

Information for the capital market

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Annual accounts press conference 2010: Turnaround program already saved around EUR 45 million in 2009

- **Orders on hand up 10 percent year-on-year**
- **Cash flow increased, capital employed decreased**
- **Higher dividend has been suggested**

Lübeck – Drägerwerk AG & Co. KGaA took important steps towards increasing efficiency, lowering costs and boosting net sales in fiscal year 2009 with the help of its turnaround program. Order intake in 2009 went up by 2.9 percent (net of currency effects) to EUR 1,978.3 million and orders on hand increased by 9.2 percent (net of currency effects) to a record EUR 440.1 million. Net sales amounted to EUR 1,911.1 million, almost the same level as in the prior year (net of currency effects: -0.2 percent). Group EBIT totaled EUR 80.1 million (2008: EUR 105.8 million) and net profit EUR 32.5 million (2008: EUR 49.4 million). “2009 was a pivotal year for Dräger, a year of change. Change which was urgently needed,” comments Stefan Dräger, Chairman of the Executive Board of Drägerwerk Verwaltungs AG.

Turnaround

Savings from the turnaround program totaled about EUR 64 million in 2009, significantly higher than originally planned. Once implementation costs of EUR 18.5 million had been deducted, savings came to around EUR 45 million, about EUR 20 million more than predicted in the last forecast in the third quarter of 2009. A sustained cost reduction was achieved mainly in procurement (lower costs of production materials and services), travel and communications, marketing and sales and logistics. Service and development processes were also structured in a more efficient manner. In 2010, Dräger is aiming to increase savings by around EUR 80 million (measured against the net sales and cost structure as well as exchange rates in 2008) and is anticipating implementation costs of approximately EUR 10 million. As of 2011, the group is aiming to achieve a positive effect of EUR 100 million per year compared to 2008. Stefan Dräger: “By launching the program we have started to sustainably reduce our break-even point and boost our flexibility,

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while continuing as ever to make significant investments in research and development. In short: Change achieved, direction on track.”

Medical division

In fiscal year 2009, global order intake in the medical division amounted to EUR 1,339.6 million: 5.4 percent (net of currency effects) higher than in the prior year. As a result of large numbers of incoming orders at the end of the year, orders on hand went up to a record EUR 300.5 million (December 31, 2008: EUR 219.8 million). It was not possible to deliver many of the orders before the end of 2009. For this reason, net sales (net of currency effects) increased by only 2.0 percent to EUR 1,261.5 million (2008: EUR 1,243.8 million). EBIT rose by 1.6 percent to EUR 76.7 million and return on capital employed (ROCE) went up to 14.1 percent (2008: 11.8 percent).

Safety division

Order intake in the safety division was down 1.7 percent (net of currency effects) to EUR 665.9 million, while orders on hand fell by 23.7 percent to EUR 140.7 million. Global net sales (net of currency effects) amounted to EUR 676.9 million, 4.0 percent less than in the prior year. An impairment loss on deep sea diving systems of EUR 30 million reduced EBIT by 50.5 percent to EUR 30.2 million and ROCE to 15.9 percent (2008: 27.3 percent).

Financial position and net assets

Dräger Group's net assets in 2009 were impacted by the turnaround program and the buyback of Siemens' shares in Dräger Medical AG & Co. KG. With the help of the turnaround program, capital employed had decreased by 25.9 percent to EUR 709.1 million as of December 31, 2009 (2008: EUR 956.8 million) as a result of a drop in trade receivables, inventories and other assets. Correspondingly, cash flow from operating activities developed positively in 2009 and amounted to EUR 193.5 million (2008: EUR 104.7 million). Due to the recognition of the share buyback from Siemens in 2009, intangible assets went up, while at the same time equity went down to EUR 393.8 million (2008: EUR 553.8 million) and the equity ratio dropped to 20.9 percent (2008: 33.5). When the time and structure of the group is right, Dräger will carry out a capital increase aimed at strengthening its equity base. The family shareholders have already agreed to take part in such a measure.

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Dividend proposal: EUR 0.40 per preferred share

Taking into account earnings developments, the Executive Board of the general partner and the Supervisory Board of Drägerwerk AG & Co. KGaA propose to distribute a dividend of EUR 0.34 per common share and EUR 0.40 per preferred share (EUR 0.05 per share higher than in the prior year). Stefan Dräger: "We would like our shareholders to benefit from the positive effects created by the buyback of our share from Siemens and are therefore increasing the dividend."

Outlook

Dräger is anticipating group net sales to grow in the lower one-digit percentage range in the current fiscal year and an increase of the group EBIT margin of 5 to 6 percent in 2010 (2009: 4.2 percent), assuming that the markets relevant to Dräger continue developing steadily, the group successfully keeps up the turnaround program, before effects from the transaction with Siemens, and based on a large number of new products in the group portfolio. In the medium term, Dräger plans to generate net sales growth in line with market levels and above and a group EBIT margin of around 10 percent.

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Key figures (€million)

	2009	2008	Change
Group			
Order intake	1,978.3	1,930.4	+2.5 %
Net sales	1,911.1	1,924.5	-0.7 %
EBIT	80.1	105.8	-24.3 %
EBIT margin	4.2 %	5.5 %	
Net profit	32.5	49.4	-34.2 %
Earnings per preferred share (€)	1.20	2.53	-52.6 %
R&D expenses	149.4	142.0	+5.2 %
Cash flow from operating activities	193.5	104.7	+84.8 %
Net financial debt	374.4	258.0	+45.1 %
Investments	128.3	74.8	+71.5 %
Capital employed	709.1	956.8	-25.9 %
ROCE	11.3 %	11.1 %	
Net working capital	191.4	487.8	-60.8 %
Dividend per preferred share (€)	0.40	0.35	
Dividend per common share (€)	0.34	0.29	
Headcount	11,071	10,909	+1.5 %

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Key figures (€million)

	2009	2008	Change
Medical division			
Order intake	1,339.6	1,276.9	+4.9 %
Net sales	1,261.5	1,243.8	+1.4 %
EBIT	76.7	75.5	+1.6 %
EBIT margin	6.1 %	6.1 %	
Net profit	51.2	55.0	-6.9 %
R&D expenses	107.8	104.7	+3.0 %
Cash flow from operating activities	157.2	107.2	+46.6 %
Capital employed	544.0	641.9	-15.3 %
ROCE	14.1 %	11.8 %	
Headcount	6,305	6,326	-0.3 %
Safety division			
Order intake	665.9	679.6	-2.0 %
Net sales	676.9	706.8	-4.2 %
EBIT	30.2	61.0	-50.5 %
EBIT margin	4.5 %	8.6 %	
Net profit	19.9	39.3	-49.4 %
R&D expenses	39.3	34.6	+13.6 %
Cash flow from operating activities	73.8	49.9	+47.9 %
Capital employed	190.1	223.8	-15.1 %
ROCE	15.9 %	27.3 %	
Headcount	4,336	4,194	+3.4 %

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