

Single entity financial statements and management report of Drägerwerk AG & Co. KGaA

AS OF DECEMBER 31, 2009

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Management report of Drägerwerk AG & Co. KGaA

Important changes in fiscal year 2009

PURCHASE OF THE 25 PERCENT SHARE IN DRÄGER MEDICAL AG & CO. KG FROM SIEMENS

On December 29, 2009, Drägerwerk AG & Co. KGaA concluded a contract with Siemens Beteiligungen Inland GmbH, a wholly owned subsidiary of Siemens AG, for the acquisition of all shares in Siemens Medical Holding GmbH, whose sole purpose is to hold a 25 percent share in Dräger Medical AG & Co. KG. Once the transaction has been completed, Drägerwerk AG & Co. KGaA will therefore own all limited shares in Dräger Medical AG & Co. KG.

The acquisition contract will come into effect as soon as the only condition precedent, approval by the EU Commission to which the anti-trust suit regarding this matter had been transferred, materializes. According to a report from a renowned law firm specializing in anti-trust law, the approval is highly likely. There is no risk of refusal. Dräger expects to receive the approval in the first quarter of 2010. Once the acquisition contract comes into effect, the shareholders' agreement between Siemens and Dräger will expire.

In the financial statements 2009, the 25 percent share in Dräger Medical AG & Co. KG was attributed to Drägerwerk AG & Co. KGaA, even if the actual transfer had not been undertaken, the only condition precedent is highly likely to materialize. Dräger Medical AG & Co. KG is entitled to the earnings of Dräger Medical AG & Co. KG for the entire fiscal year 2009 and to the earnings of Siemens Medical Holding GmbH as from October 1, 2009.

The acquisition price comprises a cash component of EUR 175 million, a vendor note of EUR 68.5 million and a variable option component. The cash component is due on the day the sale becomes effective. The total amount of the deferred purchase price is divided into three tranches of EUR 18.75 million (tranche I), EUR 40.0 million (tranche II) and EUR 9.75 million (tranche III). Tranches I and III have a base period of five years, tranche II a base period of three years as from the effective date of the sale. Drägerwerk AG & Co. KGaA has the option of renewing the tranches by two years each. In the first three years of their terms, the loans carry interest of 5 percentage points above the six month Euribor, and 6 percentage points above the six month Euribor for years four and five. From year six, interest amounts to 7 percentage points above the six month Euribor.

The variable purchase price component is an additional payment of derivative nature and linked to the price of Drägerwerk AG & Co. KGaA's preferred shares. If the preferred share price was to record a sustained positive development, this payment could result in a maximum liability of EUR 50 million after five years, counted from the effective date of the sale. M.M. Warburg & Co. KGaA, Hamburg, measured the cash option component; it amounted to EUR 6.2 million as of the balance sheet date. Drägerwerk AG & Co. KGaA and Siemens Beteiligungen Inland GmbH have signed an agreement for replacing the derivative additional purchase price payment with a real share option. However, this agreement must be approved at both companies' annual shareholders' meeting. In order to offset the difference between the entitlement to a derivative additional purchase price payment and a share option, both parties agreed to a possible reduction of tranche III by up to EUR 8.5 million. The rules on industrial property rights stipulated under the existing shareholders' agreement will not be changed. An appropriate transition period has been agreed for the continued use of the name Siemens.

Notes to the turnaround program

In view of the unsatisfactory earnings and cash flow situation, which worsened in the first quarter of 2009, the Executive Board decided on June 15, 2009 to implement a turnaround program. Around 400 individual measures were originally planned. Their main objects were improving efficiency, cutting costs and optimizing net sales. As of 2011, a positive effect of EUR 100 million per year is to be realized within the Group (measured against the net sales and cost structure as well as exchange rates in 2008) with the help of this program. The turnaround program also includes measures for optimizing working capital. The aim was to improve the Dräger Group's liquidity by at least EUR 50 million by the end of 2009, compared with figures as of December 31, 2008.

In fiscal year 2009, a considerable number of turnaround measures were successfully implemented, and targets for this period were exceeded. Actual savings totaled EUR 63.8 million within the Dräger Group. This figure includes EUR 10.6 million in one-off effects, meaning savings that will only be effective in 2009 such as the waiver of variable remuneration. These one-off effects came to less than originally planned, as order intake and net sales improved significantly during the year compared to the first quarter in 2009 and it was therefore possible to abandon the planned one-off employee contribution of around EUR 10 million (the waiver of vacation and Christmas bonuses). A sustained cost reduction of EUR 53.2 million was achieved by focusing on procurement (lower costs of production materials, other materials and services), travel and communications, marketing and sales as well as logistics. Measures to increase the efficiency of service and development processes generated additional positive effects. Improvements to the product development process will increase new products' share in net sales and improve the gross margin. Measures, which were implemented with view to achieve further savings in

the future, incurred costs of EUR 18.5 million. The majority of these measures relate to the decision made in 2009 to close the production site in Best, Netherlands, in the first half of 2010 and pool the activities of the ventilation business in Lübeck. This will save a substantial amount of money. The increase in liquidity also exceeded the original target of at least EUR 50 million. The corresponding turnaround measures focused on improving the working capital operating elements inventories, receivables, payables and prepayments received. As of December 31, 2009, the value of these items (net of currency effects) was up by EUR 82.0 million year-on-year. This positive cash inflow from operating activities of EUR 193.5 million (2008: EUR 104.7 million) is reflected in the cash flow statement of the Dräger Group.

In the fourth quarter of 2009, savings of EUR 31.6 million were achieved within the Dräger Group and no further significant costs for implementing turnaround measures were incurred. The measures for reducing travel, communications and procurement costs had their greatest effect in the fourth quarter. Improvements to the marketing and sales organization and lower logistics costs also helped generate further savings.

The Dräger Group anticipates that turnaround activities will realize a positive effect of around EUR 80 million, measured against the net sales, cost structure and exchange rates in 2008, and incur further costs in the region of EUR 10 million in fiscal year 2010. Further savings are generated through improved purchase conditions and also in sales and marketing. It must be taken into account that most of the measures implemented in 2009 will now take their effect over the entire fiscal year. In addition, pooling the ventilation business in Lübeck and closing down the production site in the Netherlands in 2010 will save costs. We also expect positive effects from our measures for generating growth and improving net sales. Savings at Drägerwerk AG & Co. KGaA from the turn-

around program amounted to EUR 5.0 million, offset by implementation costs of EUR 1.4 million, incurred for hiring the services of external consultants. The savings include EUR 1.5 million one-off effects and EUR 3.5 million sustained effects.

Dividend waiver by Stefan Dräger

At the 2009 annual shareholders' meeting, the majority shareholder Stefan Dräger announced that he was waiving his indirect entitlement to a dividend. He repaid the dividend of EUR 581,492 in the third quarter of 2009. The capital reserves of Drägerwerk AG & Co. KGaA increased correspondingly.

Changes in the Executive Board of Drägerwerk Verwaltungs AG

At its meeting on December 9, 2009, the Supervisory Board of Drägerwerk Verwaltungs AG appointed Dr. Herbert Fehrecke as vice-chairman of the Executive Board with effect from January 1, 2010.

Dr. Ulrich Thibaut, member of the Executive Board of Drägerwerk Verwaltungs AG and responsible for research and development of Drägerwerk AG & Co. KGaA, decided not to extend his employment contract for personal reasons. His contract expires on June 30, 2010.

From that date, Dr. Herbert Fehrecke, responsible for procurement, logistics, production, quality and IT, will also assume the responsibility for research and development.

Dividend proposal

Drägerwerk Verwaltungs AG as general partner and the Supervisory Board of Lübeck-based Drägerwerk AG & Co. KGaA propose to distribute a cash dividend of EUR 0.40 per preferred share (2008: EUR 0.35) and EUR 0.34 per common share (2008: EUR 0.29), hence a total EUR 4.7 million out of the net earnings of EUR 61.0 million for fiscal year 2009 and carry forward the balance of EUR 56.3 million to new account.

The preferred share dividend also governs the dividend for participation certificates, which will amount to EUR 4.00 each (2008: EUR 3.50). Participation certificates entitle the holder to a dividend 10 times the preferred share dividend since their arithmetic par value is 10 times that of a preferred share.

Business activities

Drägerwerk AG & Co. KGaA, Lübeck, directly or indirectly holds the shares in the parent companies of the medical division and the safety division. With the focus being placed on the core business of the two divisions, medical and safety, the Company now only has a few other small shareholdings.

Drägerwerk AG & Co. KGaA has functions which serve to fulfill the core tasks of the Company as well as provide services to the divisions and their Group companies. These functions include the legal, tax and insurance departments, the treasury, public relations, investor relations, financial control and accounting departments for the Company and the Group, HR, internal auditing, a basic research department and real estate management.

To leverage the synergies of both the medical and safety divisions, Dräger intends to further expand shared services

within the Group. The aim is to enhance efficiency and quality. This in particular applies to the Group's information technology, where costs are currently above benchmark level. Dräger plans to invest a considerable amount in improving this over the next few years. To this end, a corporate IT department has been set up within Drägerwerk AG & Co. KGaA which will gradually take over the IT activities including managing external service providers. Corporate communications and the training section of human resources were also centralized. The services to our divisions are closely coordinated with them and invoiced in accordance with arm's length principles, as between unrelated parties.

Control systems

The internal control system supports management in securing the long-term success of the Company. It comprises budgets, actual cost calculations and forecasts with strategic and operative elements.

The control system is based on the Dräger Group's strategic plan, which is revised annually and reflects expected market developments, technological trends and their influence on products and services, as well as the financial means of the Dräger Group. The results are condensed in a five-year plan, the first year of which is developed into a detailed budget for the coming year. The monthly Group reporting includes the IFRS financial statements of all of the Group companies and shows the development of the net assets, financial position and results of operations of the Group, the divisions and other controlling units. These data are supplemented by detailed information required for the management of the Group's operating activities. Forecasts for estimating the overall net earnings for the year are produced at regular intervals during the fiscal year. Reports prepared every six months which address the Company's significant risks are a further component of

the control system. These reports are discussed during Executive and Supervisory Board meetings and are important as a basis for key decisions.

The most important key figures used to monitor the development of the Company and its divisions are net sales, EBIT, EBIT margin, return on capital employed (ROCE), as well as cash flow and key figures for capital employed. The volume and composition of order intake and orders on hand are important indicators of current performance. Early indicators for strategic development are development projects and their status, market response to new products and the Company's development and competitive position within the various regional markets.

Further information on the management and control structure can be found in the corporate governance report online at www.draeger.com/GC/en/investor_relations/corporate_governance.

Main accounting features of the internal control and risk management system as it relates to the financial reporting process

DEFINITIONS AND ELEMENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control system includes all principles, processes and measures for guaranteeing the effectiveness, efficiency and correctness of the financial reporting system and ensuring compliance with all relevant legal requirements.

The internal control system comprises internal controls as well as the monitoring system. The Executive Board of Drägerwerk Verwaltungs AG, in its role as management of Drägerwerk AG & Co. KGaA, specifically appointed

the financial control and accounting departments of Drägerwerk AG & Co. KGaA with the responsibility for the internal control system, which comprises both process-integrated and process-independent measures. Manual process controls, such as a system of checks and balances and automated IT process controls are both essential parts of the process-integrated measures. In addition, bodies like the Compliance Committee and specific Group functions like the tax and legal departments ensure process-integrated monitoring.

The Supervisory Board, particularly the Audit Committee of Drägerwerk AG & Co. KGaA, and the internal audit department implement audit activities as part of the internal monitoring system. The internal audit department carries out regular audits at foreign Group companies and in Lübeck.

The auditor carries out process-independent audit activities.

The risk management system is aimed at uncovering the risk of incorrect entries during the accounting process and the external reporting process. It comprises operational risk management and a systematic early-warning system.

USE OF IT SYSTEMS

Data relevant to financial reporting is recorded during the accounting process using the SAP standard software.

Dräger uses a uniform accounts structure throughout the Group.

The internal audit department assesses the IT environment. Potential risks are regularly recorded in the risk management system and reported twice a year to the Executive Board. In addition, the auditor of the financial statements carries out an

independent audit of the entire IT control system, change management, IT operations, access to programs and data and system development once a year.

In fiscal year 2004, the IT activities at the Lübeck site were outsourced to the service provider Capgemini. Since 2007, the Company started outsourcing only selected areas instead of its entire range of IT activities. As a result, Dräger developed its own implementation capacities in the corporate IT department. At present, the central mainframes are sited at Capgemini.

ESSENTIAL REGULATORY MEASURES AND CONTROLS FOR ENSURING COMPLIANCE AND RELIABILITY OF THE FINANCIAL REPORTING SYSTEM

The measures of the internal control system, which focus on the compliance and reliability of the financial reporting system, ensure that business transactions are recorded completely and promptly and in accordance with commercial and tax laws. Inventories are carried out properly, assets and liabilities are recognized and evaluated correctly in the financial statements.

The amounts reported in the income statement are checked to ensure they were recognized in the correct period and that reliable and traceable documentation for the business transaction is attached. By implementing organizational measures, such as a clearly defined allocation of responsibilities and control of the process for preparing the financial statements, transparent accounting and reporting guidelines and reliable IT accounting systems, it is ensured that accounting transactions are promptly and completely recorded. Separating administrative, executive and authorization functions by issuing different access profiles in the accounting systems reduces the potential for fraudulent acts.

Overall economic environment

The overall political and economic environment in 2009 was marked by the economic and financial crisis: Extensive economic stimulus packages and bank bailout plans have put a significant strain on government budgets.

GOVERNMENT AID

The Bank for International Settlements (BIS), Basel, calculated that the eleven leading industrial countries have pumped at least EUR 2 trillion directly into the financial sector after the insolvency of the Lehman Brothers investment bank in fall 2008. Added to this are credit guarantees and bonds of just over EUR 3 trillion. In total, the government aid dispensed by these countries amounts to almost 19 percent of their economic performance. BIS declared in one of its studies that although the governments had managed to avert the total meltdown of the financial system, their activities were distorting competition.

ECONOMIC STIMULUS PACKAGES

According to the German government, economic stimulus packages at an estimated value of USD 2.9 trillion (around 4.7 percent of global gross domestic product – GDP) were issued world-wide between 2008 and 2010. The ratio between the volume of the economic stimulus packages and gross domestic product is 14 percent in China, 10 percent in Japan, 7.1 percent in the US and 3.5 percent in Germany. The historically low key interest rates of central banks around the world (eurozone: 1.0 percent, the US: 0 to 0.25 percent, Japan: 0.1 percent, the UK: 0.5 percent) also aided the economy.

FUTURE BUDGET CUTS DUE TO ECONOMIC STIMULUS PACKAGES

Although Dräger profited from the economic stimulus packages dispensed by governments in 2009, their constantly growing debt is a worrying trend. According

to media reports, the Greek health care system for example, is either late in paying its bills to pharmaceutical companies or unable to due to a shortage of funds. Judging by these reports, the debt now totals almost EUR 7 billion. Although Dräger is not currently exposed to any significant risk of default in Greece, the Company is watching the payment behaviors of public sector customers carefully. Apart from that, their continuously growing debt could lead to serious future budget cuts. This could have a negative impact on the markets of the safety division (e.g. fire departments) and also the medical division (e.g. public hospitals) (see also Outlook, page 24). In the US alone, the federal budget was a record USD 1.42 trillion in the red in the fiscal year 2008/2009, which ended in September. The recession, costly bank bailout plans and economic stimulus packages were the reasons for this and it recorded yet another deficit of USD 388 billion in the period from October to December 2009. The US deficit from these five quarters alone exceeds the total debt of all public authorities in Germany, which amounted to EUR 1.7 trillion at the end of 2009.

GROSS DOMESTIC PRODUCT

HSBC Global Research estimates that the global GDP has shrunk by 2.2 percentage points. While the industrial countries recorded a decrease of 3.4 percent, the GDP of emerging countries grew by 1.5 percent. The economies of Russia (-8.3 percent), Japan (-5.2 percent), Great Britain (-4.7 percent), the eurozone (-3.9 percent) and the US (-2.6 percent) saw particularly poor development. India (6.9 percent) and especially China (8.5 percent) on the other hand, were able to buck the negative trend. According to data published by the Federal Statistical Office (Statistisches Bundesamt) in January 2010, the German GDP recorded its highest drop in the history of the country in the past year. Compared to the prior year, the economic performance fell by 5 percent. German exports decreased by 14.7 percent, imports by 8.9 percent.

Investments in equipment were 20 percent lower than in 2008. In comparison, investments in construction only dropped by 0.7 percent. Private spending rose by just 0.4 percent compared to the prior year, while government spending increased considerably by 2.7 percent.

INFLATION

According to a study conducted by HSBC Global Research in January 2010, the prices for goods and services rose by just 1.0 percent globally (industrial countries: 0.0 percent), while the rate of inflation in emerging countries was 4.6 percent. In Russia (+11.7 percent) and India (+10.5 percent), prices rose into the double digit range.

COMMODITIES MARKETS

According to calculations by the International Monetary Fund (IMF), commodity prices developed around eight times more dynamically than in the last five recessions since industrial production reached its lowest point in February 2009. The Standard & Poor's commodity index GSCI closed the year with a plus of 50.4 percent. This is the steepest increase since the index was established in 1970.

EXCHANGE RATE

After a weak period in the first quarter, the euro was at its lowest on March 4, 2009 with an exchange rate of USD/EUR 1.27 (December 31, 2008: USD 1.39). In the following three quarters, the euro recovered considerably and reached its highest point on December 2, 2009 with USD 1.51 (December 31, 2009: USD 1.44). The average euro exchange rate was USD 1.3968, 5.2 percent lower than in the prior year. The USD/EUR exchange rate is the most important for Dräger, as net sales and costs in the US dollar zone account for the largest share of foreign currency activities. The stronger average exchange rate of the US dollar compared to the prior year also had a negative impact on earnings in fiscal year 2009 but Dräger profited from a weaker US dollar in the fourth

quarter. If the euro was up (down) 10 percent against the average annual rate of the US dollar, the Group result before taxes would be EUR 2.1 million higher (EUR 2.6 million lower). The euro's nominal effective exchange rate (measured against the currencies of 21 important eurozone trade partners) was below the prior year's value of 113.0 with an average annual index value of 111.68. Compared to the currencies of the most important trade partners, the value of the euro therefore rose by 1.3 percentage points. In the fourth quarter, the value of the euro dropped slightly to somewhere around the average value in 2009. Devaluation was relatively steady throughout the year, but more prominent in December. The USD/EUR exchange rate, which is particularly important to Dräger, varied throughout the year. The euro's value compared to the US dollar increased in October and November but decreased in December.

Effects of the economic environment on the Dräger Group

Dräger has not been as badly affected by the crisis as the overall world economy. The medical and safety divisions' large product and service portfolios and their relative independence from economic cycles are the main reasons for this. Business activities were also boosted by governments issuing extensive economic stimulus packages in the markets the Company operates in. The Dräger Group has large development and production capacities in the US and a large number of purchases are made in US dollars. The strong US dollar in terms of the annual average in 2009 has therefore had a negative impact on earnings. The strengthening of the euro in relation to the most important other currencies put a further strain on earnings.

Industry performance

MEDICAL DIVISION

The global economic crisis has had a major impact on market developments in 2009, particularly in the first half of the year. Even though the economic stimulus packages of individual countries and investments in the treatment of H1N1 patients partly compensated losses, the total market volume was stagnant and even decreased slightly, accompanied by a drop in the US share of the global market.

Hospitals are under high pressure to save costs and increasingly dependent on technology to maximize their productivity. Together with the quickly developing health care systems in emerging countries, this continued to have a considerable impact on demand, despite the crisis.

The product portfolio continued to expand across the process chain on both the provider and consumer side in 2009, albeit at a slower pace. As a result, competition remained very intense. In 2009, the market volume of segments relevant to the medical division amounted to almost EUR 7 billion, a slight decrease compared to the prior year as a result of the crisis. Dräger is among the global market leaders in this field because it implements consistent concepts covering the entire patient pathway in the acute point of care (APOC) area in hospitals and by doing so, helps lower health sector costs. The medical division leads the market in anesthesiology and respiratory care.

SAFETY DIVISION

The global economic crisis has had a major impact on market developments in this division as well. Many of the Company's industrial customers, such as the steel, automotive, supplying and engineering industries, struggled with severe fluctuations in demand. As a result, demand for safety products for these industries was

restrained or even declining. The economic stimulus packages issued by governments could only partly offset this trend. Total demand from public sector customers, on the other hand, was up slightly. Purchases in H1N1 protection gave demand in personal protection equipment a boost. The market environment in which the safety division operates continued to see a high level of competition and continuing consolidation. The volume of the markets relevant to the safety division amounted to around EUR 5 billion, almost the same as in the prior year. Dräger is regarded as the market leader in the fields of mobile and stationary gas detection systems and diagnostics (alcohol and drug detection systems). In the other business fields, the safety division counts among the leading providers.

Accounting changes

In line with the discussion on the reporting methods for participation certificates according to the German Commercial Code (Handelsgesetzbuch – HGB) and the opinions prevailing in professional literature, Drägerwerk AG & Co. KGaA recognizes series A and K participation certificates as debt as of fiscal year 2009.

Business trend and results of operations

In 2009, Drägerwerk AG & Co. KGaA's business trend and net loss of EUR 21.2 million (2008: net profit of EUR 14.7 million) have essentially been influenced by

- a) its result from operating activities
- b) results of Group companies.

AS TO A) ITS RESULT FROM OPERATING ACTIVITIES

Drägerwerk AG & Co. KGaA's result from operating activities, including services to Group companies and

third parties, only changed to a minor extent in fiscal year 2009.

Since the change to the Company's legal form, the Executive Board receives its remuneration from the general partner while their pension obligations are handled by Drägerwerk AG & Co. KGaA.

The shared services were further expanded and strengthened by additional employees in fiscal year 2009. Drägerwerk AG & Co. KGaA provides services to the divisions and their subsidiaries. This includes the services provided by the legal, tax, insurance, treasury, corporate communications, marketing communications, investor relations, financial control, group accounting, corporate IT, HR, internal audit and basic research departments. The services to our divisions are closely coordinated with them and invoiced in accordance with arm's length principles, as between unrelated parties.

Corporate communications, marketing communications and corporate IT have already been established at Drägerwerk AG & Co. KGaA as shared services for all Group companies. In order to make better use of economies of scope it is planned to extend the shared service activities to other suitable functions.

AS TO B) RESULTS OF GROUP COMPANIES

Income from profit and loss transfer agreements (including intragroup tax allocations) decreased to EUR 32.9 million (2008: EUR 67.5 million) due to the lower contribution of Dräger Safety AG & Co. KGaA.

Net assets and financial position

As a result of its function within the Dräger Group, Drägerwerk AG & Co. KGaA's balance sheet is characterized by high financial assets and liabilities from group

financing as well as intercompany receivables and liabilities.

In fiscal year 2009, non-current assets increased significantly to EUR 902,0 million (December 31, 2008: EUR 653.3 million), mainly due to the acquisition of Siemens Medical Holding GmbH. With regards to property, plant and equipment and intangible assets, additions of EUR 4.7 million outweighed disposals with net carrying values of EUR 0.3 million. Software licenses were purchased for EUR 2.5 million.

Non-current investments relate to funds which are used to hedge pension obligations.

The net financial liabilities to banks amount to EUR 135,0 million (December 31, 2008: EUR 232.6 million). In 2009, Group financing to Drägerwerk AG & Co. KGaA totaled EUR 37.8 million, in 2008 Group financing to affiliates amounted to EUR 74.7 million.

Drägerwerk AG & Co. KGaA's equity decreased to EUR 343.3 million (December 31, 2008: EUR 392.9 million) due to the loss incurred in fiscal year 2009, the dividend to shareholders and the reclassification of the series A and K participation capital as a non-current debt in 2009. This reduced the equity ratio considerably to 26.5 percent (December 31, 2008: 45.5 percent).

Borrowing

In 2009, Drägerwerk AG & Co. KGaA took out three new medium-term note loans totaling EUR 140 million. The loans mature on or before 2015 and all carry fixed interest rates.

RAISING OF ADDITIONAL NOTE LOANS

Maturity up to	in € million	Interest rate (fixed) in %
April 2011	24.5	4.75
April 2013	54.0	5.65
April 2015	61.5	7.07

In September 2009, Drägerwerk AG & Co. KGaA entered into a loan agreement with the KfW (Kreditanstalt für Wiederaufbau) for a loan totaling EUR 50 million under the bank's 2009 special program "Investitionen". As of the balance sheet date, this amount has not been called in and the offer remains open until August 25, 2010. The interest rate is set to 5.95 percent up to September 30, 2012, after which the interest rate will be renegotiated for the period until September 30, 2017. The repayment will be made in quarterly installments up to September 30, 2017.

Dräger's short-term operating requirements are self-funded by means of cashpooling and via credit lines with selected banks.

Basic features of the remuneration system for the Executive Board of Drägerwerk Verwaltungs AG and the Supervisory Board of Drägerwerk AG & Co. KGaA

EXECUTIVE BOARD REMUNERATION

Since the change in legal form to a partnership limited by shares, the Supervisory Board of Drägerwerk Verwaltungs AG has been responsible for determining the remuneration of the general partner's Executive Board members.

All of the employment contracts of the members of the Executive Board have been concluded with Drägerwerk Verwaltungs AG.

The contractual periods differ and cover a period of between three and five years.

Remuneration is based on the size and the global activities of the Company, its economic and financial position, and on the amount of remuneration paid by peer group companies. The duties of the respective Executive Board member are also taken into consideration. When determining the remuneration, it is also possible to grant a special performance-related bonus which is not allowed to exceed a certain percentage of fixed income. This special payment is a variable remuneration component. The total remuneration of Executive Board members is made up of a fixed annual basic remuneration, a performance-related variable remuneration component as well as non-performance-related additional benefits and pension commitments. The variable component of the remuneration of the active Executive Board members is fundamentally pegged to the Group's net profit. Individual members of the Executive Board have additional personal targets based on key figures like capital employed, days of net working capital and gross profit. There are no long-term incentive components of remuneration in existing contracts. All contracts concluded or extended from 2010 will contain remuneration components with long-term incentives in line with the Act on the Appropriateness of Executive Board Remuneration (VorStAG). In line with VorStAG, the remuneration structure of Executive Board members with upcoming contract extensions will be adjusted as follows. The remuneration consists of the following four components: Fixed remuneration, net profit share, annual targets, which are individually assessed by the Supervisory Board at its discretion, and long-term targets for the entire term of the contract.

The Supervisory Board may also decide to include additional benefits (e.g. employer's contributions, company cars, pension plans).

No further payments have been promised in the event of termination of appointment to the Executive Board. The Executive Board contracts do not provide for any severance entitlements. However, a severance payment may be agreed under an individual severance agreement.

Obligations from the pension plan remain at Drägerwerk AG & Co. KGaA pursuant to the terms and conditions of individual contracts.

Defined benefit plans for members of the Executive Board are agreed individually on a performance oriented basis. This has been based on the “Führungskräfteversorgung 2005” which has been in effect in the Group since January 1, 2006.

The defined benefits under the pension plans offered to the members of the Executive Board are either fixed or based on the basic annual salary and years of service on the Executive Board. The defined benefit is based on an annual contribution of up to 15 percent of his or her basic annual salary. Under the deferred compensation option, an additional annual contribution of up to 20 percent of the basic annual salary can be made. Stefan Dräger receives a further contribution of 50 percent from the Company on deferred compensation, but no more than 8 percent of his basic annual salary. This top-up payment is only made if consolidated EBIT equals 8 percent or more of net sales.

SUPERVISORY BOARD REMUNERATION

In 2009, the Supervisory Board decided to forego determining a variable component of Supervisory Board remuneration for the fiscal year 2008.

Every member of the Supervisory Board receives basic remuneration pro-rate, which is made up of a fixed amount of EUR 10,000.00 (2008: EUR 10,000.00) and variable remuneration. This variable component

that is being applied from the fiscal year 2009 onwards amounts to 0.05 percent of net profit and replaces the dividend-dependent remuneration system applied in the fiscal year 2008, which paid EUR 600.00 per cent above a preferred dividend of EUR 0.26.

Pursuant to Art. 21 (1) of the articles of association of Drägerwerk AG & Co. KGaA, the distribution of the remuneration of members of the Supervisory Board is determined by a Supervisory Board resolution. To date, the Supervisory Board has adopted the following principles for distribution:

Its chairman is entitled to four times and any vice-chairman two times the set amount. The members of the Audit Committee receive an additional EUR 5,000.00, and the chairman of the Audit Committee an additional EUR 10,000.00.

Personnel

As of December 31, 2009, Drägerwerk AG & Co. KGaA employed 358 people (December 31, 2008: 325).

STRATEGIC PERSONNEL DEVELOPMENT PLANNING

Employees are the life-force of Dräger. Their expertise and dedication have written the Group’s success story. In 2009, Dräger introduced three new strategic personnel development projects to bind its employees to the Company in the long-term and to fire their enthusiasm time and time again: Talent management, competence management and the global standard personnel development software ETWeb.

International talent management aims to recognize particularly talented and motivated employees world-wide and offer them individually tailored support. In order to do so, Dräger’s managers have

evaluated the performance and potential of every employee. The chosen talents – approximately 5 percent of the workforce – will receive all the support they need to further their careers within the Company in the coming months: An individual career development plan with clearly defined targets, a corresponding training program and a mentor who is always available with help and advice. These talents will take on a new position with increased responsibilities within twelve to 36 months, either as managers, project managers or specialists.

Competence management enhances the talent management and ensures that all Dräger employees have access to targeted training measures. The ETWeb software documents employees' qualifications, helping to find the right candidates for key positions from within the Group.

Research and development

The research and development (R&D) department at Drägerwerk AG & Co. KGaA employs 51 people (2008: 53 people). They develop product basics and research promising new technologies for the divisions and apply them.

The basic research department's main task is to investigate new technologies and develop technical solutions for potential applications. These technologies are transferred to product development only once they have reached a sufficiently high level of maturity, which reduces the development risk.

All research and development departments cooperate internationally with universities, research institutes and other innovative companies. In this way, Dräger is able to benefit from technologies developed and financed by other sectors. The transparent and lean

innovation and development processes ensure high efficiency and facilitate the inclusion of the latest research findings and cutting-edge technologies that meet our high quality standards in the product development process. The comprehensive innovation process includes the procurement, quality assurance and production departments along side of the R&D and marketing departments. Procurement for example, is responsible for the early involvement of strategic suppliers in the development process. This strategy and also the pooling of available resources for product development projects have contributed to the success in 2009. These platform-based developments have entered the market as promising and attractive products and will continue to contribute to Dräger's financial success in the coming years. In 2009, expenses of EUR 5.8 million (2008: EUR 5.6 million) for research and development services were incurred and recharged to the two divisions. Expenses not allocated to projects in the divisions and long-term research activities at Drägerwerk AG & Co. KGaA came to EUR 2.3 million (2008: EUR 2.6 million).

Corporate IT

Corporate IT operates as a shared service centre from Drägerwerk AG & Co. KGaA.

IT STRATEGY

The main objectives of IT development are to provide Dräger with better IT support for its business processes worldwide and make applications less complex.

The main areas are:

- Focusing the application portfolio and further developing the strategic platforms SAP and Microsoft
- Continuing to standardize the IT infrastructure and improving the security of data networks
- Implementing the new, global IT procurement strategy

IT HEADCOUNT

The corporate IT shared service was expanded both in Lübeck and internationally, taking its headcount to around 97 in Germany (end of 2008: 88) and 24 in the US (end of 2008: 20) in 2009

MAJOR IT PROJECTS IN 2009

The development phase of the global customer relationship management solution (CRM), which commenced in 2008, has now been concluded. The application was introduced in the US, Canada, Great Britain, Denmark and Mexico. The performance of the CRM solution will be increased step by step over the coming years. By implementing SAP SNC (Supplier Network Collaboration) it has been possible to expand the vendor managed inventory. Dräger has changed the contents of its website, improved its technology and given it a completely new user interface. In total, 40 IT projects were completed in 2009 and work on 22 large projects is ongoing.

The Group-wide Phönix project was stopped in the first quarter of 2009 due to a shift in priorities under the turnaround program. The objective of Phönix was the comprehensive consolidation of applications and processes.

Environmental protection

With its amendment to the Group-wide quality and environmental policy, the Executive Board has emphasized the special importance Dräger attaches to climate protection and highlighted the fact that Dräger intends to consistently contribute towards reducing harmful emissions.

2009 was the first year that Dräger participated in CDP reporting (Carbon Disclosure Project), which is an

initiative committed to disclosing greenhouse gas emissions. This reporting does not just cover the Lübeck site, but for the first time also the 51 subsidiaries of the medical and safety divisions worldwide. The direct and indirect greenhouse gas emissions recorded at Dräger are primarily limited to CO₂. The Company does not emit material amounts of other greenhouse gases. Dräger Facility Management has implemented permanent projects at the Lübeck site aimed at reducing greenhouse gas emissions. In addition, the vehicle fleet of our German sales and service organization has been replaced with new, lower-consumption vehicles. This has helped us to reduce our average CO₂ emissions per kilometer by approximately 15 percent.

The increasing globalization of Dräger's environmental management efforts is reflected in the environmental as well as health and safety certifications of our safety division production sites in China, Great Britain and Sweden, as well as our service and sales organizations in Australia, Indonesia, Singapore, Switzerland and Spain. These companies are ISO 14001 certified as of January 1, 2010.

Dräger Medical ANSY GmbH has also been integrated into the Dräger ISO 14001 group certification. This allows the Company to deliver on the expectations our customers have from a planning and installation company for supply units and medical gas management systems, helping them further expand their market position.

Despite the new approach to CO₂ reporting, which also includes recording other indirect greenhouse gas emissions like those from vehicles and air travel, consumption figures for electricity, water, natural gas, heating oil and waste volumes remain important for measuring the environmental performance of the Lübeck site. Consumption in fiscal year 2009 leveled off at the same or a lower level than the prior-year.

The volume of natural gas and heating oil purchased is now at 54.2 million kWh, 97.4 percent of which is from relatively climate-friendly natural gas and 2.6 percent from heating oil, resulting in CO₂ emissions of around 11,000 tons. In absolute terms, primary energy consumption and therefore direct CO₂ emissions rose by 3.8 percent compared to the prior year. However, over 40 percent of this increase can be attributed to the increase of in-house energy production from the combined heat and power plant. Taking into account all different types of weather conditions, the average heating energy consumption was even reduced by 4.7 percent thanks to the systematic energy management efforts of Dräger Gebäude und Service GmbH.

Almost 24 percent of the Lübeck site's primary energy is used by the in-house combined heat and power plant for local electricity generation. It produces over 6 million kWh of electricity and therefore covers almost 18 percent of electricity demand. Although operating the combined heat and power plant leads to a rise in local, direct CO₂ emissions, it helps Dräger make an important contribution to environmental protection by lowering indirect CO₂ emissions disproportionately to the volume of electricity purchased.

This also provides financial benefits in terms of electricity costs and also serves to strengthen Lübeck as a location. For the first time, the total electricity consumption at the site was reduced to 35.1 million kWh (-3.2 percent on the prior year). This is primarily attributable to the shutdown of a supplier's production plants within the Dräger site in Lübeck.

Water consumption is also slightly down on the prior year (-1.4 percent) with 84,140 m³. This shows that water can be used efficiently through recirculation even if production capacity is being utilized to a high level.

The drastically reduced volumes of waste were particularly notable in 2009. These were far below prior year levels, even partly lower than the volumes of 2006 and 2007. In absolute terms, the total volume fell by 920 tons to 3,750 tons, although this was particularly attributable to the 49 percent (531 tons) reduction in metal waste from the previously stated production shutdown of a supplier. 98 percent of the waste continues to be recycled by Dräger Abfallwirtschaftsverband w. V., with only 68.6 tons of waste requiring disposal. From an environmental perspective, the success of the product return scheme is also positive. With a volume of almost 320 tons (8.5 percent of the waste volume), this plays a key role in the return and appropriate waste management of Dräger devices, and also greatly benefits customers.

In product-related environmental protection, Dräger companies focus strongly on the constantly updated requirements of programs such as European RoHS (Restrictions of [the use of certain] Hazardous Substances), REACH (Registration, Evaluation, Authorization and Restrictions of Chemicals) and GHS legislation (Globally Harmonized System of Classification and Labeling of Chemicals). The focus is on identifying and, if required, substituting particularly critical substances which are covered by additional requirements in the medical technology industry, like the Medical Device Directive on declaring specific plasticizers. In an effort to fulfill substance-related requirements, Dräger companies have evaluated the use of newly regulated materials in their product portfolios. With a view to ruling out potential risks when using Dräger products, the medical division in particular carries out lab inspections and biocompatibility tests in addition to the internal information provided by suppliers. In the case of the safety division's products, it is not always possible to produce products without critical substances for technological reasons or on product safety grounds - this is the case in fields like

gas sensors, filter technology and breathing apparatus. The regulatory information requirements for these types of products have been reviewed and complied with.

Opportunities and risks relating to future development

RISK AND OPPORTUNITY MANAGEMENT

The Dräger Group's risk and opportunity management system ensures a responsible approach to dealing with the inevitable uncertainties of doing business. The system enables Dräger to meet its targets by consistently taking advantage of opportunities without losing sight of the associated risks.

The Dräger Group's risk policies are based on the goal of securing and – by exploiting our opportunities – building on our market position and increasing the value of the Group on a sustainable basis.

The risk management system comprises all measures that allow us to identify, measure, monitor and manage potential strategic and operational risks at an early stage. Based on the Group's annually revised strategic plans and the resultant short and medium-term plans, systematic controlling is carried out on all business units, companies and regions, divisions and the Group through monthly reports. Our risk reports, which are routinely compiled twice a year or ad hoc as required and detail economic, market and currency risks, the competitive situation and environment, as well as risks specific to the business segments, are a key part of this process. Risk management is rounded off by the activities of the Group internal audit function and the statutory audit of the financial statements. As a matter of course, the medical and safety divisions submit their products and services to quality inspections and ongoing checks in accordance with stringent national and international standards and

always with the special quality and risk orientation of these sectors in mind.

The long-term basis for our opportunity management is the strategic planning process and the resulting development and market positioning plans for products over their respective life cycles. This includes regularly adapting and improving our structure. The greater use of shared services within the Group is an example of this. There are also significant opportunities within the measures to strengthen the Dräger brand which, together with the guiding philosophy "Technology for Life", conveys the high standard of technology, quality and reliability. Short-term options are identified by regularly monitoring the market and the competition.

Our systems ensure that opportunities and risks are identified, evaluated, managed and monitored. Information on risks and opportunities flows to the respective process owners, the Executive and Supervisory Boards and, if necessary, enables action to be taken at short notice.

The Dräger Group's risk management process complies fully with the objectives of the German Act on Corporate Control and Transparency ("Gesetz zur Kontrolle und Transparenz im Unternehmensbereich": KonTraG).

Both the risks presented below and risks of which we may currently be unaware can have an impact on the Dräger Group and therefore also Drägerwerk AG & Co. KGaA, the ultimate parent company.

OVERALL ECONOMIC RISKS

The crisis in the financial markets, which started in 2008, led to a global financial and economic crisis in 2009. In view of the fact that global growth has slowed down considerably, the economic situation in most industrial countries remains highly uncertain.

If the fluctuations and distortions resulting from the

financial crisis continue or worsen, the Dräger Group cannot guarantee that its net assets, financial position and results of operations or its ability to secure financing will not be affected. For example, the current credit crunch could make it more difficult for our customers to obtain financing, which could mean that they might change, delay or abandon plans to purchase our products and services. Furthermore, if our customers generate inadequate net sales or have restricted access to the capital markets they may be unable to settle outstanding invoices on time or in full. Our earnings and cash flows could be negatively impacted as a result.

By strengthening its global business, Dräger has achieved a broad regional diversification of net sales. Our growth targets are still focused on the Americas and Asia. Key manufacturing sites in the US, the UK and China are instrumental in reducing the currency risks associated with global business.

Numerous other factors such as global, political and cultural conflicts, including the situation in the Middle East, can affect macroeconomic factors and international capital markets and shape demand for our products and services.

STRATEGIC RISKS

The industries in which Dräger operates are considered future-oriented. Within each industry, further consolidation processes are expected that are likely to affect the structure and intensity of competition. The pooling of purchasing volumes due to the consolidation of hospitals or the establishment of purchasing cooperatives provides customers with more market power. We have also noticed a trend towards outsourcing secondary and tertiary services (e.g. maintenance and repair), meaning that Dräger might only be able to act as a subcontractor. Dräger is up against strong competitors, some of whom have access to extensive

resources. In both divisions, the Dräger Group is dependent on the investment capacity of public bodies, since the majority of customers both in Germany and abroad are public hospitals and other institutions, for example the fire service, the police force, the military and public disaster response. A trend toward lower public spending has emerged in many industrialized nations in the past years, for example in the US, China and also in Germany. This trend could continue given the current market environment. In response to these challenges, the Dräger Group is cementing and further expanding its position in the traditional and emerging markets through customer focus, innovation, the high quality and reliability of its products and services and, where expedient to business, active involvement in the consolidation process.

Operational risks

SUPPLIER RISKS

In order to maintain the current product portfolio and realize those products that are being developed, we need to work closely with reliable, competent suppliers. Our suppliers are integrated into our processes, since the level of vertical integration in our business model has been reduced to the necessary core technologies and the assembly of purchased parts and components. To manage the risks this entails, information processes are structured, the necessary internal and external interfaces in the global processes are optimized and the performance of external partners is carefully reviewed. Quality standards safeguard the supplier selection and procurement processes. Our operating processes are continuously being improved.

PRODUCT LIFECYCLE RISKS

One important challenge is keeping the product portfolio of the Dräger Group divisions up to date. This necessitates

making both technologically innovative products and products which appeal to a large section of the market available in a timely manner. Together with technology, an excellent cost position is important for the market position and economic success of the Dräger Group. This requires not only a high quality product portfolio in line with market requirements but also the ability to control operating processes, from development, sales and order fulfillment through to maintenance of the product portfolio.

PROJECT RISKS

In line with the increase in project business in the divisions of the Dräger Group, general cost and cost calculation risks are increasing. Miscalculations could result in extra costs or project delays. This, in turn, could lead to deficits in planned net sales, extra research and development, production and sales costs and as a result it may become necessary to carry out temporary measures for customers, or contractual penalties may fall due.

IT RISKS

Our business processes require reliable, cost-effective IT systems. The breakdown of IT systems could compromise critical business processes (e.g. production shutdown). Breakdowns could be caused by factors such as overload or external hazard (virus attack).

Dräger has reassumed parts of the outsourced IT services from external service providers or shifted them to other service providers. IT management, coordination, project management and control are the functions which will first and foremost be strengthened within the Company. Defined roles ensure that the business and IT processes are linked. Coordination with external service providers is still of prime importance. These service providers are highly competent companies.

PERSONNEL RISKS

Competition for highly qualified employees is fierce in the industries in which our divisions operate. Recruiting and retaining well-qualified employees for all functions and regions is crucial for our further development. It is therefore very important to cultivate and improve our attractiveness as an employer.

REGULATORY AND LEGAL RISKS

The companies of the Dräger Group are subject to varying and ever-increasing regulation in all of the countries they operate in, regardless of the extent of their operations. The measures necessary to comply can generate considerable operating costs. The obligations can arise from public law, such as tax law, or civil law. Also important for our business are laws to protect intellectual property and third-party concessions, varying approval and licensing regulations for products, competition rules, regulations in connection with awarding contracts, export control regulations, and much more. Drägerwerk AG & Co. KGaA is also subject to legal regulations governing capital markets.

Companies in the Dräger Group are currently and may in the future be involved in lawsuits in connection with their business activities. To counter such legal risks, Dräger has taken out liability insurance policies with coverage which the Executive Board of the general partner considers appropriate and customary for the industry.

In some regions, legal uncertainty could result from us only having limited possibilities to assert our rights.

The Dräger Group endeavors to comply with all legal and regulatory obligations and corresponding internal regulations and directives are in place.

RISKS FROM FINANCIAL INSTRUMENTS

The aim of the Dräger Group is to minimize liquidity risk and risk from financial instruments, i.e. interest rate, currency and credit risk. Liquidity risk and interest rate risk are hedged centrally by Drägerwerk AG & Co. KGaA, whereas currency risk is the joint responsibility of Drägerwerk AG & Co. KGaA and the divisions. The credit risk with regard to cash investments and derivatives is mitigated centrally, while the credit risk from receivables from operating activities is the responsibility of the divisions.

The only financial derivatives we use are marketable hedging instruments contracted with reputable banks as counterparties. Derivatives may only be traded by members of the Dräger Group if they are covered by the treasury guidelines or have been approved by the Executive Board.

Dräger relies on various financing instruments to minimize the liquidity risk: In addition to participation certificates, the Dräger Group raised loans against borrower's note which are due in one to six years. It also concluded a loan agreement for credit from the 2009 KfW special program "Investitionen". The Company did not take out any bank loans for the acquisition of Siemens Medical Holding GmbH. In addition, Dräger has non-current and current liabilities to banks as well as a liquidity reserve comprising freely available credit facilities with selected banks.

The Dräger Group is mainly exposed to interest rate risks in relation to the euro. Dräger counters these risks using a combination of fixed and variable-interest financial liabilities, hedging a portion of the variable interest with interest rate caps. Cash investments are only made in the form of overnight money at commercial banks with high credit ratings.

The Dräger Group counteracts currency risks from other currencies (excluding the euro) by concluding hedging measures in the form of forward and swap transactions with selected banking partners. Anticipated cash flows in foreign currencies for 2010 were already 60 percent hedged at the end of 2009 for the main currencies (USD, GBP, AUD, CNY). The management of financial risks is detailed under Note 47 of the annual report 2009.

OTHER RISKS

Dräger Group does not have unlimited liability cover and therefore the risk exists that the liability insurance does not sufficiently cover any claims against the Company. The probability of such a risk materializing is very remote, but should there ever be a class action lawsuit, Dräger may incur financial damage not covered by insurance.

OVERALL RISK

Overall, the most important of all risks facing the Group are the strategic risks, especially those stemming from consolidation processes that affect the competitive structure, and the current state of the economy. However, this risk is mitigated both by the regional spread and the diversification of the product and service offerings of the Dräger Group. The performance risks from the completion of orders are well spread and are therefore limited. All in all, the risks to the Dräger Group are limited and, based on the information currently known to us, the Group's management, the Dräger Group's continued existence as a going concern is not at risk.

Disclosures pursuant to Sec. 289 (4) HGB and explanations by the general partner

The following disclosures pursuant to Secs. 289 (4) HGB describe the conditions as they were on the balance sheet date. These disclosures are explained in individual

sections in accordance with Sec. 120 (3) Sentence 2 of the German Stock Corporation Act (Aktiengesetz – AktG).

COMPOSITION OF CAPITAL STOCK

The capital stock of Drägerwerk & Co. KGaA amounts to EUR 32,512,000. It consists of 6,350,000 voting bearer common shares and 6,350,000 non-voting bearer preferred shares each with a EUR 2.56 share in capital stock. Shares of the same type carry the same rights and obligations. The rights and obligations of the shareholders are laid down in the German Stock Corporation Act, in particular in Secs. 12, 53a et seq., 118 et seq. and 186 AktG, as well as in the articles of association of the Company. As compensation for the lack of voting rights, Dräger distributes an advance dividend of EUR 0.13 per preferred share from net earnings. If sufficient profits are available, a dividend of EUR 0.13 per common share is then paid. Any profit in excess of this amount, if distributed, is allocated by the Company so that preferred shares receive EUR 0.06 more than common shares. If the profit is not sufficient to distribute the advance dividend for preferred shares in one or more years, Dräger pays the amounts from the profit of subsequent fiscal years before a dividend is paid on common shares. If the Company does not pay amounts in arrears in the next year along with the full preferred dividend for that year, the preferred shareholders have voting rights until the arrears have been paid. In the event of liquidation, the preferred shareholders receive 25 percent of net liquidation proceeds in advance. The remaining liquidation proceeds are distributed evenly to all shares.

RESTRICTIONS RELATING TO VOTING RIGHTS OR THE TRANSFER OF SHARES

Legal structures at Dr. Heinrich Dräger GmbH mean that neither Stefan Dräger nor Stefan Dräger GmbH, which he controls, have any influence on the exercise of the voting rights of common shares held by

Dr. Heinrich Dräger GmbH at the annual shareholders' meeting of Drägerwerk AG & Co. KGaA for resolutions within the meaning of Sec. 285 (1) Sentence 2 AktG. There are no further restrictions which relate to voting rights or the transfer of shares, even though they could arise from agreements between shareholders.

DIRECT OR INDIRECT SHAREHOLDINGS EXCEEDING 10 PERCENT

97.87 percent of the common shares of Drägerwerk AG & Co. KGaA, equivalent to 6,215,000 common shares or 48.94 percent of the total capital stock, belong to Dr. Heinrich Dräger GmbH, Lübeck. 58.73 percent of its shares are held by Stefan Dräger GmbH, Lübeck, 23.15 percent by the Dräger Foundation Munich/Lübeck, and the remainder by various members of the Dräger family. Stefan Dräger GmbH is wholly owned by Stefan Dräger, Lübeck. Stefan Dräger, Stefan Dräger GmbH, the Dräger Foundation Munich/Lübeck, and Dr. Heinrich Dräger GmbH informed us in accordance with Sec. 21 WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act) that their share in the voting rights of Drägerwerk AG & Co. KGaA, Lübeck, equals 97.87 percent. The voting rights are attributed to Stefan Dräger GmbH and the Dräger Foundation Munich/Lübeck via the jointly controlled company Dr. Heinrich Dräger GmbH. The voting rights are attributed to Stefan Dräger via Stefan Dräger GmbH and Dr. Heinrich Dräger GmbH, which he controls. Through Stefan Dräger GmbH, Stefan Dräger also holds all shares in Drägerwerk Verwaltungs AG, Lübeck, the general partner of Drägerwerk AG & Co. KGaA. Thus Stefan Dräger is both the shareholder of the general partner and also common shareholder of Drägerwerk AG & Co. KGaA. In the cases covered by Sec. 285 (1) Sentence 2 AktG he would therefore not be entitled to vote. Legal structures at Dr. Heinrich Dräger GmbH ensure that, for such resolutions, Stefan Dräger does not exert any influence on the exercise of the

voting rights of limited shares held by Dr. Heinrich Dräger GmbH.

SHARES WITH SPECIAL RIGHTS CONFERRING CONTROL

There are no shares with special rights conferring control or special controls over voting rights.

NATURE OF CONTROL OVER VOTING RIGHTS BY EMPLOYEE SHAREHOLDERS WHO DO NOT DIRECTLY EXERCISE THEIR CONTROL RIGHTS

No employees hold voting shares in the capital stock of the Company. If employees of the Company or the Dräger Group wish to acquire shares in the Company, they can purchase preferred shares on the stock exchange. Preferred shares do not confer any control rights.

APPOINTMENT AND REMOVAL OF MANAGEMENT AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In the legal form of a partnership limited by shares (KGaA), the general partner is authorized to manage and represent the Company, a regulation derived from partnership law. Drägerwerk Verwaltungs AG is the general partner of Drägerwerk AG & Co. KGaA, and acts through its Executive Board. The Supervisory Board of Drägerwerk AG & Co. KGaA, which has half of its members elected by employees, is not authorized to appoint or remove the general partner or its Executive Board. The general partner joined the Company by declaration of accession; it withdraws from the Company in the cases defined under Art. 14 (1) of the articles of association.

The general partner's Executive Board, which is authorized to manage and represent Drägerwerk AG & Co. KGaA, is appointed and removed pursuant to Secs. 84 and 85 AktG and Art. 8 of the articles of incorporation and bylaws of Drägerwerk Verwaltungs AG. The Executive Board of the general partner comprises at least two persons, the Supervisory Board of the general partner determines how many other members there are. The

Supervisory Board of the general partner, elected by its annual shareholders' meeting, is responsible for appointing and removing members of the Executive Board. It appoints members of the Executive Board for a maximum of five years. Repeat appointments or extensions of the term of office are permissible.

The Supervisory Board of Drägerwerk AG & Co. KGaA is not authorized to adopt rules of procedure for management or to define a catalog of management transactions requiring approval. The Joint Committee – comprising four members of each of the Supervisory Boards of the Company and its general partner – and not the annual shareholders' meeting, decides on the management transactions by the general partner which require approval as set out in Art. 23 (2) of the articles of association of Drägerwerk AG & Co. KGaA. The Supervisory Board of Drägerwerk AG & Co. KGaA represents the Company in dealings with the general partner.

Pursuant to Secs. 133, 179, 278 (3) AktG, amendments to the articles of association must be approved by the annual shareholders' meeting, which requires a simple majority of votes cast as well as a majority of at least three quarters of the capital stock represented upon adoption of the resolution. The articles of association may stipulate a different majority of capital stock, but for changes in the purpose of the Company this can only be a greater majority (Sec. 179 (2) Sentence 2 AktG). At Drägerwerk AG & Co. KGaA, pursuant to Art. 30 (3) of the articles of association, resolutions by the annual shareholders' meeting are adopted by a simple majority of votes cast (simple voting majority) if this does not conflict with any legal provisions. If the law additionally requires a majority of capital they are adopted by a simple majority of the capital stock represented upon adoption of the resolution (simple capital majority). The Company has not made use of the possibility pursuant to Sec. 179 (2) Sentence

3 AktG to define further requirements in the articles of association for amendments to the same agreement. As well as the relevant majority of limited shareholders, amendments to the articles of association also require the approval of the general partner (Sec. 285 (2) AktG). Pursuant to Art. 20 (7) of the articles of association of the Company, the Supervisory Board is authorized to make amendments and additions to the articles of association which relate only to its wording.

POWER OF THE GENERAL PARTNER TO ISSUE OR BUY BACK SHARES

In accordance with the resolution agreed upon at the annual shareholders' meeting on May 8, 2009, the general partner is entitled to increase the Company's capital until May 7, 2014, with the approval of the Supervisory Board, by up to EUR 16,256,000.00 (approved capital) by issuing new bearer common shares (no-par value shares) in return for cash and/or contributions in kind, in either one or several tranches. The shareholders must be given subscription rights. The new shares can also be acquired by one or several banks appointed by the general partner under the obligation to offer them to the shareholders (indirect subscription right). The general partner is entitled to exclude the shareholders' subscription right, with approval of the Supervisory Board, in order to offset fractional amounts, if the shares are issued in return for contributions in kind, particularly within the scope of company acquisitions or mergers or the part-purchase of or investments in companies. The same applies if the shares of the Group are issued in return for cash. The issue price per share must not significantly fall below the price of similar, already listed shares. In this case, the subscription right can only be excluded under the following conditions: The number of shares sold in this way together with the number of treasury shares sold during the term of the authorization under exclusion of subscription rights pursuant to Sec. 186 (3) Sentence 4 AktG and the numbers of shares which may be created

through the exercise of options and/or conversion rights or the fulfillment of conversion obligations from options and/or convertible bonds and/or participation certificates, which are issued during the term of this authorization under exclusion of subscription rights pursuant to Sec. 186 (3) Sentence 4 AktG, must not exceed 10 percent of the capital stock, neither at the time this authorization takes effect nor at the time the new shares are issued. The general partner is not entitled to exclude the shareholders' subscription right for exercising option and/or conversion rights or fulfilling conversion obligations from participation certificates. The general partner is entitled, with the approval of the Supervisory Board, to determine the rights of the shares and the terms of issue, particularly the issue price, as well as details of the capital increase. The Supervisory Board is entitled to adjust the wording of the articles of association according to the use of the approved capital or the duration of the authorization period.

In accordance with the resolution of the annual shareholders' meeting of May 8, 2009, the general partner is authorized to buy back preferred shares of up to 10 percent of the capital stock until November 7, 2010. The authorization can be exercised fully or in partial amounts, on one or more occasions, for one or more purposes, by the Company or other Group companies or for their account by a third party. The purchase is made, as elected by the general partner, either on the stock exchange or by means of a public purchase offer to all preferred shareholders or a public request for the submission of such an offer. If the purchase is made on the stock exchange, the price paid for each share (excluding acquisition charges) may not be more than 5 percent above or below the stock market price. The stock market price for this purpose is the price of the preferred shares in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange in the opening auction. If the purchase is made by means of

a public purchase offer to all preferred shareholders or a public request for the submission of a purchase offer, the purchase price offered or the start or end values of the purchase price range per share (excluding acquisition charges) may not be more than 10 percent above or below the stock market price. The stock market price for this purpose is the mean of the closing prices of the preferred shares in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange during the last five trading days preceding the announcement of the purchase offer or the public request for the submission of a purchase offer. If, following the announcement of a purchase offer or its publication or the public request for the submission of a purchase offer, significant changes occur in the underlying stock market price, the offer or the request for the submission of such an offer can be adjusted. In this case, the mean of the closing prices of the preferred shares in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange during the last five trading days preceding the announcement of the purchase offer may be adjusted. If the offer is oversubscribed or if, following a request for the submission of an offer, not all of several offers submitted of the same value are accepted, such offers may be accepted on a proportionate basis. It is permitted to give preferential treatment to small volumes of up to 100 preferred shares per shareholder. In respect of treasury shares acquired pursuant to the abovementioned authorization, the general partner is also authorized, with the approval of the Supervisory Board, to either redeem them without a further annual shareholders' meeting resolution being necessary for the execution of the redemption, or to dispose of the shares again in a way other than on the stock exchange or by means of an offer to all shareholders, i.e. as consideration to a third party as part of a business combination or the acquisition of equity investments, or if the sale price payable in cash per share is not significantly lower than the mean of the closing prices in XETRA trading (or a

comparable successor system) of substantially equivalent shares already listed on the Frankfurt Stock Exchange during the last five trading days preceding the sale of the shares. The number of the shares sold in this way, together with the number of new shares which are issued from approved capital as a result of concurrently existing authorizations under exclusion of subscription rights pursuant to Sec. 186 (3) Sentence 4 AktG and the numbers of shares which may be created through the exercise of options and/or conversion rights or the fulfillment of conversion obligations from options and/or convertible bonds and/or participation certificates, which are issued during the term of this authorization under exclusion of subscription rights pursuant to Sec. 186 (3) Sentence 4 AktG, must not exceed 10 percent of the capital stock. These shares may be offered and transferred to employees of the Group or Group companies, Executive Board members of the general partner in its role as the Group's management body or Executive Board members of Group companies. If the recipients are Executive Board members of the general partner, the Supervisory Board of the general partner chooses the recipients and decides on the amount of shares to be issued to them. The authorization can also be exercised fully or in partial amounts, once or several times, by the Company or Group companies, or for their account by a third party.

The annual shareholders' meeting granting authorization to purchase treasury shares is common practice at listed stock corporations in Germany. The authorization to buy and sell treasury shares is intended to enable the Company to quickly and flexibly offer treasury shares to national and international investors, to extend its group of investors and stabilize share value. In addition, the Company can use treasury shares in order to offer these as consideration for business combinations or equity investments. As of December 31, 2009, the Company had no treasury shares.

MATERIAL ARRANGEMENTS MADE BY THE COMPANY SUBJECT TO A CHANGE OF CONTROL IN THE WAKE OF A TAKEOVER BID

In a shareholders' agreement dated December 28, 2006 regarding Dräger Medical AG & Co. KG, the limited partners Dräger Medical Holding GmbH and Siemens Medical Holding GmbH agreed to grant each other an option to purchase the limited shares. This option will take effect if more than 50 percent of the voting rights of one of the limited partners is directly or indirectly acquired by one or more third parties and a limited partner falls under the influence of one or more third parties to the extent that the third party or parties are in a position to appoint the majority of the members of the executive board of said limited partner. An alternative option is also granted to the other limited partner, whereby it may demand that the limited partner under the influence of a third party acquires its shares in the partnership. This arrangement has become practically meaningless since Drägerwerk AG & Co. KGaA concluded the purchase contract for the acquisition of Siemens Medical Holding GmbH.

COMPENSATION AGREEMENTS MADE BY THE COMPANY WITH MEMBERS OF THE EXECUTIVE BOARD OF THE GENERAL PARTNER OR EMPLOYEES IN THE EVENT OF A TAKEOVER BID

There are no agreements in place in the Dräger Group with members of the Executive Board of the general partner or employees in the event of a takeover bid.

Subsequent events

There were no significant events in the new fiscal year up to the time the management report was prepared.

DISTRIBUTIONS

The general partner and the Supervisory Board of Lübeck based Drägerwerk AG & Co. KGaA propose to distribute out of the net earnings of Drägerwerk AG & Co. KGaA of EUR 61.0 million for fiscal year 2009 a cash dividend of EUR 0.40 per preferred share and EUR 0.34 per common share, hence a total EUR 4.7 million, and carry forward the balance of EUR 56.3 million. The preferred share dividend also governs the dividend for participation certificates, which will amount to EUR 4.00 each. Participation certificates entitle the holder to a dividend ten times the preferred share dividend since their arithmetic par value is ten times that of a preferred share.

Outlook

In fiscal year 2010, Drägerwerk AG & Co. KGaA will continue to provide services to its Group companies.

The Company's 2010 net profit or loss will principally consist of income from investments as well as profit and loss transfers, the latter in particular depending on the performance of the medical and safety divisions. In view of the slow recovery of the global economy, the decreasing number of public investment programs in Europe and the sustained growth of emerging markets, Dräger Group anticipates net sales in the medical division to grow in the lower single-digit percentage range in fiscal year 2010 and net sales in the safety division to be the same as in the prior year.

Demand in both divisions will be boosted by the renewed product range and balanced customer structure, making it possible to offset declining net sales in individual regions or customer groups.

The situation in the markets and industry sectors remains very volatile and economic forecasts continue to

fluctuate considerably. This could affect customers' investment decisions and therefore Dräger. Tight government budgets could also prevent customers from investing. Banks have only slightly relaxed their lending policies and this is not yet enough to encourage private investors.

Dräger expects the consolidated EBIT margin to rise to 5–6 percent in fiscal year 2010 (2009: 4.2 percent) due to a large number of new products as well as improved cost structures resulting from ongoing measures under the turnaround program.

For fiscal year 2011, Dräger forecasts net sales to develop slightly better than the market rate and the consolidated EBIT margin to increase further, providing the economic situation in the markets relevant to Dräger continues to recover.

In the medium term, Dräger plans to generate net sales growth in line with market levels or higher with a consolidated EBIT margin of 10 percent.

FUTURE FINANCING

Dräger is planning to increase its capital in 2010 to reduce debt, issue the shares required for the option granted as part of the Siemens transaction and keep any strategic opportunities that may arise open. The Dräger family has announced their participation in the capital increase.

Declaration of corporate governance

The Executive Board prepared the single entity financial statements and management report of Drägerwerk AG & Co. KGaA and is responsible for the contents of both documents and the objectivity of the information provided therein.

The financial statements were prepared in accordance with the German Commercial Code (Handelsgesetzbuch – HGB).

The Executive Board has implemented effective internal control systems and relevant employee training measures to ensure that the Group's financial reporting system is correct and complies with legal requirements. The Company's principles are based on integrity and social responsibility in all areas such as environmental protection, quality, product and process safety, and compliance with local laws and regulations. The internal audit department continuously monitors the implementation of these principles as well as the reliability and functionality of the control systems. The Executive Board governs the Group in the interest of its shareholders and is aware of its responsibility to employees, society and the environment. We have made it our goal to use the resources entrusted to us for increasing the value of Dräger.

According to the resolution passed by the annual shareholders' meeting on May 8, 2009, the Supervisory Board appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as the independent auditor of the single entity financial statements of Drägerwerk AG & Co. KGaA. The auditing firm also examined the existing risk management system with regard to the Control and Transparency in Business Act (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich – KonTraG) and issued an unqualified audit opinion.

DECLARATION OF CONFORMITY

The joint declaration of conformity by the general partner and the Supervisory Board of Drägerwerk AG & Co. KGaA was discussed and approved in the meeting of the Supervisory Board of the Company on December 10, 2009. It states that the recommendations of the German Corporate Governance Code Government Commission were applied with only a few exceptions.

The following declaration in accordance with Sec. 161 AktG was published on December 16, 2009:

“The recommendations of the German Corporate Governance Code Government Commission were designed with stock corporations in mind. Wherever these recommendations are relevant to the general partner and bodies of the AG & Co. KGaA due to the change in legal form, Dräger applies these recommendations to Drägerwerk Verwaltungs AG. The general partner, represented by its Executive Board, and the Supervisory Board, declare that Drägerwerk AG & Co. KGaA acted on the recommendations of the German Corporate Governance Code Government Commission, as amended on June 6, 2008, from the date of the issue of its previous declaration of conformity on December 19, 2008 until August 5, 2009 and that since August 6, 2009, it has acted on the recommendations as amended on June 18, 2009. This applies subject to the following exceptions:

1. The voting (limited) capital stock is solely owned directly or indirectly by the Dräger family. Therefore, the recommendation to appoint a corporate voting proxy for exercising the voting right of shareholders on their instructions at the annual shareholders' meeting of the shareholders is unnecessary (2.3.3 sentence 3 of the Code).
2. The Supervisory Board's existing directors and officers liability insurance (D&O insurance), which does not currently allow for any of the new guidelines from Sec. 93 (2) AktG relating to cost sharing, was reviewed on a periodic basis and allows for this type of cost sharing from January 1, 2010. Up to that point, the Company is making use of legal transition guidelines (3.8 (2) of the Code).
3. The Company no longer makes current declarations of conformity available on its website for five years. In the

fiscal year 2009, these declarations of conformity were not accessible for a short period of time due to the redesign of the Company's website (3.10 sentence 5 of the Code).

4. In the existing employment contracts of the Executive Board members of the general partner, variable remuneration components take into account positive and negative developments within the agreed assessment period to the extent that the bonus will either be high, lower or cancelled completely as a result. As Sec. 87 (1) sentence 3 AktG now generally demands an assessment period of several years for variable remuneration components, the Supervisory Board of the general partner has to consider this in the assessment of Executive Board remuneration up to this point and will do so in the future. There was no reason to adjust existing contracts (4.2.3 (2) sentence 3 of the Code).
5. Up to now there has been no age limit specified for Supervisory Board members as this has not been deemed relevant due to the knowledge, skills and specialist experience demanded by the Code. However, the Supervisory Board has reviewed its assessment in the interim and stipulated an age limit (5.4.1 of the Code).”

Further information on the management and control structure can be found in the corporate governance report online at www.draeger.com/GC/en/investor_relations/corporate_governance.

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

Lübeck, Germany, March 1, 2010

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Dieter Pruss
Ulrich Thibaut

Single entity financial statements of Drägerwerk AG & Co. KGaA

INCOME STATEMENT OF DRÄGERWERK AG & CO. KGAA FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31

	Note	2009	2008
		€ thousand	€ thousand
Other operating income	21	97,746	86,882
Personnel expenses	22	-30,315	-26,530
Amortization of intangible assets and depreciation of property, plant and equipment	23	-7,306	-6,743
Other operating expenses	24	-94,474	-88,951
Income from a profit transfer agreement	25	32,930	67,544
Income from other investments		280	248
Write-downs on financial assets and current securities	26	0	-13
Interest result	27	-18,081	-13,274
Result from ordinary operations		-19,220	19,163
Income taxes		3,403	730
Other taxes		311	-255
Profit before distribution for participation capital		-15,506	19,638
Distribution for participation capital	37	-5,654	-4,947
Net profit / loss		-21,160	14,691
Profit brought forward from the prior year		82,139	71,512
Net earnings	39	60,979	86,203

BALANCE SHEET OF DRÄGERWERK AG & CO. KGAA AS OF DECEMBER 31

	Note	December 31 2009	December 31 2008
		€ thousand	€ thousand
Assets			
Intangible assets	7	4,524	4,425
Property, plant and equipment	8	41,672	44,680
Financial assets	9	855,794	604,221
Non-current assets		901,990	653,326
Trade receivables		114	172
All other receivables and other assets		150,277	180,419
Receivables and other assets	10	150,391	180,591
Cash and cash equivalents	11	236,738	22,942
Current assets		387,129	203,533
Prepaid expenses	12	6,323	7,313
Total assets		1,295,442	864,172

	Note	December 31 2009	December 31 2008
		€ thousand	€ thousand
Equity and liabilities			
Capital stock	13	32,512	32,512
Capital reserves	14	39,449	38,867
Retained earnings	15	160,477	160,477
Net earnings		60,979	86,203
Participation capital - par value: € 25,371 thousand (in 2009: Series D)	16	49,929	74,797
Equity		343,346	392,856
Provisions for pensions and similar obligations		73,910	74,438
Other provisions		20,435	24,379
Provisions	17	94,345	98,817
Participation capital - par value: € 10,756 thousand (in 2009: Series A+K)	16	24,868	0
Liabilities to banks		371,732	255,515
Trade payables		15,652	12,518
All other liabilities		445,499	104,466
Liabilities	18	857,751	372,499
Total equity and liabilities		1,295,442	864,172

ANALYSIS OF NON-CURRENT ASSETS OF DRÄGERWERK AG & CO. KGAA

	As of Jan. 1, 2009	Additions	Disposals	Reclassifications	Cost As of Dec. 31, 2009
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Franchises, concessions, industrial property and similar rights and assets, as well as licenses thereto	17,428	2,507	100	25	19,860
Intangible assets	17,428	2,507	100	25	19,860
Land, equivalent titles and buildings (incl. on leased land)	129,363	808	0	1,826	131,997
Production plant and machinery	2,179	3	18	0	2,164
Other plant, factory and office equipment	20,493	1,366	1,751	0	20,108
Prepayments made and assets under construction	2,036	47	183	-1,851	49
Property, plant and equipment	154,071	2,224	1,952	-25	154,318
Intangible assets and property, plant and equipment	171,499	4,731	2,052	0	174,178
Shares in Group companies	605,327	250,589	0	0	855,916
Loans to Group companies	472	0	0	0	472
Investments	170	0	0	0	170
Other non-current securities	2,239	971	0	0	3,210
Other loans	65	0	30	0	35
Financial assets	608,273	251,560	30	0	859,803
	779,772	256,291	2,082	0	1,033,981

The addition of intangible assets and property, plant and equipment from Group companies can be found in the reclassification column with their historical values.

	Amortization, depreciation and write-down						Carrying values	
	As of Jan. 1, 2009	Additionse	Disposals	Write-ups	Reclassifications	As of Dec. 31, 2009	Dec. 31, 2009	Dec. 31, 2008
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
	13,003	2,387	54	0	0	15,336	4,524	4,425
	13,003	2,387	54	0	0	15,336	4,524	4,425
	90,763	2,875	0	0	0	93,638	38,359	38,600
	1,661	167	18	0	0	1,810	354	518
	16,967	1,877	1,646	0	0	17,198	2,910	3,526
	0	0	0	0	0	0	49	2,036
	109,391	4,919	1,664	0	0	112,646	41,672	44,680
	122,394	7,306	1,718	0	0	127,982	46,196	49,105
	3,506	0	0	0	0	3,506	852,410	601,821
	472	0	0	0	0	472	0	0
	26	0	0	0	0	26	144	144
	13	0	0	-13	0	0	3,210	2,226
	35	0	30	0	0	5	30	30
	4,052	0	30	-13	0	4,009	855,794	604,221
	126,446	7,306	1,748	-13	0	131,991	901,990	653,326

Notes to Drägerwerk AG & Co. KGaA

single entity financial statements 2009

1 GENERAL

The annual shareholders' meeting of Drägerwerk AG on May 11, 2007, approved the Company's change in legal form to a partnership limited by shares carrying the name of Drägerwerk AG & Co. KGaA and ratified its articles of association. At the same meeting, Drägerwerk Verwaltungs AG, Lübeck, declared its accession as general partner of the converted Drägerwerk AG & Co. KGaA and approved its articles of association. The resolution to change the legal form took effect on December 14, 2007 upon entry in the commercial register at Lübeck local court.

Drägerwerk Verwaltungs AG, Lübeck, is the sole general partner of Drägerwerk AG & Co. KGaA, but it holds no shares in capital.

The single entity financial statements of Drägerwerk AG & Co. KGaA have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB). With a view to enhancing the transparency of presentation, certain items of the balance sheet and income statement have been summarized, but are detailed further down in these notes. For the income statement, the nature of expense method of presentation has consistently been used. The financial statements were prepared in euros. Unless stated otherwise, all figures are disclosed in thousands of euros (EUR thousand); rounding differences may arise as a result.

2 CORPORATE GOVERNANCE

Drägerwerk AG & Co. KGaA's declaration of conformity under the terms of Sec. 161 of the German Stock Corporation Act (Aktiengesetz – AktG) has been issued and made available to the shareholders (cf. page 15 of the annual report of the Dräger Group or www.draeger.com/GC/en/investor_relations/corporate_governance).

3 CURRENCY TRANSLATION

Foreign currency receivables and liabilities are stated at the historical exchange rate. Losses from different currency exchange rates are duly recognized.

4 CHANGES TO ACCOUNTING POLICIES

In line with the discussion on the reporting methods for participation certificates according to the German Commercial Code (Handelsgesetzbuch – HGB) and the opinions prevailing in professional literature, Drägerwerk AG & Co. KGaA has been recognizing series A and K participation certificates as debt since fiscal year 2009.

5 ACCOUNTING POLICIES

Purchased **intangible assets** are carried at cost less straight-line amortization over an estimated useful life of no more than four years.

Property, plant and equipment are carried at cost less straight-line depreciation over the assets' estimated useful life. Cost is recognized in accordance with the provisions of Sec. 255 (1) HGB. Consequently, it includes incidental purchase costs and post-acquisition

expenses, duly allowing for acquisition cost deductions. Factory and office buildings are depreciated over a maximum period of 50 years, production plant and machinery over eight years, and other plant, factory and office equipment over 15 years, but mainly between two and five years. Wherever permitted by tax regulations, movable items of property, plant and equipment are depreciated according to the declining balance method, applying the maximum rates permissible. When straight-line depreciation results in higher charges, this method is used for the remaining useful life. Low-value assets with a value between EUR 150 and EUR 500 are posted under a collective item and fully expensed in the year of acquisition. Assets with a value between EUR 500 and EUR 1,000 are recognized separately and depreciated over their respective useful lives. In the fiscal year 2009, no special depreciation solely for tax purposes was charged.

Within **financial assets, the shares in Group companies, investments and non-current securities** are stated at the lower of cost or realizable value.

Non or low-interest bearing **loans** are disclosed at their present value. Discounting and compounding are shown as write-downs or write-ups respectively. Non-current assets whose values, when determined according to the aforesaid principles, exceed the lower current values are written down accordingly.

Receivables and other assets are stated at principal or par, less any necessary allowances for bad debts, etc. Adequate general allowances provide for the normal collection risk. Non or low-interest receivables with a remaining term of more than one year are discounted.

Prepaid expenses do not include loan discounts as these are directly expensed.

For accounting purposes, **series D participation capital** is reported as equity due to the terms and conditions upon which the participation certificates are based. Therefore, it is shown in a separate line additional to the statutory classification format, under equity and after Drägerwerk AG & Co. KGaA's net earnings. The par value of this participation capital is disclosed in the text column. Although participation capital is treated as accounting equity, the underlying participation rights maintain their obligatory nature under law. Therefore, the premium yielded over and above the par value can be neither transferred to the capital reserve nor allocated otherwise. Hence it follows that this premium continues to form an integral part of the caption "Participation capital". **Series A and K participation capital** was reclassified as non-current debt in the year under review because the terms and conditions of these participation certificates includes a minimum dividend and no loss transfer. Civil law considerations require that any profit distributed in favor of participation capital must be offset against net profit. Consequently, the dividends for participation certificates reduce the net profit or increase the net loss for the period. The underlying dividend distribution is shown in a separate line immediately preceding net profit/loss.

Pension provisions provide for the present value of pension obligations on the basis of actuarial calculations, using an imputed interest rate of 6 percent.

The new company pension plan for the German Group companies introduced on January 1, 2005, are composed of three levels – the employer-funded basic level, employee-funded top-up level and employer-funded supplementary level. The pension cost for the employer-funded basic level is based on the respective employee's income. The employee funded top-up level allows employees to increase their pension entitlement through deferred compensation. The contribution made at the employer-funded

supplementary level depends on the employee contribution through deferred compensation and on Dräger Group's business performance (EBIT).

The funds resulting from the new pension plan are invested in a restricted fund set up especially for Dräger that is subject to special restraints on disposal. The employees' pension accounts have a minimum guaranteed return of 2.75 percent.

Other provisions adequately allow for all identifiable risks in accordance with prudent business judgment.

Liabilities are stated at the amount repayable.

Contingent liabilities and other financial obligations are valued at the respective volume as of the balance sheet date. For contingent liabilities from guarantees, suretyships and warranty/indemnity contracts, the loan sums actually drawn as of the balance sheet date are disclosed in addition to the guaranteed ceilings.

The **other financial obligations** under contracts are measured at their nominal value and disclosed in the notes.

Notes to the balance sheet

(amounts in EUR thousand unless stated otherwise)

6 NON-CURRENT ASSETS

The breakdown and development of non-current assets in fiscal year 2009, including cost and accumulated amortization, depreciation and write-downs is shown in the analysis of non-current assets.

7 INTANGIBLE ASSETS

The additions to this item relate to the purchase of software in the amount of EUR 2.5 million (2008: EUR 2.8 million).

8 PROPERTY, PLANT AND EQUIPMENT

Investments in property, plant and equipment amounted to EUR 2.2 million. Investment focused on various conversion work (EUR 0.6 million) and investments in office equipment (EUR 1.1 million).

9 FINANCIAL ASSETS

On December 29, 2009, Drägerwerk AG & Co. KGaA signed a contract with Siemens Beteiligungen Inland GmbH for the acquisition of all shares in Siemens Medical Holding GmbH. The sole purpose of Siemens Medical Holding GmbH is to hold a 25 percent share in Dräger Medical AG & Co. KG. Siemens Beteiligungen Inland GmbH is a wholly owned subsidiary of Siemens AG. Drägerwerk AG & Co. KGaA already holds 75 percent of the limited shares in Dräger Medical AG & Co. KG via its wholly owned subsidiary Dräger Medical Holding GmbH. Drägerwerk AG & Co. KGaA therefore owns all limited shares in Dräger Medical AG & Co. KG.

The acquisition contract will come into effect as soon as the only condition precedent, approval by the EU Commission to which the anti-trust case regarding this matter had been transferred, has been met. According to a report from a renowned law firm specializing in anti-trust law, the approval is highly likely. There is no risk of refusal. Dräger expects to receive the approval in the first quarter of 2010. Once the acquisition contract comes into effect, the shareholders' agreement between Siemens and Dräger will expire. In the financial statements 2009, the 25 percent share in Dräger Medical AG & Co. KG was attributed to Drägerwerk AG & Co. KGaA, even if the actual transfer had not been undertaken but the only condition precedent is highly likely to materialize.

The acquisition price comprises a cash component of EUR 175 million, a vendor note of EUR 68.5 million and a variable component. In addition, expenses of EUR 0.9 million relating directly to the acquisition were recognized.

Non-current securities are shares in a restricted fund set up exclusively for Dräger (WKN - securities identification number - A0HG1B) and a settlement account, which are managed by Commerztrust GmbH as trustee. The fund and the settlement account serve to safeguard pension obligations made under the new pension plan and are subject to special restraints on disposal.

10 RECEIVABLES AND OTHER ASSETS

The movements in receivables from Group companies in 2009 reflect cash management and intercompany service fee clearing. Receivables from Dräger Safety AG & Co. KGaA, in particular, dropped by around EUR 27 million, as only a small amount of profit was transferred to Drägerwerk AG & Co. KGaA under a profit transfer agreement in 2009. Other assets include taxes receivable which stem from income tax and VAT credit and miscellaneous non-trade receivables. In addition, the cap premiums from interest rate hedges are recognized in this item.

RECEIVABLES AND OTHER ASSETS

	2009	2008
Trade receivables	114	172
thereof due in more than one year	(0)	(0)
All other receivables and other assets		
Receivables from Group companies	141,479	175,619
thereof due in more than one year	(0)	(0)
Receivables from companies in which participating interests are held	203	0
thereof due in more than one year	(0)	(0)
Other assets	8,595	4,800
thereof due in more than one year	(5,883)	(1,401)
	150,277	180,419
Receivables and other assets	150,391	180,591

11 CASH AND CASH EQUIVALENTS**CASH AND CASH EQUIVALENTS**

	2009	2008
Cash and cash equivalents	236,738	22,942

This item comprises cash on hand and in the bank. Their increase of around EUR 214 million in cash and cash equivalents mainly results from investing EUR 115.5 million in existing promissory note loans as time deposits with a term of one month with various banks and improved cash management. As part of the share acquisition, approximately EUR 10 million was paid into a bank account subject to special restraints on disposal, which is included in cash and cash equivalents.

12 PREPAID EXPENSES

These exclusively comprise transitory items.

13 CAPITAL STOCK

Drägerwerk AG & Co. KGaA's capital stock amounts to EUR 32,512,000 and is divided into 6,350,000 limited no-par bearer shares and 6,350,000 non-voting preferred shares. Drägerwerk Verwaltungs AG, the general partner, holds no shares in capital.

In accordance with the resolution agreed upon at the annual shareholders' meeting on May 8, 2009, the general partner is entitled to increase the Company's capital until May 7, 2014, with the approval of the Supervisory Board, by up to EUR 16,256,000 (approved capital) by issuing new bearer common shares (no-par value shares) in return for cash and/or contributions in kind, in either one or several tranches.

14 CAPITAL RESERVES

CAPITAL RESERVES

Drägerwerk AG & Co. KGaA's capital reserves originated from the share premiums from participation certificates

The Company's (trans)formation	2,556
The increases in capital stock of	
March 1979	5,726
June 1981	7,016
July 1991	23,569
	38,867
Dividend waiver by Stefan Dräger	582
Capital reserves	39,449

At the 2009 annual shareholders' meeting, the majority shareholder Stefan Dräger announced that he was waiving his indirect entitlement to a dividend. He repaid the dividend of EUR 581,492 in July and August, 2009. The capital stock of Drägerwerk AG & Co. KGaA increased correspondingly.

15 RETAINED EARNINGS

This refers to other retained earnings that originate from assignments from years past.

16 PARTICIPATION CAPITAL

Participation capital from the participation certificates issued and floated up to June 30, 1991 form part of securities series A and is recognized as debt. Participation capital created after June 30, 1991 covering securities series K is also stated as debt. The terms and conditions underlying the series K participation certificates differ from those for the (series A) certificates outstanding up to June 30, 1991 in that their holders may give five years' notice of termination, however, not to take effect prior to December 31, 2021; the period of termination thereafter is again five years.

Since the 1997 annual shareholders' meeting, series D participation certificates have been floated; their terms and conditions have been amended in order to qualify as accounting equity, mainly to adapt to the terms defined by the Institute of Public Auditors

(“Institut der Wirtschaftsprüfer”): waiver of minimum yield, loss-sharing concept for participation certificates and adequate cumulative, compensatory terms. The cases in which the minimum return is not paid are the same as those in which the preferred dividend is not paid. As with the subsequent payment of preferred dividends, the dividend for participation certificates is paid in arrears. Series D participation certificates share in losses. The proportionate loss attributable to the participation capital is offset by future profits. Series D participation certificate holders may exercise their calling right every five years with five years’ notice as of calendar year-end, however, not to take effect prior to December 31, 2026. Series D participation certificates continue to be stated in equity.

Since December 1, 1999, the par value of participation certificates has amounted to EUR 25.56.

If the participation certificate holder exercises the calling right, the amount repayable shall equal the average mean rate of the last three months at the Hamburg Stock Exchange or a maximum of the weighted average issue price of this tranche.

Drägerwerk AG & Co. KGaA does not intend to terminate the participation certificates.

The dividend for participation certificates is 10 times the preferred share dividend, as the par value of the securities was originally identical, but the arithmetic par value of the preferred share has since been reduced to one tenth of the original par value.

For details, please refer to the terms and conditions of series A, K and D participation certificates.

PARTICIPATION CERTIFICATES

	Number	Par value	Premium	Participation capital
		€	€	€
As of December 31, 2009 (No new participation certificates were issued in 2009.)	1,413,425	36,127,143.00	38,670,225.37	74,797,368.37
Series A	315,600	8,066,736.00	12,353,585.70	20,420,321.70
Series K	105,205	2,689,039.80	1,758,718.44	4,447,758.24
disclosed in debt	420,805	10,755,775.80	14,112,304.14	24,868,079.94
disclosed in equity				
Series D	992,620	25,371,367.20	24,557,921.23	49,929,288.43

PARTICIPATION CAPITAL CONDITIONS

	Termination right of Drägerwerk AG & Co. KGaA	Termination right of participation scheinInhabers	Lost share	Minimum return	Dividend for participation certificates
				€	
Series A	Yes	No	No	1,30	Dividend on preferred share x 10
Series K	Yes	Yes	No	1,30	Dividend on preferred share x 10
Series D	Yes	Yes	Yes	–	Dividend on preferred share x 10

Please refer to the explanations in Note 5.

17 PROVISIONS

Other provisions provide for personnel-related risks, mainly from profit shares/incentives to employees, accrued vacation pay and phased retirement, as well as for supplier invoices not yet received, lawsuit costs/risks and various other risks. The risk of properties with long-term lease contracts standing empty as a result of the medical division's new building has been accounted for in other provisions with EUR 10.1 million.

PROVISIONS

	2009	2008
Provisions for pensions and similar obligations	73,910	74,438
Tax provisions	2,242	6,218
Other provisions	18,193	18,161
Provisions	94,345	98,817

18 LIABILITIES**LIABILITIES**

	2009	thereof due within 1 year	thereof due in more than 5 years	2008	thereof due within 1 year	thereof due in more than 5 years
Participation capital series A+K	24,868	0	24,868	0	0	0
Liabilities to banks	371,732	46,732	86,500	255,515	25,515	75,000
Trade payables	15,652	15,652	0	12,518	12,518	0
Liabilities to Group companies	173,697	173,697	0	89,093	89,093	0
Other liabilities	271,802	196,708	34,716	15,373	15,090	0
thereof for taxes	(1,479)	(1,479)	0	(302)	(302)	(0)
thereof for social security	(0)	(0)	(0)	(0)	(0)	(0)
Liabilities	857,751	432,789	146,084	372,499	142,216	75,000

Liabilities to banks increased as a result of taking up new note loans totaling EUR 140 million and the repayment of a promissory note loan to the amount of EUR 25 million. These new promissory note loans are due in two, four and six years. Consequently, total liabilities of EUR 370 million were recorded from promissory note loans with remaining terms of up to six years as of December 31, 2009.

RAISING OF ADDITIONAL NOTE LOANS

Maturity up to	in € million	Interest rate (fixed) in %
April 2011	24.5	4.75
April 2013	54.0	5.65
April 2015	61.5	7.07

The increase in trade payables is due to a higher volume of incoming invoices. Compared to the prior year, liabilities to Group companies went up significantly as a result of increased liabilities to Dräger Medical AG & Co. KG, due to the company's improved cash management.

The recognition of a liability in connection with the acquisition of Siemens Medical Holding GmbH, and consequently the 25 percent share in Dräger Medical AG & Co. KG, is the main reason why other liabilities have increased. The acquisition price comprises a cash component of EUR 175 million, a vendor note of EUR 68.5 million and a variable component. The cash component is due on the day the sale becomes effective. The total amount of the deferred purchase price is divided into three tranches of EUR 18.75 million (tranche I), EUR 40.0 million (tranche II) and EUR 9.75 million (tranche III). Tranches I and III have a base period of five years, tranche II a base period of three years as from the effective date of the sale. Drägerwerk AG & Co. KGaA has the option of renewing the tranches by two years each. In the first three years of their terms, the loans carry interest of 5 percentage points above the six month Euribor, and 6 percentage points above the six month Euribor for years four and five. From year six, interest amounts to 7 percentage points above the six month Euribor.

The variable purchase price component is an additional payment of derivative nature and linked to the price of Drägerwerk AG & Co. KGaA's preferred shares. If the preferred share price was to record a sustained positive development, this payment could result in a maximum liability of EUR 50 million over five years, counted from the effective date of the sale. M.M. Warburg & Co. KGaA, Hamburg, measured the cash component; it amounted to EUR 6.2 million as of the balance sheet date. Drägerwerk AG & Co. KGaA and Siemens Beteiligungen Inland GmbH have signed an agreement for replacing the derivative additional payment with a share option. However, this agreement must be approved at both companies' annual shareholders' meetings. In order to offset the difference between the entitlement to a derivative additional purchase price payment and a share option, both parties agreed to a possible reduction of tranche III to EUR 8.5 million.

19 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

	2009	2008
Contingent liabilities from suretyships and guarantees	4,758	4,000
Contingent liabilities under warranty/indemnity contracts	210,546	229,339
thereof from Group companies	0	0
thereof loan amounts actually drawn	29,262	52,113

In fiscal year 2007, Drägerwerk AG & Co. KGaA took on an order completion guarantee, which is still in place, for an order totaling EUR 29.7 million placed with Dräger Safety AG & Co. KGaA.

OTHER FINANCIAL OBLIGATIONS

Rental and lease agreements

As of the balance sheet date, other financial obligations from long-term rental and lease agreements came to around EUR 76.0 million (2008: EUR 80.4 million), including some EUR 34.1 million in obligations to Group companies (prior year: EUR 41.6 million). The annual amount comes to some EUR 6.7 million (2008: EUR 5.4 million).

Purchase obligations

The purchase obligation entered into with an IT service company in fiscal year 2004, which had been recognized in the prior year, has been fulfilled.

In line with the usual requirements, Drägerwerk AG & Co. KGaA has also entered into purchase obligations with other service providers in order to guarantee the availability of IT services.

Due to the centralization of IT activities at Drägerwerk AG & Co. KGaA, the Company has assumed all existing long-term obligations to IT service providers of the medical and safety divisions.

Other

As a result of outstanding orders, the Group had obligations to purchase intangible assets of EUR 340 thousand (2008: EUR 71 thousand) and property, plant and equipment worth EUR 4 thousand (2008: EUR 120 thousand) as of December 31, 2009.

In connection with the construction of a building for Dräger Medical AG & Co. KG, Drägerwerk AG (now: Drägerwerk AG & Co. KGaA) entered into a rental obligation in respect of MOLVINA Vermietungsgesellschaft mbH & Co. Objekt Finkenstraße KG under a real estate lease agreement.

As of December 31, 2009, Drägerwerk AG & Co. KGaA was not obligated to make any capital payments on interests held.

The shareholders' agreement between the participating companies of the Dräger Group and the Siemens Group and the partnership agreement of Dräger Medical AG & Co. KG originally granted Siemens a put option upon whose exercise Dräger would have to buy the entire stake held by Siemens in the limited partnership at a determined formula price. In fiscal year 2006, the agreement was amended to the effect that Dräger is no longer obligated to buy the limited shares. Now, Dräger has the option to either agree to buy the limited shares offered by Siemens at the formula price or else support a sale by Siemens to a third party by selling some of its own limited shares if necessary. This arrangement has become practically meaningless since Drägerwerk AG & Co. KGaA concluded the purchase contract for the acquisition of Siemens Medical Holding GmbH.

At present, no significant opportunities and risks arise from the investments in the special purpose entities

- Optio Grundstück-Verwaltungsgesellschaft mbH & Co. KG,
- Hamus Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Lübeck KG,
- MOLVINA Vermietungsgesellschaft mbH & Co. Objekt Finkenstraße KG
- Fimmus Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Lübeck KG

20 LEGAL RISKS

Drägerwerk AG & Co. KGaA is involved in certain legal disputes and claims arising in the ordinary course of business. The Executive Board believes that the outcome of such litigation and claims will not have any material adverse effect on the Company's net assets, financial position or results of operations.

Notes to the income statement

(amounts in EUR thousand unless stated otherwise)

21 OTHER OPERATING INCOME

This item chiefly covers income from services rendered to Group companies. Otherwise, this item basically includes rental income, income from the reversal of allowances, income from the disposal of non-current assets, and gains from foreign exchange and currency translation, as well as many individual amounts not allocable to other items.

Corporate IT, corporate communications and marketing communications were established as shared services at Drägerwerk AG & Co. KGaA. The increase in other operating income results from the allocation of higher other operating expenses arising from these shared services provided by Drägerwerk AG & Co. KGaA to the relevant Group companies.

22 PERSONNEL EXPENSES/HEADCOUNT**PERSONNEL EXPENSES/HEADCOUNT**

	2009	2008
Salaries	23,648	20,079
Social security, pension expenses and related employee benefits	6,667	6,451
thereof pension expenses	(3,136)	(3,661)
Personnel expenses	30,315	26,530
Annual average headcount		
Production operations	0	0
Other operations	354	291
Headcount as of the balance sheet date		
Production operations	0	0
Other operations	358	325

To provide a clear view of the Company's cost structure, the interest portion of the pension provisions was recognized under interest expense and not under pension expense. Cf. Note 27 "Interest result".

The increase in personnel expenses results from the expansion of shared services with new employees.

Pension plans were offered to the members of the Executive Board at Drägerwerk AG & Co. KGaA, with the related expenses being recognized as personnel expenses at Drägerwerk AG & Co. KGaA.

23 AMORTIZATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

DEPRECIATION/AMORTIZATION

	2009	2008
Depreciation, amortization and write-downs of intangible assets and property, plant and equipment	7,306	6,743

Depreciation charged in prior years solely for tax purposes improved net profit for fiscal year 2009 by approximately EUR 637.3 thousand (2008: EUR 648.3 thousand). The total value of special depreciation to be charged for tax purposes in future fiscal years amounts to EUR 7.7 million.

24 OTHER OPERATING EXPENSES

These primarily include administrative expenses, such as rent and lease expenses, insurance premiums, contributions, fees and public levies, travel expenses, provisions, losses from foreign exchange and currency translation, as well as from the disposal of non-current assets. In addition, they cover many individual items not allocable elsewhere.

The increase in other operating expenses stems from the increase in outside services purchased in connection with the shared services of Drägerwerk AG & Co. KGaA. These are offset by the increase in other operating income.

25 INCOME FROM A PROFIT TRANSFER AGREEMENT

The intragroup tax allocation is calculated based on the taxable income of each company.

The reduction in income from profit and loss transfer agreements stems from the lower profit distribution for fiscal year 2008 of Dräger Medical AG & Co. KG to Dräger Medical Holding GmbH in 2009, which has also concluded a profit and loss transfer agreement with Drägerwerk AG & Co. KGaA.

One of the main contributors to the lower income from investments was the lower profit transferred by Dräger Safety AG & Co. KGaA

The corporate income tax for the limited shares in Dräger Medical AG & Co. KG was charged by Drägerwerk AG & Co. KGaA to Dräger Medical Holding GmbH, the limited partner of Dräger Medical AG & Co. KG.

26 WRITE-DOWNS ON FINANCIAL ASSETS AND CURRENT SECURITIES

This item only contains write-downs on other financial assets of EUR 13 thousand in the prior year.

27 INTEREST RESULT

INTEREST RESULT

	2009	2008
Income from other non-current securities and loans	31	55
thereof from Group companies	(31)	(55)
Other interest and similar income	3,743	8,695
thereof from Group companies	(2,784)	(7,400)
Interest and similar expenses	-17,636	-17,814
thereof to Group companies	(-766)	(-3,901)
Interest expense from pension provisions	-4,219	-4,210
Interest result	-18,081	-13,274

To provide a clearer view of the Company's cost structure, the interest portion of the pension provisions is recognized under interest expense and not under personnel expense.

Interest income from Group companies dropped by around EUR 4.6 million due to lower interest rates and less receivables from Group companies.

28 DERIVATIVE FINANCIAL INSTRUMENTS

To hedge against currency and interest rate risks, derivatives are used, particularly currency forwards, futures and options, as well as interest rate hedges (caps). Such contracts are only transacted with banks of prime standing and confined to hedging finance transactions. The volume of currency futures and forwards substantially includes exchange rate hedges on behalf of Group companies for operations-related underlying transactions. At Drägerwerk AG & Co. KGaA, these only involve closed positions. Interest rate hedges comprise caps. The determination of the fair values is based on a mark-to-market valuation as of the balance sheet date.

The caps have maturities up to 2012 and a residual carrying amount of EUR 168 thousand after write-downs (2008: EUR 331 thousand) and are contained in other assets. Other provisions include obligations from currency forwards totaling EUR 44 thousand (2008: EUR 0 thousand).

In fiscal year 2009, as in the prior year, no income was achieved through interest rate swaps.

DERIVATIVE FINANCIAL INSTRUMENTS 2009

	Nominal amount	Term in years	Fair value	Carrying amount
Interest rate hedges	125,000	up to 5	168	168
Interest rate hedges	0	more than 5	0	0
Currency forwards and futures	11,593	up to 1	-44	-44

Remuneration report

29 REMUNERATION REPORT

The Company still compiles a remuneration report following the change in legal form to a partnership limited by shares. Executive Board remuneration refers to remuneration of members of the Executive Board of Drägerwerk AG up to the date the change in legal form took effect. After that date, it refers to remuneration of members of the Executive Board of Drägerwerk Verwaltungs AG. The remuneration report also includes information on the shares owned by the members of the Executive and Supervisory Boards as defined above.

Based on the resolution adopted at the annual shareholders' meeting of Drägerwerk AG on June 2, 2006, the remuneration of individual members of the Executive Board is not disclosed, with the exception of that of the Chairman. The remuneration report provides this information accordingly. Supervisory Board remuneration is the remuneration of the members of the Supervisory Board of Drägerwerk AG & Co. KGaA and is stated for the Supervisory Board in total.

30 EXECUTIVE BOARD REMUNERATION

Since the change in legal form to a partnership limited by shares, the Supervisory Board of Drägerwerk Verwaltungs AG has been responsible for determining the remuneration of the general partner's Executive Board members. All the employment contracts of the Executive Board members of Drägerwerk Verwaltungs AG have been concluded with Drägerwerk Verwaltungs AG. Each contract expires after a different period of time between three and five years.

Remuneration is based on the size and the global activities of the Company, its economic and financial position, and on the amount of remuneration paid by peer Group companies. The duties of the respective Executive Board member are also taken into consideration. When determining remuneration, it is possible to grant a special performance-related bonus for outstanding services, which must not exceed the percentage share of fixed remuneration. This special payment is a component of variable remuneration.

The total remuneration of Executive Board members consists of a fixed annual remuneration, performance-related variable remuneration as well as non-performance-related additional benefits and pension plans. The variable component of the remuneration of the active Executive Board members is mainly pegged to the Group's net profit. Individual Executive Board members also have personal targets based on key figures such as capital employed, days of net working capital and gross profit. No long-term incentive components have been included in existing contracts. All new contracts concluded in 2010 and after and all extended contracts are going to include long-term incentive components in accordance with the Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung - VorstAG).

In compliance with VorstAG, remuneration for Executive Board members will be adjusted as follows upon renewal of existing contracts. Remuneration will comprise four components: Fixed remuneration, net profit share, annual targets, which are individually assessed by the Supervisory Board at its discretion, and long-term targets for the entire term of the contract.

The Supervisory Board may also decide to include additional benefits (e.g. employer's contributions, company cars, pension plans).

No further payments have been promised in the event of termination of appointment to the Executive Board. The Executive Board contracts do not provide for any severance entitlements. However, a severance payment may be agreed under an individual severance agreement. In fiscal year 2009, other remuneration of EUR 46,504 was paid under the severance agreements concluded in 2008.

The fixed remuneration is paid monthly as a salary.

Executive Board remuneration amounts to:

EXECUTIVE BOARD REMUNERATION

in €	2009				2008			
	Fixed	Variable	Other	Total	Fixed	Variable	Other	Total
Incumbent members of the Executive Board	1,655,279	1,893,380	109,564	3,658,223	1,394,875	1,748,420	101,138	3,244,433
thereof:								
Chairman of the Executive Board	(426,213)	(766,768)	(10,523)	(1,203,504)	(415,660)	(1,030,400)	(6,821)	(1,452,881)
Executive Board members removed in the fiscal year 2008	0	6,236	46,504	52,740	148,270	230,710	4,031,254	4,410,234
Total	1,655,279	1,899,616	156,068	3,710,963	1,543,145	1,979,130	4,132,392	7,654,667

Fringe benefits awarded to members of the Executive Board encompass private use of the company car they are each provided with and payment of health insurance and pension insurance premiums. The Company has taken out group accident insurance for Executive Board members.

The Company pays the premium for the D&O liability insurance policy and legal expense insurance policy for economic loss claims for members of the Executive Board. In the opinion of the German tax authorities, this does not constitute part of the Executive Board's remuneration. Only the financial loss liability insurance includes a deductible, which will be adjusted as from 2010 to one and a half times the amount of gross annual fixed remuneration in accordance with VorstAG.

In the fiscal year, no payments were made or promised by a third party to any member of the Executive Board in relation to their duties as a member of the Executive Board.

If Executive Board remuneration is paid by Drägerwerk Verwaltungs AG, pursuant to Sec. 11 (1) and (3) of the articles of association of Drägerwerk AG & Co. KGaA it is entitled to claim reimbursement from Drägerwerk AG & Co. KGaA monthly. Pursuant to Sec. 11 (4) of the Company's articles of association, the general partner receives a fee for the management of the Company and the assumption of personal liability, regardless of profit and loss, of 6 percent of the equity disclosed in its financial statements, payable one week after the general partner prepares its financial statements. For fiscal year 2009, this remuneration amounts to EUR 67 thousand (2008: EUR 63 thousand) plus any VAT incurred.

Obligations from the pension plan remain at Drägerwerk AG & Co. KGaA pursuant to the terms and conditions of individual contracts.

Defined benefit plans for members of the Executive Boards are agreed individually, based on “Führungskräfteversorgung 2005”, which has been in effect within the Group since January 1, 2006.

The defined benefits under the pension plans offered to the members of the Executive Board are either fixed or based on the basic annual salary and years of service on the Executive Board. The defined benefit is based on an annual contribution of up to 15 percent of the basic annual salary. Under the deferred compensation option, an additional annual contribution of up to 20 percent of the basic annual salary can be made. Stefan Dräger receives a further contribution of 50 percent from the Company on deferred compensation, but no more than 8 percent of his basic annual salary. This top-up payment is only made if consolidated EBIT equals 8 percent or more of net sales.

Obligations to Executive Board members under pension plans are stated in the financial statements 2009 at EUR 891,058 (2008: EUR 705,341), of which EUR 597,727 (2008: EUR 501,849) for the Chairman. Pension obligations to Executive Board members who retired in fiscal year 2008 are recognized in provisions for former members of the Executive Board and their surviving dependents.

In fiscal year 2009, the Company added EUR 185,717 (2008: EUR 428,071, including Executive Board members who retired in 2008) to pension obligations to cover for obligations to Executive Board members, including provisions for the Chairman of EUR 95,878 (2008: EUR 234,143).

EUR 2,889,320 was paid to former members of the Executive Board and their surviving dependants (2008: EUR 2,733,629).

Provisions for obligations under pension plans to former members of the Executive Board and their surviving dependants amounted to EUR 30,329,159 (2008: EUR 30,522,780).

31 SUPERVISORY BOARD REMUNERATION

In 2009, the members of the Supervisory Board waived their entitlement to a variable remuneration component for fiscal year 2008. Supervisory Board remuneration for the fiscal year 2008 therefore amounts to EUR 224,267.50 instead of EUR 310,360.00 as stated in the annual report 2008.

At the annual shareholders’ meeting of Drägerwerk AG & Co. KGaA on May 7, 2010, a proposal awarding the Supervisory Board total remuneration of EUR 450,000.00 (2008: EUR 224,267.50) will be put to vote. Every member of the Supervisory Board receives basic remuneration, which is composed of a fixed amount of EUR 10,000.00 (2008: EUR 10,000.00) and a variable amount of EUR 16,250.00 (2008: EUR 0.00). This variable component, which has been applied since 2009, totals 0.05 percent of consolidated net profit and replaces the dividend-based component still in effect during fiscal year 2008. This envisaged EUR 600.00 per cent above a preferred dividend of EUR 0.26.

Pursuant to Sec. 21 (1) of the articles of association of Drägerwerk AG & Co. KGaA, the distribution of the remuneration of members of the Supervisory Board is determined by a Supervisory Board resolution. To date, the Supervisory Board has adopted the following principles for distribution:

Its chairman is entitled to four times and any vice-chairman two times the set amount. The members of the Audit Committee receive an additional EUR 5,000.00, and the chairman of the Audit Committee an additional EUR 10,000.00. As from fiscal year 2009, Supervisory Board members have not been receiving a per diem any more. In fiscal year 2009, however, part of the per diems for fiscal year 2008 was paid totaling EUR 1,680.00 (already paid in 2008: EUR 2,640.00). In the opinion of the German tax authorities, the premium for a D&O liability insurance policy and a legal expense insurance policy for economic loss claims is not part of the Supervisory Board's remuneration.

In fiscal year 2009, no member of the Supervisory Board of Drägerwerk AG & Co. KGaA received additional remuneration from a position on the Supervisory Boards of Group companies. Additional remuneration received by individual Supervisory Board members totaling EUR 179,800.00 was stated in the financial statements 2008. This amount was set to zero at the respective annual shareholders' meetings in 2009.

32 SHARES OWNED BY THE EXECUTIVE AND SUPERVISORY BOARDS

As of December 31, 2009, the members of the Executive Board of Drägerwerk Verwaltungs AG and their related parties directly or indirectly held 6,000 preferred shares in Drägerwerk AG & Co. KGaA, equivalent to 0.05 percent of the total, and the members of the Supervisory Board and their related parties a total of 1,150 preferred shares, equivalent to 0.01 percent of the total.

Altogether, 97.87 percent of Drägerwerk AG & Co. KGaA's limited common stock is held via Dr. Heinrich Dräger GmbH. The same percentage of voting rights is attributable to Executive Board member Stefan Dräger under the terms of Sec. 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (Wertpapierhandelsgesetz -WpHG).

33 RELATED PARTY TRANSACTIONS

Services were rendered for companies related to Stefan Dräger and for the Dräger Foundation totaling EUR 104 thousand in the fiscal year 2009 (2008: EUR 54 thousand). Claudia Dräger, Stefan Dräger's wife, is an employee of Drägerwerk AG & Co. KGaA.

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

34 AUDITOR'S FEE

The auditor's fee is detailed under Note 53 of the notes to the Group financial statements.

The Company's Boards

35 THE COMPANY'S BOARDS

SUPERVISORY BOARD OF DRÄGERWERK AG & CO. KGAA

Chairman	
Prof. Dr. h. c.mult. Nikolaus Schweickart	Lawyer, Bad Homburg Former Chairman of the Executive Board of ALTANA AG, Bad Homburg
Supervisory Board memberships:	Drägerwerk Verwaltungs AG, Lübeck (Chairman) GEBB GmbH, Cologne (Chairman)
Memberships on comparable boards of German or foreign companies:	Diehl-Gruppe, Nuremberg (Chairman of the Advisory Board) Fraport AG, Frankfurt a. M. (Economic Advisory Board)
Vice-Chairman	
Siegfrid Kasang	Works Council Chairman of Dräger Medical AG & Co. KG, Lübeck Group Works Council Chairman of the medical division Group Works Council Chairman of Drägerwerk AG & Co. KGaA, Lübeck Drägerwerk AG & Co. KGaA, Lübeck
Supervisory Board memberships:	Dräger Medical Verwaltungs AG, Lübeck (Vice-Chairman)
Daniel Friedrich	District secretary of the metalworkers' union IG Metall Küste, Hamburg
Supervisory Board memberships:	Dräger Medical Verwaltungs AG, Lübeck
Dr. Thorsten Grenz	Chairman of the management team Veolia Umweltservice GmbH, Hamburg
Supervisory Board memberships:	Drägerwerk Verwaltungs AG, Lübeck
Peter-Maria Grosse (since June 1, 2009)	Works Council Chairman and Group Works Council Chairman of Dräger Safety AG & Co. KGaA, Lübeck Group Works Council Vice-Chairman of Drägerwerk AG & Co. KGaA, Lübeck
Uwe Lüders	Chairman of the Executive Board of L. Possehl & Co. mbH, Lübeck
Supervisory Board memberships:	Nordex AG, Norderstedt (Chairman), since February 24, 2009 Drägerwerk Verwaltungs AG, Lübeck
Memberships on comparable boards of German or foreign companies:	Commerzbank AG, Frankfurt a. M. (Central Advisory Board)
Bernd Mußmann (until June 1, 2009)	Application and Market Manager SBF Core, Marketing, Dräger Safety AG & Co. KGaA, Lübeck
Supervisory Board memberships:	Dräger Safety AG & Co. KGaA, Lübeck

SUPERVISORY BOARD OF DRÄGERWERK AG & CO. KGAA

Walter Neundorf	Officer of Dräger Medical AG & Co. KG, Lübeck
Jürgen Peddinghaus	Self-employed business consultant, Hamburg
Supervisory Board memberships:	Faber-Castell AG, Nuremberg (Chairman)
	Jungheinrich AG, Hamburg (Chairman)
	May Holding GmbH & Co. KG, Erfstadt (Chairman)
	Drägerwerk Verwaltungs AG, Lübeck
	Zwilling J. A. Henckels AG, Solingen
Prof. Dr. Klaus Rauscher	Former Chairman of the Management Board of Vattenfall Europe AG, Berlin
Supervisory Board memberships:	Endi AG, Halle (Chairman)
	Deutsche Annington Immobilien GmbH, Düsseldorf
	Drägerwerk Verwaltungs AG, Lübeck
Memberships on comparable boards of German or foreign companies:	Bayern LB, Munich (Economic Advisory Council)
	Consileon GmbH, Karlsruhe (Advisory Board), since April 1, 2009
	IVG Immobilien AG, Bonn (Advisory Board)
	Landis + Gyr AG, Zug/Switzerland (Advisory Board)
	Verbundnetzgas, Leipzig (Advisory Board)
Thomas Rickers	1st Delegate of the metalworkers' union, Lübeck/Wismar, Lübeck
Supervisory Board memberships:	Dräger Medical Verwaltungs AG, Lübeck
	Wadan Yards, Wismar
Ulrike Tinnefeld	Works Council Vice-Chairperson and Group Works Council Vice-Chairperson of Dräger Safety AG & Co. KGaA, Lübeck
Supervisory Board memberships:	Dräger Safety AG & Co. KGaA, Lübeck
Dr. Reinhard Zinkann	Managing Partner of Miele & Cie. KG, Gütersloh
Supervisory Board memberships:	Falke KGaA, Schmallenberg (Chairman)
	Drägerwerk Verwaltungs AG, Lübeck
Memberships on comparable boards of German or foreign companies:	Allianz Global Corporate & Specialty AG, Munich (Advisory Board)
	Ardex GmbH, Witten (Advisory Board)
	Commerzbank AG, Düsseldorf (Regional Advisory Board), previously Allianz Dresdner Bank AG
	Nobilis-Werke J. Stickling GmbH & Co. KG, Verl (Advisory Board)
	Unternehmensgruppe Graf von Oeynhausen-Sierstorff GmbH & Co. KG Holding, Bad Driburg (Advisory Board)
	Viessmann-Werke GmbH & Co. KG, Allendorf (Advisory Board)

SUPERVISORY BOARD OF DRÄGERWERK AG & CO. KGAA

Members of the Audit Committee	Dr. Thorsten Grenz (Chairman)
	Walter Neundorf
	Jürgen Peddinghaus
	Prof. Dr. Nikolaus Schweickart
	Ulrike Tinnefeld
Members of the Nomination Committee	Prof. Dr. Nikolaus Schweickart (Chairman)
	Uwe Lüders
	Dr. Reinhard Zinkann
Members of the Joint Committee	
Representatives of Drägerwerk Verwaltungs AG:	Dr. Thorsten Grenz
	Uwe Lüders
	Jürgen Peddinghaus
	Prof. Dr. Klaus Rauscher
Representatives of Drägerwerk Verwaltungs AG:	Prof. Dr. Nikolaus Schweickart (Chairman)
	Siegfried Kasang
	Thomas Rickers
	Dr. Reinhard Zinkann

**MEMBERS OF THE EXECUTIVE BOARD OF DRÄGERWERK VERWALTUNGS AG,
ACTING FOR DRÄGERWERK AG & CO. KGAA**

Stefan Dräger	Chairman of the Executive Board
	CEO medical
	Chairman of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck (general partner of Drägerwerk AG & Co. KGaA)
	Chairman of the Executive Board of Dräger Medical Verwaltungs AG, Lübeck (general partner of Dräger Medical AG & Co. KG)
Supervisory Board memberships:	Dräger Safety AG & Co. KGaA, Lübeck (Chairman) Dräger Safety Verwaltungs AG, Lübeck (Chairman)
Dr. Herbert Fehrecke	Procurement, production, quality, logistics and IT Vice-Chairman of the Executive Board
	Vice-Chairman of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck (general partner of Drägerwerk AG & Co. KGaA)
Gert-Hartwig Lescow	CFO
	CFO medical
	Member of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck (general partner of Drägerwerk AG & Co. KGaA)
	Member of the Executive Board of Dräger Medical Verwaltungs AG, Lübeck (general partner of Dräger Medical AG & Co. KG)
Supervisory Board memberships:	Dräger Safety AG & Co. KGaA, Lübeck Dräger Safety Verwaltungs AG, Lübeck
Dr. Dieter Pruss	Marketing and sales safety
	Member of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck (general partner of Drägerwerk AG & Co. KGaA)
	Chairman of the Executive Board of Dräger Safety Verwaltungs AG, Lübeck (general partner of Dräger Safety AG & Co. KGaA)
	Supervisory Board memberships:
Dr. Ulrich Thibaut	Research and development
	Member of the Executive Board of Drägerwerk Verwaltungs AG, Lübeck (general partner of Drägerwerk AG & Co. KGaA)

Other disclosures

36 PUBLICATIONS REGARDING SIGNIFICANT VOTING RIGHTS IN ACCORDANCE WITH SEC. 25 OF THE GERMAN SECURITIES TRADING ACT (WERTPAPIERHANDELSGESETZ – WPHG)

Drägerwerk AG & Co. KGaA has not published any reports on significant voting rights in the last twelve months.

37 DISTRIBUTION FOR PARTICIPATION CAPITAL

The distribution for participation certificates is shown in a separate line, “Distribution for participation capital”, in the income statement, after taxes and before net profit/loss. Therefore, the participation capital dividend is determined above the line and thus reduces net profit (or increases net loss). The claim to annual dividends under the terms of Sec. 2 (1) of the participation certificate covenants corresponds to 10 times the cash dividend for the Company’s preferred shares, hence EUR 4.00.

38 MAJOR DIRECT AND INDIRECT SHAREHOLDINGS OF DRÄGERWERK AG & CO. KGAA

SHARES OWNED BY DRÄGERWERK AG & CO. KGAA AS OF DECEMBER 31, 2009

	Name and registered office	Shareholdings in %		Equity	Earnings
		direct	indirect		
Germany					
	Dräger Medical AG & Co. KG, Lübeck		100*	602,202	24,836
	Dräger Safety AG & Co. KGaA, Lübeck	100		152,079	0 ¹
	Dräger Medical Holding GmbH, Lübeck	100		529,697	0 ¹
	Dräger Medical Deutschland GmbH, Lübeck		100	25,924	0 ¹
	Dräger Medical Verwaltungs AG, Lübeck		100	1,329	39
	Dräger Safety Verwaltungs AG, Lübeck	100		1,120	0 ¹
	Dräger Safety MSI GmbH, Hagen		90	2,256	569
	I&D Gesellschaft für Organisationsentwicklung und Beratung im Gesundheits- und Sozialwesen mbH, Lübeck		100	802	0 ¹
	Dräger Medizin System Technik GmbH, Lübeck	100		-1,509	32
	Dräger TGM GmbH, Lübeck		100	767	0 ¹
	MAPRA – Assekuranzkontor GmbH, Lübeck ³	49		625	553
	Dräger Interservices GmbH, Lübeck		100	256	0 ¹
	Dräger Gebäude und Service GmbH, Lübeck	100		250	0 ¹
	Dräger Consulting & Management GmbH, Lübeck		100	-141	-9
	Dräger Electronics GmbH, Lübeck	100		-10,485	-191
	Fachklinik für Anästhesie und Intensivmedizin Vahrenwald GmbH, Lübeck		100	7,667	0 ¹
	DrägerDive Vertriebs & Service GmbH, Lübeck		100	100	0 ¹
	FIMMUS Grundstücks-Verm.ges.mbH & Co. Objekt Lübeck KG, Lübeck	100		-40	-2
	FIMMUS Grundstücks-Verm. GmbH, Lübeck	100		-30	0 ¹
	Dräger Medical International GmbH, Lübeck		100	211,193	0 ¹
	Dräger Medical ANSY GmbH, Lübeck		100	2,825	0 ¹
	Dräger Finance Services GmbH & Co. KG, Bad Homburg v. d. Höhe		95	529	13
	OPTIO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Grünwald	98		-41	5
	HAMUS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Lübeck KG, Düsseldorf	100		378	39
	MOLVINA Vermietungsgesellschaft mbH & Co. Objekt Finkenstraße KG, Lübeck	100		-47	-452
	Dräger Energie GmbH, Lübeck		100	25	0 ¹
	Siemens Medical Holding GmbH, Erlangen	100		230,000	0 ²

* After completion of purchase agreement via the 25 percent investment in Dräger Medical AG & Co. KG

¹ Profit and loss transfer agreement

² Profit and loss transfer agreement within Siemens Group

³ Associates within the meaning of Secs. 311, 312 HGB

SHARES OWNED BY DRÄGERWERK AG & CO. KGAA AS OF DECEMBER 31, 2009

	Name and registered office	Shareholdings in %		Equity	Earnings
		direct	indirect		
Europe					
	Dräger Beteiligungen AG, Zug		100	20,592	24,791
	Draeger Safety UK Limited, Blyth		100	30,557	6,779
	Dräger Medical Hispania SA, Madrid		100	29,870	4,095
	Dräger Médical SAS, Antony		100	16,958	2,094
	Dräger ST-Holding Nederland B.V., Zoetermeer		100	15,958	2,362
	Dräger Medical Austria GmbH, Vienna		100	66,682	5,966
	Dräger Safety Hispania SA, Madrid		100	13,698	1,802
	Draeger Medical Italia S.p.A., Corsico-Milano		100	17,307	1,190
	Draeger Safety France SAS, Strasbourg		100	13,853	3,535
	Dräger Medical Schweiz AG, Liebefeld-Bern		100	6,463	869
	Dräger Medical Belgium NV, Wemmel		100	5,616	1,478
	Dräger Safety Nederland B.V., Zoetermeer		100	8,819	1,787
	Safety Service Center B.V., Rotterdam		100	4,545	654
	Dräger Polska sp.zo.o., Bydgoszcz		100	6,361	2,053
	Dräger Safety Belgium NV, Wemmel		100	6,843	2,261
	Dräger Medical Netherlands B.V., Zoetermeer		100	18,792	3,529
	Dräger MT-Holding Nederland B.V., Zoetermeer		100	-3,410	-340
	Dräger Safety Danmark A/S, Herlev		100	1,185	138
	Dräger Safety Austria GmbH, Vienna		100	3,907	843
	Dräger Medical s.r.o., Prague		100	3,181	1,142
	Draeger Safety Italia S.p.A., Corsico-Milano		100	3,412	647
	Dräger Medical Croatia d.o.o., Zagreb		100	4,592	664
	Dräger Safety Schweiz AG, Dietlikon		100	3,841	1,373
	Dräger Slovensko s.r.o., Piestany		100	646	144
	Draeger Medizinskaja Technika OOO, Moscow		100	4,765	2,380
	Dräger Safety s.r.o, Prague		100	2,624	815
	Dräger Safety Sverige AB, Svenljunga		100	1,718	386
	ACE Protection AB, Svenljunga		100	4,363	2,430
	Dräger Slovenija d.o.o., Ljubljana-Crnuce		100	1,951	631
	Dräger Safety Norge AS, Oslo		100	1,548	408
	Draeger Medikal Ticaret ve Servis Limited Sirketi, Istanbul		67	2,663	3,514
	Draeger Safety Korunma Teknolojileri Limited Sirketi, Ankara		90	590	123
	Dräger Beheer B.V., Zoetermeer	100		944	34
	Draeger Medical Bulgaria EOOD, Sofia		100	600	6
	Dräger Medical Norge AS, Drammen		100	1,453	463
	Dräger Safety Hungaria Kft., Budapest		100	1,000	207
	Dräger Finanz AG, Zug	100		443	55
	Dräger Medical Hungary Kft., Budapest		100	1,629	479
	Dräger Finance B.V., Zoetermeer	100		382	6
	Dräger Medical Romania SRL, Bucharest		100	2,453	357
	Draeger Tehnika d.o.o., Beograd		100	1,206	67
	Dräger Medical Sverige AB, Bromma		100	1,779	286

SHARES OWNED BY DRÄGERWERK AG & CO. KGAA AS OF DECEMBER 31, 2009

	Name and registered office	Shareholdings in %		Equity	Earnings
		direct	indirect		
Europe					
	Dräger Medical Danmark A/S, Allerød		100	462	-167
	Draeger Medical Ireland Ltd., Dublin		100	656	229
	W.S.P. Safety Equipment B.V., Rotterdam		100	20	2
	Dräger Safety Romania SRL, Bucharest		100	277	22
	Dräger Medical B.V., Best		100	-5,311	-8,709
	AEC SAS, Antony		100	730	161
	Draeger Safety Bulgaria EOOD, Sofia		100	605	130
	Dräger Safety d.o.o., Zagreb		100	727	180
	Draeger Medical UK Ltd., Hemel Hempstead	30	70	9,428	1,982
	W.S. Poppeliers Brandblusmaterialen B.V., Rotterdam		100	20	2
	Dräger Safety Polska sp.zo.o., Bydgoszcz		100	464	7
	Dräger-Busch Helmets Production s.r.o, Chomutov		51	48	-424
	Dräger Portugal, Lda, Lisbon		100	205	-295
	Danisevsky spol. s r.o., Policka		100	1,940	619
	Dräger Suomi OY, Helsinki		100	1,001	-151
Africa					
	Dräger South Africa (Pty.) Ltd., Bryanston		100	3,082	741
	Dräger Medical South Africa (Pty.) Ltd., Johannesburg		69	3,857	1,650
	Dräger Safety Zenith (Pty.) Ltd., King William's Town		100	166	166
Americas					
	Draeger Medical, Inc., Telford		100	16,244	-525
	Draeger Safety, Inc., Pittsburgh		100	12,341	-111
	Draeger Safety Diagnostics, Inc., Irving		100	6,696	714
	Draeger Safety Canada Ltd., Mississauga / Ontario		100	1,980	1,162
	Draeger Safety S.A. de C.V., Querétaro		100	202	245
	Dräger Industria e Comércio Ltda., São Paulo		100	8,685	2,846
	Draeger Medical Canada Inc., Richmond Hill / Ontario		100	169	-1,849
	Dräger Medical Chile Ltda., Santiago		100	774	-323
	Dräger Medical Mexico S.A.de C.V., Mexiko D.F.D.		100	8,067	992
	Draeger Interservices, Inc., Pittsburgh		100	450	78
	Dräger do Brasil Ltda., São Paulo	100		-2,460	1,172
	Dräger Safety do Brasil Ltda., São Paulo		100	2,063	222
	Draeger Medical Systems, Inc., Telford		100	100,949	-27,127
	Dräger Medical Argentina S.A., Buenos Aires		100	877	266
	Draeger Colombia SA, Bogota D.C.		100	740	302
	Draeger Medical Venezuela S.A., Caracas		100	104	47
Asia					
	Shanghai Dräger Medical Instrument Co., Ltd., Shanghai		67,5	6,387	2,608
	Draeger Safety Asia Pte. Ltd., Singapore		100	9,691	3,554

SHARES OWNED BY DRÄGERWERK AG & CO. KGAA AS OF DECEMBER 31, 2009

	Name and registered office	Shareholdings in %		Equity	Earnings
		direct	indirect		
Asia					
	Draeger Medical Australia Pty. Ltd., Notting Hill		100	4,239	253
	Dräger Medical Equipment (Shanghai) Co., Ltd., Shanghai		100	6,544	3,923
	Beijing Fortune Draeger Safety Equipment Co., Ltd., Beijing		96,2	5,541	1,925
	Draeger Safety Pacific Pty. Ltd., Notting Hill		100	6,819	2,035
	Draeger Medical Japan Ltd., Tokyo		100	2,300	535
	Draeger Arabia Co. Ltd., Riyadh		51	787	1,618
	Joseph Leslie Drager Mfg., Pvt. Ltd., Mumbai ³		36	1,252	148
	Draeger Medical South East Asia Pte. Ltd., Singapore		100	197	8
	Draeger Safety Japan Ltd., Tokyo		100	-22	366
	PT Draegerindo Jaya, Jakarta		100	410	219
	Draeger Safety Taiwan Co., Ltd., Hsinchu City		100	523	85
	Draeger Medical Hong Kong Limited, Wanchai		100	1,044	418
	Draeger Safety (Thailand) Ltd., Bangkok		100	997	255
	Draeger Medical (Thailand) Ltd., Bangkok		100	360	268
	Draeger Medical Taiwan Ltd., Taipei		100	337	-27
	Draeger Medical Korea Co., Ltd., Seoul		100	121	7
	Draeger Medical (India) Pvt. Ltd., Mumbai		100	1,605	80
	Draeger Medical Systems (Shanghai) Co., Ltd., Shanghai		100	6,982	6
	Draeger Medical Vietnam Co., Ltd., Ho Chi Minh City		100	44	104
	PT Draeger Medical Indonesia, Jakarta		100	927	-137
	Draeger NC SARL, Noumea		100	8	0

³ Associates within the meaning of Secs. 311, 312 HGB

39 PROPOSED APPROPRIATION OF NET EARNINGS

Net earnings for fiscal year 2009 amount to EUR 60,978,939.28. This includes profit brought forward from the prior year of EUR 82,138,967.81. Drägerwerk Verwaltungs AG, general partner of Drägerwerk AG & Co. KGaA, will propose to the annual shareholders' meeting to distribute these net earnings as follows:

PROPOSED APPROPRIATION OF NET EARNINGS

	€
0.34 € cash dividend for 6,350,000 common shares	2,159,000.00
0.40 € cash dividend for 6,350,000 preferred shares	2,540,000.00

We further propose that the remaining net earnings for fiscal year 2009 of EUR 56.279.939,28 be carried forward to new account.

Lübeck, Germany, March 1, 2010

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Dieter Pruss
Ulrich Thibaut

Management compliance statement

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

Lübeck, Germany, March 1, 2010

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Dieter Pruss
Ulrich Thibaut

Auditor's opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the accounting system, and the management report of Drägerwerk AG & Co. KGaA, Lübeck, for the fiscal year from January 1 to December 31, 2009. Maintaining the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the managing general partner's management. Our responsibility is to express an opinion on the single entity financial statements, together with the accounting system, and management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 of the German Commercial Code (Handelsgesetzbuch – HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the management of the managing general partner, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

Based on the findings of our audit, we believe that the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks relating to future development.

Hamburg, Germany, March 2, 2010

PricewaterhouseCoopers

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

Andreas Borchering
Wirtschaftsprüfer
(German Public Auditor)

Dr. Andreas Focke
Wirtschaftsprüfer
(German Public Auditor)

Drägerwerk AG & Co. KGaA

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