Six months 2008	Six months 2009	Six months 2010	Six months 2011	Six months 2012	Change on 2011 in %
Order intake	€ million	954.5	932.8	1.048.9	1.109.1	1.139.3	+2.7
Orders on hand [1]	€ million	494.9	439.5	496.5	484.4	524.5	+8.3
Net sales	€ million	863.5	893.9	1.016.7	1.033.3	1.072.7	+3.8
EBITDA [2]	€ million	86.4	46.0	128.8	120.8	124.9	+3.4
EBIT [3]	€ million	47.6	15.1	102.6	94.5	93.7	–0.8
in % of net sales (EBIT margin)	%	5.5	1.7	10.1	9.1	8.7	–4.4
Interest result	€ million	–12.6	–14.5	–17.8	–14.1	–17.2	+21.5
Income taxes	€ million	–11.7	0.7	–28.9	–26.6	–23.4	–12.0
Earnings after income taxes	€ million	23.3	1.3	55.9	53.7	53.1	–1.1
of which attributable to shareholders	€ million	14.9	–1.8	47.4	46.3	50.1	+8.2
Earnings per share [4]							
per preferred share	€	1.18	–0.13	3.75	2.82	3.06	+8.5
per common share	€	1.15	–0.16	3.72	2.79	3.03	+8.6
Earnings per share on full distribution [5]							
per preferred share	€	0.84	–0.01	2.53	2.02	2.33	+15.3
per common share	€	0.81	–0.04	2.50	1.99	2.30	+15.6
Equity [1]	€ million	535.2	543.5	578.2	640.6	701.5	+9.5
Equity ratio [1]	%	33.8	31.6	29.3	34.0	34.3	
Capital employed [1, 6]	€ million	960.5	944.6	952.4	903.3	917.8	+1.6
EBIT [3, 7] / capital employed [1, 6] (ROCE)	%	12.6	7.8	17.6	20.4	23.2	
Net financial debt [1, 8]	€ million	279.0	256.3	350.1	153.9	143.5	–6.8
DVA [9]	€ million	36.4	–13.2	91.3	104.3	133.5	+28.0
Headcount [1]		10.697	11.027	11.139	11.598	12.279	+5.9

[1] Value as of June 30
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = Earnings before net interest result and income taxes
[4] On the basis of the expected dividend
[5] Based on an imputed actual full distribution of earnings attributable to shareholders
[6] Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest bearing liabilities
[7] EBIT of the last twelve months
[8] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Previous year's figures were adjusted accordingly.
[9] Dräger Value Added = EBIT of the last twelve months less cost of capital

TO OUR SHAREHOLDERS

MANAGEMENT REPORT

INTERIM FINANCIAL STATEMENTS OF THE DRÄGER GROUP AS OF JUNE 30, 2012

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

Letter from the Executive Board Chairman

Dear Shareholders,

The global economic uncertainties at the epicenters of global economic growth, the sovereign debt crisis in the eurozone, the discussions about the future of the euro, the restrictive investment policies of European governments – all these topics have been affecting us, like many others, in the second quarter. But we are nevertheless on target with both net sales and earnings performance. We remain confident that our Group EBIT margin will reach between 8.0 percent and 9.5 percent and that we will grow at least at the pace of global economic growth in 2012 (IMF July 2012 forecast: +3.5 percent). This is an ambitious figure considering around 67 percent of our net sales are generated in Europe. The weight of strong-growing regions such as Asia / Pacific is presently still significantly lower than that of Europe. At first glance it appears that we almost managed to hit the target: without currency adjustments, order intake rose by 2.7 percent and net sales by 3.8 percent and the gross margin showed a positive development, reaching 50.1 percent. At 8.7 percent, the EBIT margin is also within our target bandwidth. It comes as no surprise that we here did not manage an increase here as we significantly upped our investments in research and development in the first half of the year, as previously announced, and also increased our IT investments. We are also aware that we have profited extensively from the weakness of the euro. Net of currency effects, order intake and net sales exceed their prior-year figures only marginally and fall short of expected global economic growth. In view of these developments, there remains a lot to be done in the second half of the year – especially as we will be again considerably increasing our spending on new products and services year-on-year during this period. We believe that this is the right path to take as our efforts today will secure our competitive advantage in the future.

Our solid financing provides us with the necessary leeway to make very determined investment decisions. We have emerged from the financial crisis and successful turnaround stronger than ever: we had almost no debt at the end of 2011. But we were not satisfied with that – we used the past months to simplify and improve our capital structure. Even after successfully buying back 41.1 percent of our participation certificates, our equity ratio came to 34.3 percent, almost the same figure as on December 31, 2011. At the same time, capital efficiency increased considerably for the third year in a row. At 23.2 percent, return on capital employed (ROCE) was up 5.6 percentage points on the figure at the end of June 2010.

Even though our environment is challenging, we are confident that we will meet our targets in the second half of the year. Far more important, however, is that we aim to grow faster than the global economy in the coming years, and for that we are laying the foundations today. Dräger has been reaching this target in the past 30 years with average annual growth of 8 percent. What makes us so confident that we will continue to grow at a faster pace than the global economy?

We have chosen the right markets for our business. These are marked by diversity –in terms of geography, industries and customer segments, products and their applications as well as in terms of business mechanisms. This diversity, which we are expanding with specifically targeted investments, strengthens our already robust business model. “Technology for Life” is indispensable, even in a difficult environment. And “Technology for Life” is sophisticated. The market entry barriers are therefore high for any potential new competitors. But it would be foolish to feel entirely safe. This is why we are continuously developing and improving our organization by thinking, acting and learning in ever more globally networked terms.

Our primary objective is simple: to become and remain first choice world-wide. This objective defines the way we work: close to the customer, attentive, precise, quick, localized and independent of hierarchies. Our functional organization must make it possible to live these values if we want to fully make full use of the capabilities of our employees. And that is what we are aiming for.

Best regards,

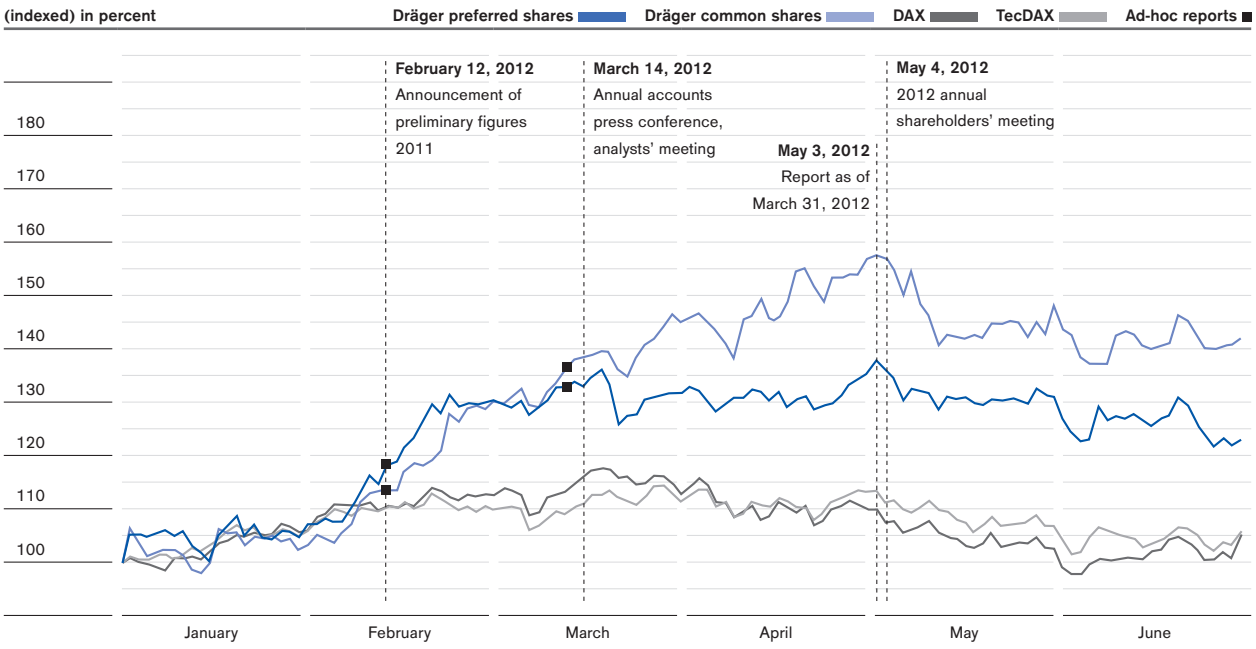
Stefan Dräger

Dräger shares

SHARE PRICE DEVELOPMENTS

The share indices DAX (+6 percent) and TecDAX (+6 percent) developed positively in the first half of 2012 despite the continuing uncertainties in the market regarding future global economic performance. Dräger common shares (+42 percent) and Dräger preferred shares (+23 percent) clearly outperformed the benchmark indices DAX and TecDAX in this period.

SHARE PRICE DEVELOPMENT IN THE FIRST SIX MONTHS OF 2012



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 2012	Six months 2011
Common share [1]		
No. of shares on the reporting date	10,160,000	10,160,000
High (in €)	77.30	64.50
Low (in €)	48.41	48.00
Share price on the reporting date (in €)	69.73	61.50
Average daily trading volume [2]	4,097	6,657
Earnings per common share (in €)		
Undiluted (in €)	3.03	2.79
Diluted (in €)	2.97	2.78
Earnings per common share on full distribution (in €) [3]		
Undiluted (in €)	2.30	1.99
Diluted (in €)	2.28	1.96
Preferred share		
No. of shares on the reporting date	6,350,000	6,350,000
High (in €)	87.15	79.78
Low (in €)	63.55	57.05
Share price on the reporting date (in €)	77.80	77.00
Average daily trading volume [2]	34,107	26,356
Earnings per preferred share (in €)		
Undiluted (in €)	3.06	2.82
Diluted (in €)	3.00	2.81
Earnings per preferred share on full distribution (in €) [3]		
Undiluted (in €)	2.33	2.02
Diluted (in €)	2.31	1.99
Market capitalization	1,202,486,800	1,113,790,000

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

ANNUAL SHAREHOLDERS' MEETING

482 preferred and common shareholders attended the annual shareholders' meeting of Drägerwerk AG & Co. KGaA on May 4, 2012 at the Lübeck Music and Congress Center. In total, 87.94 percent of the Company's common shares and 17.61 percent of its preferred shares were represented. The annual shareholder's meeting authorized the Executive Board of Drägerwerk Verwaltungs AG, until May 3, 2017 and upon consent of the Supervisory Board, to acquire up to 10 percent in own shares of both types (common and/or preferred shares) and to use them for all legal purposes.

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

REDEMPTION OF ACQUIRED PARTICIPATION CERTIFICATES

By resolution dated April 16, 2012 and after the buyback of 41.1 percent of the participation certificates, the Executive Board of Drägerwerk Verwaltungs AG redeemed the acquired participation certificates. After the redemption, a further 831,951 participation certificates are still outstanding, of which 195,245 pertain to series A, 69,887 to series K and 566,819 to series D.

PARTS OF PRODUCTION TRANSFERRED TO THE CZECH REPUBLIC

In June 2012, we decided to start producing respiratory protection masks and chemical protection suits at our existing production site in Chomutov, Czech Republic. The 83 employees in Lübeck will be offered similar positions in other areas of the Company in Lübeck. For many years now, we have been focusing on producing complex products and system solutions at this site. The move of respirator protection mask and chemical protection suit production to the Czech Republic will start at the end of 2013 and is scheduled for completion by the end of 2015.

General economic conditions

ECONOMIC DATA WEAKENS AGAIN

The global economy remains on its growth path. At the same time, however, uncertainty is increasing on the back of previous global economic drivers like China and India seeing their growth rates decline recently. Developments on the US labor market have been disappointing of late and the US Federal Reserve (Fed) lowered its 2012 growth forecast by half a percentage point in June. The economic situation in Europe remains divided. While Germany, supported by exports and solid domestic demand, is still growing slightly and employment is still rising, demand is dropping, especially in many South European countries, where the economy continues shrinking and unemployment figures are already high.

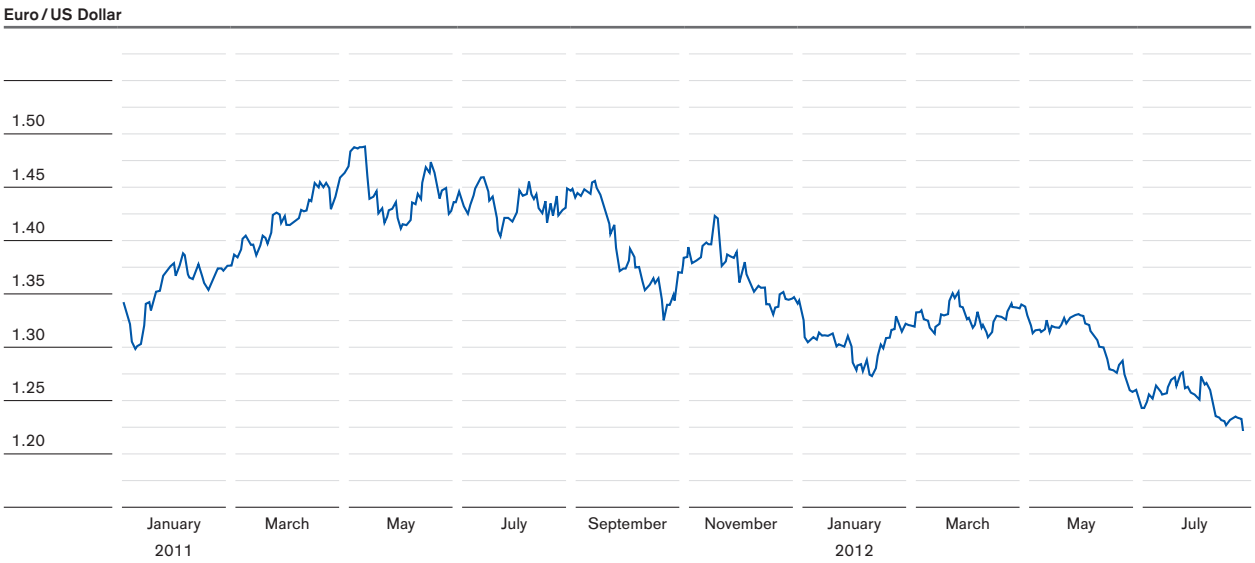
In Europe, the period of calm on the financial markets, which had been largely brought about by the European Central Bank's (ECB) generous liquidity supplies to banks at the beginning of the year, ended abruptly in May. Germany is able to place bonds with historically low interest rates, but the South European countries now have to pay consider-

ably higher interest rates again for their bonds. The increased probability of Greece exiting the euro, the banking crisis in Spain and the downgrading of Italy are having a grip on the financial markets.

After a short period of recovery at the beginning of the year, the euro lost significantly against the US dollar and also the Japanese yen on account of these developments. At the beginning of July, the nominal effective exchange rate of the euro – measured by the currencies of 20 of the most important trading partners in the eurozone – was 3.6 percent down on the level at the end of March 2012 and 6.4 percent below its average value in the prior year.

The sentiment indicators have now also deteriorated in Germany. The Ifo Business Climate Index, for instance, dropped three months in a row recently and business forecasts, in particular, are subjected to critical examinations. In June, the ZEW (Zentrum für Europäische Wirtschaftsforschung – Centre for European Economic Research) barometer for economic expectations plummeted as sharply as last in October 1998 and continued dropping in July.

EXCHANGE RATE DEVELOPMENTS



Source: VWD (Vereinigte Wirtschaftsdienste)

POLITICAL SECTOR AND CENTRAL BANKS ARE TAKING ACTION

The political sector and the central banks are attempting to provide additional economic stimuli and prevent turbulence in the financial markets. The European Fiscal Pact was introduced and the European Stability Mechanism (ESM) implemented in the eurozone. At the end of June, the heads of countries and governments in the European Union (EU) also agreed on a growth pact and the option to supply banks with capital directly via the ESM. The establishment of a European banking supervisory authority is one of the measures to be implemented for this purpose. The ECB lowered its key interest rate by 0.25 percentage points to a record low of 0.75 percent. At the same time, the interest rate for overnight deposits at the ECB was reduced to 0 percent to give an incentive to banks to increase their lending among one another. The US Fed announced at the end of June that it will spend another USD 267 billion on "Operation Twist", during which short-term bonds in the Fed portfolio are replaced with long-term bonds. This measure aims to reduce long-term interest rates and keep them low. The Chinese central bank lowered its key interest rate by 0.25 percentage points in June and by a further 0.31 percentage points at the beginning of July to now 6 percent. The Indian and Brazilian central banks had previously already lowered their key interest rates. The drop in raw materials and especially oil prices already resulted in lower inflation rates, thus opening up leeway for monetary measures at the central banks. In addition, the low energy costs had a positive effect on consumers' purchasing power and the cost situation in the industrial sector. The low euro exchange rate increased the competitiveness of companies in the eurozone.

MEDICAL DIVISION – INDUSTRY PERFORMANCE

The positive global performance of the medical technology markets continued in the second quarter of 2012 with variations in different regions. In Germany and Central Europe, demand for medical technology continued its stable development. In North Europe, developments carried a lot of momentum on the back of replacement investments. In South Europe, on the other hand, the stagnation and / or drop in investments on account of the financial crisis continued to reduce medical technology purchases. The Americas region also showed regional variations. Demand in the US was slow and developments in South America had slightly less momentum than in prior years. Asian countries such as China and Indonesia continued their positive performance despite a slight economic slowdown. The countries in the Middle East continued to invest extensively in their healthcare systems.

SAFETY DIVISION – INDUSTRY PERFORMANCE

Demand for safety technology products remained largely stable in the past quarter. The regions recorded varying performances, however. Demand from the German industrial

sector, which is primarily focused on exports, developed slightly positively, while demand dropped in South Europe. The Americas region also provided an inconsistent picture. US industrial demand rose slightly, whereas in Brazil, for instance, investment activities declined. Demand in Asia continued to develop positively overall despite a slight economic slowdown in India and China.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

				Second quarter			Six months
		Second quarter 2012	Second quarter 2011	Change in %	Six months 2012	Six months 2011	Change in %
Order intake	**€ million**	**588.4**	**555.5**	**+5.9**	**1,139.3**	**1,109.1**	**+2.7**
Orders on hand [1]	**€ million**	**524.5**	**484.4**	**+8.3**	**524.5**	**484.4**	**+8.3**
Net sales	**€ million**	**543.4**	**533.1**	**+1.9**	**1,072.7**	**1,033.3**	**+3.8**
EBITDA [2]	**€ million**	**63.1**	**65.4**	**–3.5**	**124.9**	**120.8**	**+3.4**
Depreciation and amortization	€ million	–16.2	–13.5	+19.6	–31.2	–26.4	+18.3
EBIT [3]	**€ million**	**47.0**	**51.9**	**–9.5**	**93.7**	**94.5**	**–0.8**
Interest result	€ million	–7.3	–7.1	+3.2	–17.2	–14.1	+21.5
Income taxes	€ million	–12.0	–14.4	–16.4	–23.4	–26.6	–12.0
Earnings after income taxes	**€ million**	**27.7**	**30.4**	**–9.1**	**53.1**	**53.7**	**–1.1**
Earnings per share [4]							
per preferred share	€	1.58	1.60	–1.3	3.06	2.82	+8.5
per common share	€	1.57	1.59	–1.3	3.03	2.79	+8.6
Earnings per share on full distribution [5]							
per preferred share	€	1.21	1.14	+6.1	2.33	2.02	+15.3
per common share	€	1.20	1.13	+6.2	2.30	1.99	+15.6
R&D costs	€ million	47.6	38.8	+22.6	93.8	76.5	+22.7
Equity ratio [1]	%	34.3	34.0		34.3	34.0	
Cash flow from operating activities [6]	€ million	12.8	21.1	–39.2	48.7	14.7	+230.4
Net financial debt [1]	€ million	143.5	153.9	–6.8	143.5	153.9	–6.8
Investments [6]	€ million	20.9	13.9	+50.6	33.9	33.0	+2.7
Capital employed [1, 7]	€ million	917.8	903.3	+1.6	917.8	903.3	+1.6
Net working capital [1, 8]	€ million	398.5	388.2	+2.7	398.5	388.2	+2.7
EBIT [3] / net sales	%	8.6	9.7		8.7	9.1	
EBIT [3, 9] / capital employed [1, 7] (ROCE)	%	23.2	20.4		23.2	20.4	
Net financial debt [1] / EBITDA [2, 10]	Factor	0.52	0.56		0.52	0.56	
Gearing [11]	Factor	0.20	0.24		0.20	0.24	
DVA [12]	€ million	133.5	104.3	+28.0	133.5	104.3	+28.0
Headcount [1]		12,279	11,598	+5.9	12,279	11,598	+5.9

1 Value as of June 30
2 EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
3 EBIT = Earnings before net interest result and income taxes
4 On the basis of the expected dividend
5 Based on an imputed actual full distribution of earnings attributable to shareholders
6 Rental equipment is recognized in property, plant and equipment. The prior year figures were adjusted accordingly.
7 Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-bearing liabilities
8 Net working capital = Current, non-interest bearing assets less current, non-interest bearing debt
9 EBIT of the last twelve months
10 EBITDA of the last twelve months
11 Gearing = Net financial debt / equity
12 Dräger Value Added = EBIT of the last twelve months less cost of capital

Business performance of the dräger group

ORDER INTAKE

	Second quarter				Six months			
€ million	Second quarter 2012	Second quarter 2011	Change in %	Net of currency effects in %	Six months 2012	Six months 2011	Change in %	Net of currency effects in %
Germany	114.6	111.4	+2.9	+2.9	231.2	227.6	+1.5	+1.5
Rest of Europe	209.0	224.9	–7.1	–7.6	402.1	411.9	–2.4	–2.9
Americas	122.6	103.2	+18.8	+11.4	218.1	223.6	–2.4	–7.1
Asia / Pacific	99.8	82.8	+20.5	+8.7	201.0	166.7	+20.6	+10.8
Other	42.5	33.2	+28.0	+26.2	86.9	79.3	+9.6	+8.8
Total	**588.4**	**555.5**	**+5.9**	**+2.5**	**1.139.3**	**1.109.1**	**+2.7**	**+0.1**

Order intake increased by 2.5 percent (net of currency effects) year-on-year in the second quarter. This growth is based on a steep rise in the medical division (+5.1 percent). Order intake in the safety division, on the other hand, declined by 1.7 percent. After six months, order intake of the Group as well as both divisions was on par with the prior-year figures (net of currency effects).

In terms of products, order intake grew in the second quarter of 2012, particularly in the Ventilation and Lifecycle Solutions as well as Gas Detection Devices business. The Monitoring, Systems and IT as well as Infrastructure Projects business of the medical division and Engineered Solutions in the safety division performed more weakly.

We managed to significantly increase our performance in the Americas region again in the second quarter with order intake rising by 11.4 percent (net of currency effects). We had recorded a decline in the first quarter on account of large orders in the prior-year quarter.

Performance in the Asia / Pacific region was particularly positive. In the second quarter of 2012, strong demand for medical technology products, especially in Japan, China, Vietnam and Singapore, led to a steep rise in order intake. Order intake in the Other Countries region increased, primarily on account of positive developments in Saudi Arabia in the medical division.

ORDERS ON HAND

€ million	June 30, 2012	June 30, 2011	Change in %	Net of currency effects in %
Germany	84.4	82.5	+2.3	+2.3
Rest of Europe	179.2	188.3	–4.8	–5.1
Americas	107.4	101.3	+6.1	+0.2
Asia / Pacific	98.4	72.1	+36.5	+23.3
Other	55.1	40.3	+36.7	+32.9
Total	**524.5**	**484.4**	**+8.3**	**+4.7**

Orders on hand came to EUR 524.5 million on June 30, 2012, 4.7 percent (net of currency effects) up year-on-year. Orders on hand in the medical division increased by 10.5 percent (net of currency effects). Orders from Singapore and Saudi Arabia, in particular, were the main reason behind this rise. Orders on hand in the safety division were 6.6 percent (net of currency effects) down on the prior year. Orders on hand as of June 30, 2011 had been affected by a project for deep sea diving systems.

On June 30, 2012, equipment orders on hand covered a 2.7 month period (June 30, 2011: 2.7 months). This key figure is based on the average net sales of the previous twelve months respectively.

NET SALES

	Second quarter				Six months			
€ million	Second quarter 2012	Second quarter 2011	Change in %	Net of currency effects in %	Six months 2012	Six months 2011	Change in %	Net of currency effects in %
Germany	112.1	115.8	–3.3	–3.3	213.6	215.7	–1.0	–1.0
Rest of Europe	186.8	198.3	–5.8	–6.5	375.4	370.6	+1.3	+0.6
Americas	105.7	102.8	+2.8	–5.7	208.2	214.7	–3.0	–8.5
Asia / Pacific	91.9	78.7	+16.7	+4.7	191.8	162.9	+17.7	+7.8
Other	47.0	37.4	+25.6	+24.6	83.7	69.4	+20.6	+20.4
Total	**543.4**	**533.1**	**+1.9**	**–1.8**	**1,072.7**	**1,033.3**	**+3.8**	**+0.8**

Net sales in the first half of 2012 were 0.8 percent up on the prior year despite net sales dropping by 1.8 percent (net of currency effects) in the second quarter of 2012.

Net sales declined, net of currency effects, by roughly the same level in both divisions in the second quarter of 2012. The Americas and Rest of Europe regions recorded the steepest drop. The decline in the Americas region was due to developments in the medical division. Strong net sales in the US and Mexico in the second quarter of 2011 could not be repeated in the past quarter. The drop in net sales in the Rest of Europe region is primarily caused by weaker net sales in Southern Europe. In addition, several large orders in the safety division had been delivered in the prior-year quarter. Net sales in the Other Countries region rose steeply, mainly on account of the positive development in Saudi Arabia described in the order intake section.

EARNINGS

In the first half of 2012, gross profit increased by EUR 24.0 million to EUR 537.7 million, proportionately slightly more than net sales. The gross margin was 50.1 percent, 0.4 percentage points up on the prior year. Increased net sales, mix and margin effects as well as positive currency effects all contributed to this development. While the margin rose in the safety division, due to factors such as the product mix shifting to higher-margin products, the margin in the medical division fell slightly. The drop in margin in this division is primarily due to large lower-margin projects and a slight change in product mix.

In the first half of 2012, functional costs rose by 6.1 percent compared to the prior-year figure, the main reason being a rise in research and development costs of 22.7 percent. This increase resulted from additional expenditure for new product developments and investments in order to achieve RoHS [1] compatibility for the existing product portfolio. The research and development (R&D) ratio therefore went up to 8.7 percent of net sales (6 months 2011: 7.4 percent). Increased expenditure to strenghten the sales structure in growth markets also contributed to the rise in costs. Personnel expenses went up considerably by 8.7 percent not only for growth related headcount increases, but also due to pay rises in accordance with wage agreements. The changes in exchange rates compared to the euro also had a negative effect on functional costs.

The other financial result increased earnings by EUR 0.2 million (6 months 2011: EUR –0.7 million).

Overall, the Group generated Group earnings before interest and taxes (EBIT) of EUR 93.7 million (6 months 2011: EUR 94.5 million). The EBIT margin fell from 9.1 percent in the previous year to 8.7 percent.

The interest result decreased by EUR 3.1 million to EUR 17.2 million year-on-year. The buyback of participation certificates, in particular, impacted the interest result in the

[1] EC directive: Restrictions of the use of certain hazardous substances in electrical and electronic equipment

first quarter. Compared to the prior year, the effective tax rate decreased to 30.6 percent (6 months 2011: 33.2 percent). Especially the above-average earnings growth in Germany had a positive impact on the Group tax rate.

Earnings after income taxes amounted to EUR 53.1 million, down 1.1 percent on the prior-year period (6 months 2011: EUR 53.7 million).

INVESTMENTS

In the first half of 2012, Dräger invested EUR 3.3 million (6 months 2011: EUR 2.8 million) in intangible assets and EUR 30.6 million in property, plant and equipment (6 months 2011: EUR 30.3 million). These investments mainly pertained to replacements, an increase in equipment for rental and the modernization of the IT infrastructure. Depreciation and amortization totaled EUR 31.2 million in the first half of 2012 (6 months 2011: EUR 26.4 million) and covered up to 108.7 percent of investments, meaning that non-current assets increased by EUR 2.7 million net.

CASH FLOW STATEMENT

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

In the first half of 2012, the Dräger Group generated cash inflow from operating activities of EUR 48.7 million (6 months 2011: EUR 14.7 million). The greater reduction in trade receivables of EUR 85.0 million (6 months 2011: EUR 21.6 million) was the main contributor to this development. In addition, earnings after income taxes, adjusted for write-downs, changes to provisions not recognized in income as well as other earnings/expenses not affecting profit and loss, increased by EUR 7.4 million to EUR 74.9 million. The rise in inventories to the amount of EUR 47.7 million (6 months 2011: EUR 14.7 million) and the increase in other assets to the amount of EUR 35.0 million (6 months 2011: EUR 15.9 million) had an offsetting effect.

Cash inflow from operating activities includes EUR 21.8 million in income taxes paid (6 months 2011: EUR 31.5 million), EUR 3.2 million in interest received (6 months 2011: EUR 2.2 million) and EUR 16.3 million in interest paid (6 months 2011: EUR 8.0 million).

Cash outflow from investing activities of EUR 28.7 million (6 months 2011: EUR 30.2 million) decreased slightly, one of the reasons being that last year's investment volume of EUR 5.1 million included the investment in the new production and logistics building for the Infrastructure Projects business in Lübeck, which was under construction at the

time. Further investments in this project to the amount of EUR 0.5 million did not effect cash in the prior year.

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

Cash and cash equivalents as of June 30, 2012 comprised cash, of which EUR 11.8 million (June 30, 2011: EUR 11.9 million) was subject to restrictions.

Financial management

BORROWING

Dräger focuses on preferred and common shares as equity instruments. In total, we bought back around 41 percent of the participation certificates for EUR 122.1 million and redeemed them afterwards. This measure improved the capital structure compared to the past fiscal year. Earnings per share, based on the financial statements for the first half of 2012, went up year-on-year.

NET ASSETS

Equity fell by EUR 28.1 million to EUR 701.5 million in the first half of 2012. This drop is due to the buyback of the participation certificates in March, which decreased equity by EUR 87.5 million. Retained profits partially offset this effect. The equity ratio went down slightly to 34.3 percent as of June 30, 2012 (December 31, 2011: 34.5 percent).

Total assets decreased by EUR 72.5 million to EUR 2,042.7 million in the first half of 2012. Cash and cash equivalents dropped by EUR 104.4 million and trade receivables by EUR 79.8 million. This was only partially offset by inventories rising by EUR 49.9 million, deferred tax assets by EUR 21.9 million, other current assets by EUR 18.7 million and current tax receivables by EUR 15.2 million. On the liabilities side, trade payables, in particular, went down (EUR –31.9 million) as well as equity (EUR –28.1 million).

As of June 30, 2012, Dräger Value Added (DVA) came to EUR 133.5 million (June 30, 2011: EUR 104.3 million), corresponding to a rise of 28.0 percent year-on-year. In comparison to the corresponding period, cost of capital was lower by 1.0 percent through reduced average capital employed. However, the main driver for the increase was the improved EBIT in the second half of 2011.

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Second quarter			Six months		
		Second quarter 2012	Second quarter 2011	Change in %	Six months 2012	Six months 2011	Change in %
Order intake	**€ million**	**387.1**	**356.7**	**+8.5**	**735.7**	**713.9**	**+3.1**
Orders on hand [1]	**€ million**	**369.7**	**323.4**	**+14.3**	**369.7**	**323.4**	**+14.3**
Net sales	**€ million**	**348.0**	**341.4**	**+1.9**	**685.7**	**663.0**	**+3.4**
EBITDA [2]	**€ million**	**38.8**	**45.3**	**–14.5**	**73.3**	**81.4**	**–10.0**
Depreciation and amortization	€ million	–6.6	–6.0	+9.5	–12.9	–11.5	+12.9
EBIT [3]	**€ million**	**32.2**	**39.3**	**–18.2**	**60.3**	**69.9**	**–13.7**
R&D costs	€ million	33.3	25.7	+29.4	65.0	52.1	+24.7
Cash flow from operating activities [4]	€ million	12.2	24.0	–49.2	39.5	33.1	+19.4
Investments [4]	€ million	6.7	6.5	+3.4	11.1	17.6	–36.6
Capital employed [1,5]	€ million	563.2	541.1	+4.1	563.2	541.1	+4.1
Net working capital [1,6]	€ million	293.2	273.4	+7.3	293.2	273.4	+7.3
EBIT [3] / net sales	%	9.2	11.5		8.8	10.5	
EBIT [3,7] / capital employed [1,4] (ROCE)	%	32.4	30.2		32.4	30.2	
DVA [8]	€ million	133.6	114.6	+16.6	133.6	114.6	+16.6
Headcount [1]		6,851	6,538	+4.8	6,851	6,538	+4.8

[1] Value as of June 30
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = Earnings before net interest result and income taxes
[4] Rental equipment is recognized in property, plant and equipment. The prior year figures were adjusted accordingly.
[5] Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest bearing liabilities
[6] Net working capital = Current, non-interest bearing assets less current, non-interest bearing debt
[7] EBIT of the last twelve months
[8] Dräger Value Added = EBIT of the last twelve months less cost of capital

Business performance of the medical division

ORDER INTAKE

	Second quarter				Six months			
€ million	Second quarter 2012	Second quarter 2011	Change in %	Net of currency effects in %	Six months 2012	Six months 2011	Change in %	Net of currency effects in %
Germany	73.4	75.6	–2.9	–2.9	154.4	157.8	–2.2	–2.2
Rest of Europe	129.0	137.3	–6.1	–6.3	238.2	245.7	–3.0	–3.3
Americas	88.1	71.3	+23.5	+16.7	153.0	160.9	–4.9	–9.1
Asia / Pacific	64.2	49.4	+29.9	+16.8	122.5	97.2	+26.1	+15.8
Other	32.4	23.1	+40.3	+37.7	67.5	52.3	+29.1	+27.5
Total	**387.1**	**356.7**	**+8.5**	**+5.1**	**735.7**	**713.9**	**+3.1**	**+0.5**

In the second quarter of 2012, order intake in the medical division was up 5.1 percent (net of currency effects) year-on-year, due to factors such as large orders from Russia, Saudi Arabia, Brazil and Japan. Order intake increased by 0.5 percent (net of currency effects) in the first half of 2012.

In terms of products, order intake grew the most strongly in Ventilation due to large orders from Russia and South America, among other things. We also recorded positive growth in Lifecycle Solutions. The order volume went down year-on-year in Monitoring, Systems and IT as well as Infrastructure Projects, which slightly slowed order intake growth.

Order intake in Germany was down slightly year-on-year in the second quarter of 2012. Strong growth in Anesthesia was unable to fully offset decreases in Monitoring, Systems and IT as well as Infrastructure Projects.

The order volume in the Rest of Europe region was lower year-on-year. Order intake in Poland and the Netherlands, in particular, dropped on account of a strong prior-year quarter. Very high order intake from Russia only partially offset this effect.

In the second quarter of 2012, we received a significantly higher number of orders from the Americas region than in the prior year, the main reasons being strong order intake in South America, particularly in Brazil, as well as a 7.7 percent (net of currency effects) rise in the US order volume. Lifecycle Solutions was the main driver behind the rise in

the US. In Brazil, order intake also increased considerably in this business area but growth in order volume for ventilators was even greater.

Order intake in the Asia / Pacific region also increased significantly compared to the prior-year quarter. Especially in Japan, the order situation recovered after a decline on account of the natural and nuclear disaster in the prior year. We also recorded positive growth in China, Vietnam, Singapore and India.

Order intake in the Other Countries region soared year-on-year in the second quarter of 2012, primarily on account of large orders from the Saudi Arabian Ministry of Health.

ORDERS ON HAND

€ million	June 30, 2012	June 30, 2011	Change in %	Net of currency effects in %
Germany	49.6	52.6	–5.6	–5.6
Rest of Europe	120.8	118.3	+2.2	+2.4
Americas	93.4	84.6	+10.4	+4.0
Asia / Pacific	62.9	43.4	+45.0	+30.9
Other	43.0	24.6	+74.8	+69.3
Total	**369.7**	**323.4**	**+14.3**	**+10.5**

On June 30, 2012, orders on hand were EUR 369.7 million, up 10.5 percent (net of currency effects) on the prior-year figure (June 30, 2011: EUR 323.4 million). The considerable increase in orders on hand in the Asia / Pacific region is due to factors such as orders for Infrastructure Projects in Singapore as well as the steep rise in order intake in Japan. Orders on hand went up in the Other Countries region, mainly on account of the orders from Saudi Arabia.

Equipment orders on hand covered a 2.9 month period (June 30, 2011: 2.8 months) – based on the average net sales over the past twelve months.

NET SALES

	Second quarter				Six months			
€ million	Second quarter 2012	Second quarter 2011	Change in %	Net of currency effects in %	Six months 2012	Six months 2011	Change in %	Net of currency effects in %
Germany	76.9	83.1	–7.5	–7.5	145.9	151.6	–3.8	–3.8
Rest of Europe	107.3	111.9	–4.1	–4.7	214.2	211.7	+1.2	+0.6
Americas	71.2	71.8	–0.9	–9.2	142.9	148.0	–3.4	–8.9
Asia / Pacific	58.0	48.3	+19.9	+7.0	121.5	102.0	+19.1	+8.9
Other	34.7	26.2	+32.6	+31.2	61.2	49.7	+23.1	+22.5
Total	**348.0**	**341.4**	**+1.9**	**–1.9**	**685.7**	**663.0**	**+3.4**	**+0.4**

Net sales decreased by 1.9 percent (net of currency effects) in the second quarter of 2012 and were on par (net of currency effects) with the prior-year level of in the first half of 2012 (+0.4 percent).

Net sales in Lifecycle Solutions increased considerably year-on-year in the second quarter of 2012. We recorded positive growth in both our Service and Accessories business. Net sales in Neonatal Care also grew due to the delivery of the second part of a large order for warming therapy in Iraq. This growth, however, was unable to fully offset net sales declines in Monitoring, Systems and IT as well as Infrastructure Projects and Anesthesia.

In Germany, net sales in the medical division fell year-on-year in the second quarter of 2012. Like order intake, net sales also declined in Infrastructure Projects as well as Monitoring, Systems and IT.

The drop in net sales in the Rest of Europe region was primarily caused by weaker net sales in the wake of the financial crisis in southern Europe, especially in Spain. Net sales in Great Britain, on the other hand, developed positively after a weak prior year.

Net sales in the Americas region in the second quarter of 2012 fell steeply (net of currency effects) compared to the second quarter of the prior year. Relatively strong net sales in the US and Mexico in the prior-year quarter could not be repeated in the second quarter of 2012. In the US, net sales decreased by 11.0 percent (net of currency effects).

Net sales in the Asia / Pacific region in the second quarter of 2012 were up considerably on the prior year (also net of currency effects), the main driver being increased net sales in Japan and Australia, where the markets have recovered again after the natural disasters in the prior year.

As in the case of order intake, our strong net sales growth in the Other Countries region was mainly due to the orders from Saudi Arabia.

EARNINGS

The gross margin of the medical division was slightly down on the prior year in the first half of 2012 (–0.3 percentage points). The effects of large projects with relatively low margins and changes in the product mix were not fully offset by positive currency effects.

Functional costs were up year-on-year, which had an additional negative impact on the EBIT margin. Higher costs for research and development as well as marketing and sales are expected to support future growth.

Research and development expenses rose by 24.7 percent to EUR 65.0 million compared with the same period in 2011. Expenditure for the future product portfolio went up, in particular. We also continued to invest so as to adapt the current product range to the RoHS EU guideline. The euro, which was relatively weaker compared to the currencies of many subsidiaries, had a positive effect on net sales but a negative impact on research and development costs as well as on marketing and sales.

EBIT in the medical division declined by a total of 13.7 percent to EUR 60.3 million (6 months 2011: EUR 69.9 million), primarily on account of the above-stated increased costs for research and development as well as marketing and sales. The EBIT margin was therefore 8.8 percent (6 months 2011: 10.5 percent).

INVESTMENTS

In the first half of 2012, the medical division invested EUR 11.1 million in intangible assets and property, plant and equipment (6 months 2011: EUR 17.6 million). In the first half of the prior year, we invested EUR 6.3 million in the construction of a new production and logistics building for the Infrastructure Projects business. This project was completed in 2011. In the first half of 2012, we invested EUR 0.6 million in the new regional headquarter for Latin America in Panama in addition to replacements.

Depreciation and amortization came to EUR 12.9 million in the first half of 2012 (6 months 2011: EUR 11.5 million) and covered 86.1 percent of investments, meaning that non-current assets fell by EUR 1.8 million net.

NET ASSETS

As of June 30, 2012, capital employed in the medical division increased by EUR 22.1 million to EUR 563.2 million (June 30, 2011: EUR 541.1 million), the main driver being a rise in inventories. Overall, we improved the efficiency of net current assets in the

medical division: The days working capital (coverage of main drivers of working capital) fell by 5.6 days to 117.0 days. Cash inflow from operating activities amounted to EUR 39.5 million in the first six months of the year (6 months 2011: EUR 33.1 million). We were able to improve operating cash flow year-on-year amongst other things by reducing receivables to a greater extent than in the prior year.

DVA in the medical division increased year-on-year by EUR 19.0 million to EUR 133.6 million in the twelve months to June 30, 2012 (twelve months to June 30, 2011: EUR 114.6 million). This rise in DVA was mainly driven by EBIT, which went up by just under EUR 19 million (on a twelve-months rolling basis) and which was strongly impacted by the result in the second half of 2011. Capital employed, which was slightly lower on average, only had a relatively small positive impact on DVA.

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Second quarter			Six months		
		Second quarter 2012	Second quarter 2011	Change in %	Six months 2012	Six months 2011	Change in %
Order intake	**€ million**	**209.6**	**206.2**	**+1.6**	**419.5**	**410.2**	**+2.3**
Orders on hand [1]	**€ million**	**156.7**	**162.4**	**–3.5**	**156.7**	**162.4**	**–3.5**
Net sales	**€ million**	**202.9**	**199.2**	**+1.8**	**402.4**	**385.2**	**+4.5**
EBITDA [2]	**€ million**	**30.9**	**29.2**	**+6.1**	**64.2**	**55.6**	**+15.4**
Depreciation and amortization	€ million	–6.1	–4.9	+23.5	–11.9	–9.8	+22.1
EBIT [3]	**€ million**	**24.8**	**24.2**	**+2.5**	**52.3**	**45.8**	**+14.0**
R&D costs	€ million	13.8	11.9	+15.9	27.7	22.7	+21.8
Cash flow from operating activities [4]	€ million	0.5	14.1	–96.3	25.9	8.9	+192.9
Investments [4]	€ million	9.8	5.9	+66.9	16.4	11.5	+41.9
Capital employed [1,5]	€ million	216.4	213.5	+1.4	216.4	213.5	+1.4
Net working capital [1,6]	€ million	140.8	137.4	+2.5	140.8	137.4	+2.5
EBIT [3] / net sales	%	12.2	12.2		13.0	11.9	
EBIT [3,7] / capital employed [1,5] (ROCE)	%	38.1	36.4		38.1	36.4	
DVA [8]	€ million	64.2	59.4	+8.1	64.2	59.4	+8.1
Headcount [1]		4,688	4,473	+4.8	4,688	4,473	+4.8

[1] Value as of June 30
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = Earnings before net interest result and income taxes
[4] Rental equipment is recognized in property, plant and equipment. The prior year figures were adjusted accordingly.
[5] Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest bearing liabilities
[6] Net working capital = Current, non-interest bearing assets less current, non-interest bearing debt
[7] EBIT of the last twelve months
[8] Dräger Value Added = EBIT of the last twelve months less cost of capital

Business performance of the safety division

ORDER INTAKE

	Second quarter				Six months			
€ million	Second quarter 2012	Second quarter 2011	Change in %	Net of currency effects in %	Six months 2012	Six months 2011	Change in %	Net of currency effects in %
Germany	48.4	44.7	+8.3	+8.3	91.0	84.8	+7.3	+7.3
Rest of Europe	80.7	86.1	–6.3	–7.2	164.9	166.2	–0.8	–1.6
Americas	34.5	31.9	+8.2	–0.6	65.4	62.7	+4.3	–1.6
Asia / Pacific	35.9	33.4	+7.5	–2.4	78.8	69.5	+13.4	+4.2
Other	10.1	10.1	0.0	0.0	19.4	27.0	–28.1	–27.4
Total	**209.6**	**206.2**	**+1.6**	**–1.7**	**419.5**	**410.2**	**+2.3**	**–0.5**

In the second quarter of 2012, order intake in the safety division was 1.7 percent (net of currency effects) down on the extraordinarily strong prior-year quarter. In the first half of 2012, order intake (net of currency effects) almost reached the prior-year two-digit growth figure.

In the mobile and stationary gas detection as well as the light respiratory protection business, we recorded positive growth in the business with industrial customers in the second quarter. The maintenance and equipment rental business developed particularly positively. Order intake from the US fire service market for personal protection equipment and respiratory protection devices went up. Global demand in this customer segment declined slightly, however.

Order intake in Germany increased by 8.3 percent in the second quarter. We received a large order from the German Navy for oxygen self-rescuers. Demand from industrial customers was stable and order intake therefore was on par with the strong prior-year figures. We continued to generate strong growth rates in the maintenance and equipment rental business.

Order intake in the Rest of Europe region declined considerably, primarily due to large projects that had resulted in a steep rise in order intake in the prior year. Demand in the South European countries dropped in the last quarter. We received large orders for products such as alcohol testing devices from the Austrian police force in the past quarter.

Order intake in the Asia / Pacific region declined (net of currency effects) due to a strong prior-year quarter. We received large orders from the South-East Asian countries for respiratory protection devices and gas detection devices in the recent quarter. In China, the number of orders for respiratory protection devices from the mining sector and fire services decreased.

Order intake in the Americas region remained stable (net of currency effects). We were able to considerably increase the order volume in North America. Respiratory protection and gas detection devices for the mining sector were in particular demand in this region. Demand from Latin America, on the other hand, fell below figures in the prior-year quarter. Order intake in the Other Countries region was stable overall in the second quarter of 2012. Demand rose for respiratory protection and mobile gas detection devices in South Africa.

ORDERS ON HAND

€ million	June 30, 2012	June 30, 2011	Change in %	Net of currency effects in %
Germany	35.6	31.3	+13.7	+13.7
Rest of Europe	58.8	70.0	–16.0	–17.1
Americas	14.4	16.7	–13.8	–17.4
Asia / Pacific	35.8	28.7	+24.7	+12.9
Other	12.1	15.7	–22.9	–24.2
Total	**156.7**	**162.4**	**–3.5**	**–6.6**

Orders on hand were down 6.6 percent (net of currency effects) on the prior-year period at the end of the first half of 2012. Adjusted for a deep sea diving system for a customer in the Rest of Europe region, the drop was merely 1 percent. Orders on hand in Germany profited from the already mentioned large order for oxygen self-rescuers from the German Navy. In the Rest of Europe and Americas regions, orders on hand declined, as their prior-year figures still included large projects that have been delivered by now. The prior-year figures of the Other Countries region also included a large order in the engineered solutions business. Equipment orders on hand covered a 2.4 month period (June 30, 2011: 2.6 months). This key figure is based on the average net sales over the past twelve months.

NET SALES

	Second quarter				Six months			
€ million	Second quarter 2012	Second quarter 2011	Change in %	Net of currency effects in %	Six months 2012	Six months 2011	Change in %	Net of currency effects in %
Germany	42.4	41.7	+1.7	+1.7	81.9	79.0	+3.7	+3.7
Rest of Europe	79.8	85.0	–6.1	–7.1	162.4	158.9	+2.2	+1.4
Americas	34.5	31.0	+11.3	+2.3	65.3	66.7	–2.1	–7.5
Asia / Pacific	33.9	30.4	+11.5	+1.0	70.3	60.9	+15.4	+5.9
Other	12.3	11.2	+9.8	+9.8	22.5	19.7	+14.2	+15.2
Total	**202.9**	**199.3**	**+1.8**	**–1.6**	**402.4**	**385.2**	**+4.5**	**+1.7**

Net sales dropped slightly (net of currency effects) in the second quarter of 2012. The impact of large deep sea diving systems projects, which had still been significant in the previous year, subsided considerably. Adjusted for the deep sea diving systems, net sales rose by 0.7 percent. In the first half of 2012, net sales went up by 1.7 percent (net of currency effects); adjusted for the deep sea diving systems, net sales rose by 4.5 percent.

The moderate growth in the equipment business offset the drop in the engineered solutions project business in the past quarter. Our business with industrial customers for respiratory protection and gas detection devices was once again the growth driver. Net sales from personal protection equipment and respiratory protection devices for customers in the fire services sector declined slightly on account of the strong prior-year quarter.

In Germany, net sales increased by 1.7 percent. Our business with industrial customers, in particular, as well as the maintenance and rental equipment business developed positively.

Net sales in the Rest of Europe region decreased by 7.1 percent compared to the strong prior-year quarter. Adjusted for the deep sea diving systems, the drop amounted to 4.6 percent. Fewer deliveries in Spain were offset by a positive net sales development in Italy.

Net sales in the Americas region grew by 2.3 percent (net of currency effects). Without the deep sea diving systems, net sales went up by 10.5 percent. In the US, the delivery of respiratory protection devices to Maryland fire services contributed to the increase. Business with customers from the mining industry continued to develop positively in Canada.

In the Asia / Pacific region, deliveries went up slightly (net of currency effects) in the second quarter. Net sales from customers in the mining, police force and fire services sectors increased in all business areas in Australia and New Zealand. Business with the mining industry and fire services in China continued to decrease.

Net sales in the Other Countries region grew by 9.8 percent (net of currency effects) in the second quarter. We recorded a final invoice to a customer from the oil and gas industry in Kazakhstan and delivered diving equipment to a customer in the Middle East.

EARNINGS

The gross margin of the safety division was up on the prior year in the first half of 2012 (1.7 percentage points), due to increased deliveries to the high-margin industrial and fire services markets as well as advantageous currency effects. Earnings were negatively impacted compared to the prior year by increased functional costs. Research and development costs went up by 21.8 percent year-on-year to EUR 27.7 million (6 months 2011: EUR 22.7 million), particularly so as to increase our power of innovation. Selling expenses were also up on the prior year on account of a rise in personnel expenses. EBIT in the safety division rose by 14.0 percent to EUR 52.3 million in the first six months of 2012 (6 months 2011: EUR 45.8 million) as a result of these developments. The EBIT margin was therefore 13.0 percent (6 months 2011: 11.9 percent).

INVESTMENTS

The safety division invested a total of EUR 16.4 million (6 months 2011: EUR 11.5 million) in intangible assets and property, plant and equipment in the first half of 2012. This rise is mainly due to a larger equipment rental business volume as well as investments in modernization measures at the production site in Blyth, United Kingdom. Depreciation and amortization came to EUR 11.9 million in the first six months of 2012. Investments therefore covered up to 137.8 percent of depreciation and amortization.

NET ASSETS

Capital employed went up slightly by 1.4 percent compared to the prior-year period, amounting to EUR 216.4 million at the end of the second quarter of 2012 (June 30, 2011: EUR 213.5 million). The days working capital (coverage of main drivers of working capital) amounted to 99.2 days in the safety division in the first half of 2012, 0.5 days up on the comparable period in 2011. Cash flow from operating activities went up year-on-year to EUR 25.9 million due to the balance sheet date as a result of an increased reduction of receivables (6 months 2011: EUR 7.9 million).

DVA in the safety division increased by EUR 4.8 million to EUR 64.2 million year-on-year as of June 30, 2012 (year-on-year as of June 30, 2011: EUR 59.4 million). This rise in DVA was mainly driven by EBIT, which went up by around EUR 7.0 million (on a twelve-months rolling basis).

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

		Second quarter			Six months		
		Second quarter 2012	Second quarter 2011	Change in %	Six months 2012	Six months 2011	Change in %
Order intake	**€ million**	**4.5**	**4.1**	**10.6 %**	**8.2**	**7.9**	**4.3 %**
Orders on hand [1]	**€ million**	**0.0**	**0.0**		**0.0**	**0.0**	
Net sales	**€ million**	**4.5**	**4.1**	**10.6 %**	**8.2**	**7.9**	**4.3 %**
EBITDA [2]	**€ million**	**92.0**	**75.0**	**22.6 %**	**120.9**	**97.4**	**24.2 %**
Depreciation and amortization	€ million	–3.5	–2.6	36.5 %	–6.4	–5.2	23.2 %
EBIT [3]	**€ million**	**88.5**	**72.5**	**21.9 %**	**114.6**	**92.2**	**24.2 %**
R&D costs	€ million	2.0	1.1	82.8 %	1.2	1.7	–27.2 %
Cash flow from operating activities [4]	€ million	88.9	53.4	66.4 %	94.2	67.1	40.3 %
Investments	€ million	4.3	2.1	102.7 %	6.4	3.9	63.4 %
Capital employed [1, 5]	€ million	757.5	763.6	–0.8 %	757.5	763.6	–0.8 %
Net working capital [1, 6]	€ million	–26.6	–18.2	45.9 %	–26.6	–18.2	45.9 %
Headcount [1]		740	587	26.1 %	740	587	26.1 %

[1] Value as of June 30
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = Earnings before net interest result and income taxes
[4] Rental equipment is recognized in property, plant and equipment. The prior year figures were adjusted accordingly.
[5] Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest bearing liabilities
[6] Net working capital = Current, non-interest bearing assets less current, non-interest bearing debt

Business performance of the Drägerwerk AG & Co. KGaA / Other companies

EARNINGS

Drägerwerk AG & Co. KGaA / Other companies provide services to the medical and safety divisions and their companies. Drägerwerk AG & Co. KGaA / Other companies' EBIT rose in the first six months of 2012 to EUR 114.6 million (6 months 2011: EUR 92.2 million).

The increase resulted from the rise in profits for the first six months of 2012 in the amount of EUR 131.9 million (6 months 2011: EUR 113.8 million) being transferred, primarily by Dräger Medical GmbH and Dräger Safety AG & Co. KGaA.

INVESTMENTS

In the first half of 2012, investments in intangible assets and property, plant and equipment came to EUR 6.4 million (6 months 2011: EUR 3.9 million). These investments were mainly made to improve and modernize the IT infrastructure and to remodel buildings.

Research and development

We consistently strengthen our research and development (R&D) activities to increase the percentage of new products in total net sales and to benefit from the resulting rise in profitability. We continued to push up the number of research and development projects and the employee figure in Research and Development went up by 135 to 1,202. At EUR 93.8 million, we spent considerably more on research and development in the first six months of 2012 than in the prior-year period (6 months 2011: EUR 76.5 million). This is equivalent to 8.7 percent of net sales (6 months 2011: 7.4 percent).

We increased research and development costs in the medical division to EUR 65.0 million (6 months 2011: EUR 52.1 million). At 9.5 percent of net sales, we invested considerably more than in the prior-year period (7.9 percent). Expenses for the future product portfolio went up, in particular. At the same time, we continued to invest so as to adapt the current product range to the RoHS EU guideline. The rise of the US dollar compared to the euro increased research and development costs even further, particularly in the medical division. We launched a further developed version of our "Savina 300" intensive care ventilator in the second quarter. With its additional ventilation modes and monitoring functions, it provides customers with even more therapy options. We introduced additional components, such as the multi-monitor bracket "Pendula", for hospital infra-

structures. Our "Advanced workplace design" concept offers product solutions for hospitals, which take particular account of aspects such as safety, ergonomics, efficiency and comfort. Our "SmartPilot View" calculates the combined effect of anesthetics and pain killers and displays them in a 2D-view. The new Version 2 software now supports additional languages, further injection pumps and our new "Perseus A500" anesthesia device. The software can now also depict laughing gas (N_2O) and, as an additional innovation, includes the Dräger-developed Noxious Stimulation Response Index ("NSRI"). We also managed to obtain the certification from the "Food and Drug Administration" (FDA) in the United States for the "SmartPilot".

In the first half of 2012, we invested EUR 27.7 million in research and development in the safety division (6 months 2011: EUR 22.7 million), corresponding to 6.9 percent of net sales (6 months 2011: 5.9 percent). In the second quarter of 2012, we launched the "Dräger CPS 7800", a gas-proof and reusable chemical protective suit for industrial use. Thanks to new materials and a new design, the suit is even more flexible and comfortable than its predecessor and is particularly suitable for difficult work in dangerous situations. We developed the "Dräger Hybrid System (DHS) 7000", a modular respiratory protection system, especially for the US market. Users can operate the system as a filter, fan or compressed air breathing apparatus with just one mask. In addition, the drinking supply connector of the newly developed "Dräger Hybrid Respirator (DHR) 7000" full-face mask makes it possible to wear the device for long periods.

Personnel

Dräger employed a total of 12,279 people on June 30, 2012, and thus 681 (5.8 percent) more than on the same date in the prior year. This figure includes 151 former temporary employees who were taken over by Dräger as part of a supplemental collective agreement.

PERSONNEL EXPENSES

in € million	Six months 2012	Six months 2011
Wages and salaries	337.0	310.4
Social security contributions and related employee benefits	58.3	53.1
Pension expenses	7.8	7.5
	403.1	**371.0**

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

Personnel expenses went up by 8.7 percent to EUR 403.1 million year-on-year in the reporting period (6 months 2011: EUR 371.0 million). This rise resulted from the growth-related increase in headcount, currency effects as well as global wage and salary increases. Another contributing factor was the pay rise in the metal and electrical industries in Germany.

WORKFORCE TREND

	June 30, 2012	December 31, 2011	June 30, 2011
Medical division	6,851	6,717	6,538
Safety division	4,688	4,531	4,473
Drägerwerk AG & Co. KGaA and other companies	740	676	587
Dräger Group total	**12,279**	**11,924**	**11,598**
Germany	5,673	5,472	5,263
Other	6,606	6,452	6,335
Turnover in % of employees (Basis: average of the past twelve months)	4.6	5.1	5.4
Sick days in % of work days (Basis: average of the past twelve months)	3.3	3.1	3.2
Temporary staff in Germany	295	426	529

On June 30, 2012, headcount in Drägerwerk AG & Co. KGaA/ Other companies was up 153 employees compared to June 30, 2011. A major reason for this change was the transfer of 93 employees in the Company's Accounting and Controlling from the divisions to Drägerwerk AG & Co. KGaA for organizational reasons. In addition, Drägerwerk AG & Co. KGaA employed a further 62 people in administrative positions such as IT (+24) as well as HR (+11) and Purchasing (+8).

In the medical division, headcount rose by 370 year-on-year. The Company increased its workforce by 177 employees in Germany (adjusted for transfers), particularly in Production (+97) and Research and Development (+53). The rise in Production resulted, among other things, from the takeover of 44 temporary employees within the scope of flexible working time models as well as the takeover of 18 temporary employees with fixed-term contracts. The foreign sales and service companies also hired a total of

136 employees in Sales, Service and Marketing. The number of employees in the foreign producing subsidiaries also went up by 52, with the main focus being on Draeger Medical Systems, Inc., USA and Shanghai Dräger Medical Instrument Co., Ltd., China.

From the 251 additional people employed at the safety division since June 30, 2011 (adjusted for transfers), 173 work at the German companies Dräger Safety AG & Co. KGaA and the logistics subsidiary Dräger Interservices GmbH, mainly in Production (+53), Research and Development (+35) and Logistics (+34). The rise in Production and Logistics resulted from factors such as the transfer of 89 temporary employees to Dräger Safety AG & Co. KGaA and Dräger Interservices GmbH. The safety division hired 78 employees outside of Germany.

Since June 30, 2011, the number of temporary employees in Germany fell considerably by 234 to 295.

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 2011. The 2011 annual report may be downloaded on the internet at **www.draeger.com**.

CHANGED CONDITIONS AFTER THE CLOSE OF THE INTERIM REPORTING PERIOD

There were no significant changes between the end of the first six months of 2012 and the time this interim financial report was prepared.

Outlook

FUTURE MARKET ENVIRONMENT

Growth forecast reduced again – focus on risks

It remains to be seen how strong the economic upturn in the second half of the year expected by most economic research organizations is going to be. Some economic indicators are currently emitting serious warning signals. The oil price, which had still been rising at the beginning of the year, dropped significantly in the last quarter, which, together with other declining raw material prices, indicates an economic period of weakness. Some of the purchasing manager indices in various countries and regions such as the US, the eurozone and China fell sharply in the past quarter.

Economic prospects have therefore deteriorated again overall. After increasing its 2012 global economic growth forecast from 3.3 percent to 3.5 percent in April, the International Monetary Fund (IMF) warned of large global economic risks in a report written on the occasion of the meeting of the 20 leading industrialized nations and emerging markets (G20) at the end of June. These, the report stated, are mainly created by a further escalation of the crisis in the eurozone as well as a disproportionate tightening of fiscal policies in the US and other industrialized nations in the coming year. According to the IMF, the latest data indicates that the economy is losing momentum again. In its June report, Bundesbank spoke of the current German economic forecast being subject to an exceptionally high degree of uncertainties and risks.

IMF – JULY 2012 GROSS DOMESTIC PRODUCT (GDP) GROWTH FORECAST

	2012	2013
Global economy	3,5 %	3,9 %
USA	2,0 %	2,3 %
Eurozone	–0,3 %	0,7 %
Germany	1,0 %	1,4 %
China	8,0 %	8,5 %

Source: IMF (International Monetary Fond)

The IMF revised and updated its growth forecast on July 16, 2012. Growth expectations for the US and China in 2012 were reduced, for instance, and those for Germany put up from 0.6 percent to 1.0 percent. As at 3.6 percent for the first quarter, the global

economy grew slightly more than anticipated back in April, the 2012 forecast was left at 3.5 percent in spite of a small downward adjustment. The IMF has now lowered its 2013 growth forecast by 0.2 percentage points to 3.9 percent.

DRÄGER MANAGEMENT ESTIMATES ON SECTOR DEVELOPMENTS AND EXPECTED BUSINESS PERFORMANCE

We expect to expierence a period of economic uncertainty during the rest of the year. Several economic research organizations have already reduced their growth forecasts for countries with traditionally strong growth like India and Brazil and even China. The overall weaker global industrial growth will slightly slow down demand for work and system safety equipment in our opinion. Demand in the medical technology markets, on the other hand, will be less affected by short-term economic fluctuations and we expect its stable development to continue.

FUTURE SITUATION OF THE COMPANY

The following section should be read in conjunction with the "Future situation of the company" section in the management report of the Annual Report 2011, which describes our expectations for 2012 as well as 2013 and 2014 in detail.

We continue to expect our order intake and net sales to grow at least at the pace of global economic growth overall (IMF forecast from July 16, 2012: +3.5 percent), despite these two figures not matching global economic growth net of currency effects in the first half of 2012.

We anticipate for research and development as well as IT costs, both higher than originally forecast, to be offset by a gross margin that is slightly better than expected.

Overall, we still expect a Group EBIT margin between 8.0 percent and 9.5 percent for fiscal year 2012 (2011: 9.5 percent). Our outlook for the other key performance indicators remains unchanged to the one given in the Report as of March 31, 2012 (see chart on page 39). Our 2013 outlook is also the same as in the Report as of March 31, 2012.

DRÄGER FORECAST FOR FISCAL YEAR 2012

Fiscal year 2012	Previous forecast	Current forecast
Order intake	Growth at least at the pace of global economic growth	Confirmed
Net sales	Growth at least at the pace of global economic growth	Confirmed
EBIT margin	Between 8.0 percent and 9.5 percent	Confirmed
Other forecast figures:		
Gross margin	Slightly down year-on-year (2011: 49.1 percent)	On par with prior year
Research and development costs	EUR 185 million (2011: EUR 160.5 million)	195 Mio. EUR
IT expenses	EUR 110 million (2011: EUR 100.6 million)	115 Mio. EUR
Interest expense	On par with prior year	Confirmed
Net debt	Slight increase	Confirmed
Equity ratio	At least on par with prior year	Confirmed
Investment volume	EUR 70 million to EUR 80 million (2011: EUR 71.5 million)	Confirmed
Operating cash flow	65 percent to 80 percent of EBIT (2011: 74 percent)	Confirmed
Effective tax rate	28 percent to 32 percent (2011: 31 percent)	Confirmed

FORWARD-LOOKING STATEMENTS

This management report contains forward-looking statements. The statements are based on the current expectations, presumptions, and forecasts of the Executive Board of Drägerwerk Verwaltungs AG as well as the information available to it to date. The forward-looking statements do not provide any warranty for the future developments and results contained therein. Rather, the future developments and results are dependent on a number of factors; they entail various risks and uncertainties and are based on assumptions which could prove to be incorrect. We do not assume any responsibility for updating the forward-looking statements made in this report.

Interim financial statements of the Dräger Group as of June 30, 2012

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

	Notes	Second quarter 2012	Second quarter 2011	Six months 2012	Six months 2011
		€ thousand	€ thousand	€ thousand	€ thousand
Net sales		543,433	533,057	1,072,713	1,033,344
Cost of sales		–270,454	–271,122	–535,004	–519,621
Gross profit		**272,979**	**261,935**	**537,709**	**513,723**
Research and development costs		–47,619	–38,828	–93,846	–76,465
Marketing and selling expenses		–147,867	–139,494	–289,518	–274,822
General administrative costs		–33,626	–32,417	–63,967	–64,942
Other operating income		3,047	2,141	4,582	3,817
Other operating expenses		–1,431	–1,539	–1,604	–6,396
		–227,496	**–210,137**	**–444,353**	**–418,808**
		45,483	**51,798**	**93,356**	**94,915**
Profit from investments in associates		0	0	186	212
Profit from other investments		0	0	0	0
Other financial result		1,471	62	177	–674
Financial result (before interest result)	**6**	**1,471**	**62**	**363**	**–462**
EBIT		**46,954**	**51,860**	**93,719**	**94,453**
Interest result	6	–7,295	–7,071	–17,174	–14,138
Earnings before income taxes		**39,659**	**44,789**	**76,545**	**80,315**
Income taxes	7	–11,992	–14,350	–23,445	–26,636
Earnings after income taxes		**27,667**	**30,439**	**53,100**	**53,679**
Earnings after income taxes		**27,667**	**30,439**	**53,100**	**53,679**
Non-controlling interests in net profit		518	806	836	1,594
Earnings attributable to participation certificates (excluding minimum dividend, after taxes) [1]		1,089	3,318	2,117	5,783
Earnings attributable to shareholders		26,060	26,315	50,147	46,302
Undiluted earnings per share [2]					
per preferred share (in €)		1.58	1.60	3.06	2.82
per common share (in €)		1.57	1.59	3.03	2.79
Diluted earnings per share [2]					
per preferred share (in €)		1.56	1.59	3.00	2.81
per common share (in €)		1.55	1.58	2.97	2.78
Undiluted earnings per share on full distribution [2]					
per preferred share (in €)		1.21	1.14	2.33	2.02
per common share (in €)		1.20	1.13	2.30	1.99
Diluted earnings per share on full distribution [2]					
per preferred share (in €)		1.20	1.13	2.31	1.99
per common share (in €)		1.19	1.12	2.28	1.96

[1] The figure is calculated by accruing a dividend for participation certificates of EUR 3.70 (June 30, 2011: EUR 6.30) based on earnings in the first six months and in line with Dräger`s actual dividend policy to distribute around 15% (June 30, 2011: 30%) of total Group net profit less earnings attributable to non-controlling interests.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

	Six months 2012	Six months 2011
	€ thousand	€ thousand
Earnings after income taxes	**53,100**	**53,679**
Currency translation adjustment for foreign subsidiaries	8,836	–15,996
Change in the fair value of financial instruments recognized directly in equity	–540	216
Deferred taxes on changes in the fair value of financial instruments recognized directly in equity	0	0
Actuarial gains / losses from defined benefit pension plans	267	–777
Deferred taxes on actuarial gains / losses from defined benefit pension plans	0	0
Other comprehensive income	**8,563**	**–16,557**
Total comprehensive income	**61,663**	**37,122**
of which earnings attributable to non-controlling investments	1,206	687
of which earnings attributable to participation certificates (excluding minimum dividend, after taxes) [1]	2,117	5,783
of which earnings attributable to shareholders	58,340	30,652

[1] The figure is calculated by accruing a dividend for participation certificates of EUR 3.70 (June 30, 2011: EUR 6.30) based on earnings in the first six months and in line with Dräger`s actual dividend policy to distribute around 15% (June 30, 2011: 30%) of total Group net profit less earnings attributable to non-controlling interests.

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

	Notes	June 30, 2012	December 31, 2011
		€ thousand	€ thousand
Assets			
Intangible Assets	8	280,702	280,309
Property, plant and equipment [1]	8	276,326	272,225
Investments in associates		239	306
Other non-current financial assets		10,576	9,766
Deferred tax assets	9	126,376	104,454
Other non-current assets [1]		20,482	23,151
Non-current assets		**714,701**	**690,211**
Inventories	10	390,208	340,292
Trade receivables and receivables from construction contracts		506,646	586,488
Other current financial assets		23,240	19,883
Cash and cash equivalents		307,911	412,309
Current tax refund claims		22,757	7,531
Other current assets	11	77,187	58,475
Current assets		**1,327,949**	**1,424,978**
Total assets		**2,042,650**	**2,115,189**

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

	Notes	June 30, 2012	December 31, 2011
		€ thousand	€ thousand
Equity and liabilities			
Capital Stock		42,266	42,266
Capital reserves		158,098	158,098
Reserves retained from earnings, incl. group result		453,989	469,763
Participation capital		29,497	50,405
Other comprehensive income		10,475	2,549
Non-controlling interests		7,157	6,535
Equity	**12**	**701,482**	**729,616**
Liabilities from participation certificates	13	18,827	31,164
Provisions for pensions and similar obligations		178,719	179,418
Non-current income tax provisions		398	562
Other non-current provisions	14	60,136	62,749
Non-current interest-bearing loans	15	284,868	365,266
Other non-current financial liabilities		9,453	8,849
Deferred tax liabilities		1,681	1,629
Other non-current liabilities		685	782
Non-current liabilities		**554,767**	**650,419**
Current income tax provisions		46,786	39,876
Other current provisions	14	218,214	228,198
Current loans and liabilities to banks	15	164,108	84,519
Trade payables		140,126	172,073
Other current financial liabilities		62,553	72,451
Current income tax liabilities		13,328	11,269
Other current liabilities		141,286	126,768
Current liabilities		**786,401**	**735,154**
Total equity and liabilities		**2,042,650**	**2,115,189**

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

		Second quarter 2012	Second quarter 2011	Six months 2012	Six months 2011
		€ thousand	€ thousand	€ thousand	€ thousand
Operating activities					
	Earnings after income taxes	27,667	30,439	53,100	53,679
+	Write-down of non-current assets	16,513	13,469	31,513	26,413
–	Decrease in provisions	–15,810	–23,189	–7,378	–23,786
–/+	Other non-cash expenses/income	–7,158	625	–2,353	11,145
+/–	Losses/gains from the disposal of non-current assets	96	78	–92	–184
–/+	Increase/decrease in inventories	–19,871	5,679	–47,653	–14,696
+	Decrease in trade receivables	15,707	5,799	84,967	21,619
+/–	Decrease/increase in other assets [1]	3,923	7,242	–35,045	–15,940
–	Decrease in trade payables	–2,351	–9,026	–32,888	–35,123
–/+	Decrease/increase in other liabilities	–5,907	–10,039	4,514	–8,391
	Cash inflow from operating activities	**12,809**	**21,077**	**48,685**	**14,736**
Investing activities					
–	Cash outflow for investments in intangible assets	–1,907	–1,085	–3,468	–2,824
+	Cash inflow from the disposal of intangible assets	2	5	14	5
–	Cash outflow for investments in property, plant and equipment [1]	–14,817	–13,798	–26,181	–28,632
+	Cash inflow from disposals of property, plant and equipment	570	–52	1,405	1,318
–	Cash outflow for investments in non-current financial assets	–18	–21	–1,056	–43
+	Cash inflow from the disposal of non-current financial assets	263	15	619	22
	Cash outflow from investing activities	**–15,907**	**–14,936**	**–28,667**	**–30,154**
Financing activities					
–	Distribution of dividends (including dividends for participation certificates)	–3,763	–35,310	–3,763	–35,310
–	Reduction in participation capital due to cash compensation	0	–5,681	0	–5,681
–	Cash outflows from the purchase of participation capital	0	0	–122,536	0
+	Cash provided by raising loans	82	10,885	82	10,885
–	Cash used to redeem loans	–252	–24,697	–1,565	–27,074
+/–	Net balance of other liabilities to banks	–3,412	–2,647	343	3,980
–	Net balance of finance lease liabilities repaid/incurred	–150	–114	–255	–402
–	Cash outflow from the changes in shareholdings in subsidiaries	0	0	–700	0
–	Profit distributed to non-controlling interests	–564	–578	–564	–643
	Cash outflow from financing activities	**–8,059**	**–58,142**	**–128,958**	**–54,245**
Change in cash and cash equivalents in the fiscal year		**–11,157**	**–52,001**	**–108,940**	**–69,663**
+/–	Effect of exchange rates on cash and cash equivalents	4,979	–752	4,542	–8,083
+	Cash and cash equivalents at the beginning of the reporting period	314,089	295,044	412,309	320,037
	Cash and cash equivalents on reporting date	**307,911**	**242,291**	**307,911**	**242,291**

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

					Other comprehensive income					
	Capital Stock	Capital reserves	Reserves retained from earnings incl. group result	Partici-pation capital	Currency translation differences	Derivative financial instruments	Total other compre-hensive income	Total equity of share-holder Dräger-werk AG & Co. KGaA	Non-controlling interests	Equity
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
January 1, 2011	**42,266**	**158,098**	**380,285**	**50,404**	**803**	**–692**	**111**	**631,164**	**5,399**	**636,563**
Earnings after income taxes			52,084				0	52,084	1,594	53,678
Other comprehen-sive income			–776		–15,089	216	–14,873	–15,649	–907	–16,556
Total compre-hensive income			**51,308**		**–15,089**	**216**	**–14,873**	**36,435**	**687**	**37,122**
Distributions			–35,310				0	–35,310	–643	–35,953
Changes in the scope of consoli-dation / other			2,844	1			0	2,845		2,845
June 30, 2011	**42,266**	**158,098**	**399,127**	**50,405**	**–14,286**	**–476**	**–14,762**	**635,134**	**5,443**	**640,577**
January 1, 2012	**42,266**	**158,098**	**469,763**	**50,405**	**4,090**	**–1,541**	**2,549**	**723,081**	**6,535**	**729,616**
Earnings after income taxes			52,264				0	52,264	836	53,100
Other comprehen-sive income			267		8,466	–540	7,926	8,193	370	8,563
Total compre-hensive income			**52,531**		**8,466**	**–540**	**7,926**	**60,457**	**1,206**	**61,663**
Distributions			–3,763				0	–3,763	–564	–4,327
Purchase of the participation capital (equity component)			–64,269	–20,908			0	–85,177		–85,177
Changes in the shares of subsidia-ries, excluding loss of control			–684				0	–684	–21	–705
Changes in the scope of consoli-dation / other			411				0	411	1	412
June 30, 2012	**42,266**	**158,098**	**453,989**	**29,497**	**12,556**	**–2,081**	**10,475**	**694,325**	**7,157**	**701,482**

Notes of the Dräger Group as of June 30, 2012 (condensed)

1 BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

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

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

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

2 ACCOUNTING POLICIES

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

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

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

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

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

The following amendment to a standard was published within the past three months until June 30, 2012 by the IASB but has not yet been adopted in EU law. The amendment is of no relevance for Dräger Group and has not been applied:

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

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

3 SCOPE OF CONSOLIDATION AND CONSOLIDATION PRINCIPLES

There were no significant changes to the scope of consolidation compared to December 31, 2011 and June 30, 2011. The same consolidation principles were applied as in the 2011 group financial statements.

4 REDEMPTION OF DRÄGER PARTICIPATION CERTIFICATES

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

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

RATE OF REDEMPTION OF PARTICIPATION CERTIFICATES

	Series A	Series D	Series K	Total
Number of participation certificates before redemption	315,600	992,620	105,205	1,413,425
Number of redeemed participation certificates	120,355	425,801	35,318	581,474
Rate of redemption	**38.1 %**	**42.9 %**	**33.6 %**	**41.1 %**

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

On April 16, 2012, Drägerwerk AG & Co. KGaA redeemed the acquired participation certificates.

5 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Medical division	
		Six months 2012	Six months 2011
Order intake	**€ million**	**735.7**	**713.9**
Orders on hand [1]	**€ million**	**369.7**	**323.4**
Net sales	**€ million**	**685.7**	**663.0**
thereof intersegment net sales	€ million	0.7	0.4
thereof third party net sales	€ million	684.9	662.7
EBITDA [2]	**€ million**	**73.3**	**81.4**
Depreciation / amortization	€ million	–12.9	–11.5
EBIT [3]	**€ million**	**60.3**	**69.9**
Interest result	€ million		
Income taxes	€ million		
Earnings after income taxes	**€ million**		
thereof profit / loss from investments in associates	€ million		
Research and development expenses	**€ million**	**65.0**	**52.1**
Cash flow from operating activities [4]	**€ million**	**39.5**	**33.1**
Capital employed [1,5]	**€ million**	**563.2**	**541.1**
Assets [1]	**€ million**	**985.1**	**928.9**
thereof investments in associates	€ million	0.0	0.0
Liabilities [1]	**€ million**	**395.0**	**358.8**
Net financial debt [1]	**€ million**		
Investments	**€ million**	**11.1**	**17.6**
Non-cash expenses	€ million	66.0	58.6
EBIT [3] **/ net sales**	**%**	**8.8**	**10.5**
EBIT [3, 6] **/ capital employed** [1, 5] **(ROCE)**	**%**	**32.4**	**30.2**
Net financial debt [1] **/ EBITDA** [2, 7]	**Factor**		
Gearing factor	**Factor**		
DVA [8]	**€ million**	**133.6**	**114.6**
Total Headcount [1]		**6,851**	**6,538**

[1] Value as of June 30
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = Earnings before net interest result and income taxes
[4] Rental equipment is recognized in property, plant and equipment. The prior year figures were adjusted accordingly.
[5] Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest bearing liabilities
[6] EBIT of the last twelve months
[7] EBITDA of the last twelve months
[8] Dräger Value Added = EBIT of the last twelve months less cost of capital

	Safety division		Drägerwerk AG & Co. KGaA / other companies		Consolidations		Dräger Group	
	Six months 2012	Six months 2011	Six months 2012	Six months 2011	Six months 2012	Six months 2011	Six months 2012	Six months 2011
	419.5	**410.2**	**8.2**	**7.9**	**–24.1**	**–22.9**	**1,139.3**	**1,109.1**
	156.7	**162.4**	**0.0**	**0.0**	**–1.9**	**–1.4**	**524.5**	**484.4**
	402.4	**385.2**	**8.2**	**7.9**	**–23.6**	**–22.7**	**1,072.7**	**1,033.3**
	15.7	15.6	7.1	6.7	–23.6	–22.7	–	–
	386.7	369.6	1.1	1.1	0	0	1,072.7	1,033.3
	64.2	**55.6**	**120.9**	**97.4**	**–133.5**	**–113.6**	**124.9**	**120.8**
	–11.9	–9.8	–6.4	–5.2	–	–	–31.2	–26.4
	52.3	**45.8**	**114.6**	**92.2**	**–133.5**	**–113.6**	**93.7**	**94.5**
							–17.2	–14.1
							–23.4	–26.6
							53.1	**53.7**
							0.2	0.2
	27.7	**22.7**	**1.2**	**1.7**	**0.0**	**0.0**	**93.8**	**76.5**
	25.9	**8.9**	**94.2**	**67.1**	**–111.0**	**–94.3**	**48.7**	**14.7**
	216.4	**213.5**	**757.5**	**763.6**	**–619.3**	**–614.9**	**917.8**	**903.3**
	385.6	**369.3**	**821.8**	**844.0**	**–631.3**	**–647.8**	**1,561.1**	**1,494.4**
	0.0	0.6	0.2	0.3	0.0	0.0	0.2	0.9
	151.1	**142.5**	**58.5**	**70.4**	**–30.9**	**–41.7**	**573.7**	**529.9**
							143.5	**153.9**
	16.4	**11.5**	**6.4**	**3.9**	**0.0**	**0.0**	**33.9**	**33.0**
	10.9	32.6	16.5	13.6	35.4	7.2	128.6	112.0
	13.0	**11.9**					**8.7**	**9.1**
	38.1	**36.4**					**23.2**	**20.4**
							0.52	**0.64**
							0.20	**0.24**
	64.2	**59.4**					**133.5**	**104.3**
	4,688	**4,473**	**740**	**587**	**–**	**–**	**12,279**	**11,598**

The key figures from the segment report are as follows:

EBIT / EBITDA

	Six months 2012	Six months 2011
Earnings after income taxes	53,100	53,679
+ Interest result	17,174	14,138
+ Income taxes	23,445	26,636
EBIT	**93,719**	**94,453**
+ Depreciation / amortization	31,212	26,375
EBITDA	**124,931**	**120,828**

CAPITAL EMPLOYED

	June 30, 2012	June 30, 2011
Total assets	2,042,650	1,884,526
– Deferred tax assets	–126,376	–107,403
– Cash and cash equivalents	–307,911	–242,291
– Non-interest bearing liabilities	–690,564	–631,555
Capital Employed	**917,799**	**903,277**

ASSETS

	June 30, 2012	June 30, 2011
Total assets	2,042,650	1,884,526
– All other financial assets	–3,259	–3,839
– Deferred tax assets	–126,376	–107,403
– Tax refund claims (current and non-current)	–43,986	–36,606
– Cash and cash equivalents	–307,911	–242,291
Assets	**1,561,118**	**1,494,387**

LIABILITIES

	June 30, 2012	June 30, 2011
Liabilities recognized in the balance sheet	1,341,168	1,243,949
– Provisions for pensions and similar obligations	–178,719	–183,216
– Tax liabilities, tax provisions, tax accruals and deferred tax liabilities	–118,573	–104,098
– Interest-bearing liabilities	–470,205	–426,692
Liabilities	**573,671**	**529,943**

NET FINANCIAL DEBT

	June 30, 2012	June 30, 2011
Non-current interest-bearing loans	284,868	326,837
+ Current loans and liabilities to banks	164,108	66,851
+ Finance leases	2,401	2,464
– Cash and cash equivalents	–307,911	–242,291
Net financial debt	**143,466**	**153,861**

NON-CASH EXPENSES

	Six months 2012	Six months 2011
Write-downs on inventories	11,057	8,166
+ Losses from bad debt allowances	991	5,777
+ Allocations to provisons	116,593	98,030
Non-cash expenses	**128,641**	**111,973**

DVA

	June 30, 2012	June 30, 2011
EBIT (of the last twelve months)	213,043	184,622
– Cost of capital (Basis: average of capital employed in the past twelve months)	–79,511	–80,318
DVA	**133,532**	**104,304**

Gearing is the ratio of net financial debt to equity.

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

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

6 FINANCIAL RESULT

FINANCIAL RESULT

	Six months 2012	Six months 2011
Financial result (before interest result)	**363**	**–462**
Interest and similar income	3,169	2,275
Interest and similar expenses	–20,343	–16,413
Interest result	**–17,174**	**–14,138**

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

7 INCOME TAXES

Income taxes for the first half of 2012 were calculated on the basis of an anticipated group tax rate of 31.5 percent (6 months 2011: 33 percent).

8 INTANGIBLE ASSETS / PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS / PROPERTY, PLANT AND EQUIPMENT

	Carrying value January 1, 2012	Additions	Disposals / other changes	Depreciation / amortization	Carrying value June 30, 2012
Intangible assets	280,309	3,325	592	3,524	280,702
Property, plant and equipment	272.225	30,603	1,186	27,688	276,326

Rental equipment is recognized in property, plant and equipment. The prior year figures were adjusted accordingly.

9 DEFERRED TAX ASSETS

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

10 INVENTORIES

INVENTORIES

	June 30, 2012	December 31, 2011
Finished goods and merchandise	208,894	179,174
Work in progress	68,619	59,351
Raw materials, consumables and supplies	109,842	100,467
Payments made	2,853	1,300
	390,208	**340,292**

11 OTHER CURRENT ASSETS

OTHER CURRENT ASSETS

	June 30, 2012	December 31, 2011
Prepaid expenses	28,623	23,732
Other tax refund claims	21,230	19,809
Other	27,334	14,934
	77,187	**58,475**

The increase in prepaid expenses is largely attributable to deferred expenses in the current year. Other tax refund claims primarily included VAT claims. All other current assets increased due to the balance sheet date.

12 EQUITY

On February 15, 2012, Drägerwerk AG & Co. KGaA published an ad hoc report in accordance with Sec. 15 of the German Securities Trading Act (WpHG) in which it made a legally non-binding request to the holders of series A, K and D participation certificates to submit offers to Drägerwerk AG & Co. KGaA for the sale of their participation certificates at a price of EUR 210.00 each (see also Note 4).

Participation capital

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

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

Retained earnings

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

RESERVES RETAINED FROM EARNINGS, INCL. GROUP RESULT AS OF JUNE 30, 2012

Reserves retained from earnings, incl. group result as of January 1, 2012	469,763
Effect from the sale of participation certificates (recognized in equity)	–64,269
Total comprehensive income (excluding non-controlling interests)	52,531
Other effects	–4,036
Reserves retained from earnings, incl. group result as of June 30, 2012	**453,989**

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

Share of purchased participation certificate equity components of the difference	85.491
Tax effect (recognized in equity)	–21.222
Effect from the sale of participation certificates (recognized in equity)	**64.269**

13 LIABILITIES FROM PARTICIPATION CERTIFICATES

The EUR 12,337 thousand drop in liabilities from participation certificates from EUR 31,164 thousand to EUR 18,827 thousand was primarily due to the buyback of the 581,474 participation certificates (see also Note 4).

14 OTHER NON-CURRENT AND CURRENT PROVISIONS

Other non-current provisions as of June 30, 2012 mainly comprised provisions for personnel obligations of EUR 31,487 thousand (December 31, 2011: EUR 32,290 thousand).

Other current provisions as of June 30, 2012 also included monthly accruals and chiefly consisted of provisions for personnel obligations of EUR 59,039 thousand (December 31, 2011: EUR 95,854 thousand), and warranty provisions of EUR 31,390 thousand (December 31, 2011: EUR 30,644 thousand).

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

Two note loans in the amount of EUR 79,000 thousand in total are due within the next twelve months and have therefore been reclassified from non-current interest-bearing loans to current loans and liabilities to banks.

16 RELATED PARTY TRANSACTIONS

Services were rendered for companies related to Stefan Dräger and for the Dräger Foundation for EUR 11 thousand in the first half of 2012 (6 months 2011: EUR 16 thousand). Receivables came to EUR 1 thousand as of June 30, 2012. Claudia Dräger, Stefan Dräger's wife, is an employee of Drägerwerk AG & Co. KGaA.

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

Lübeck, Germany, July 26, 2012

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
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 26, 2012

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Anton Schrofner

FINANCIAL CALENDAR

Report as of June 30, 2012, conference call, Lübeck	August 2, 2012
Report as of September 30, 2012, conference call, Lübeck	November 1, 2012
Annual shareholders' meeting, Lübeck	May 3, 2013

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