

Press release

No. 36 / June 15, 2009

Page 1 / 4

Dräger countering negative earnings trend by launching turnaround program

- **Reduction in non-personnel and personnel costs as well as optimization of revenues planned**
- **Pact for Jobs of all employees envisaged**
- **Reduction in headcount expected**
- **400 individual measures in all areas of the Company**
- **The measure's capacity amounts to EUR 100 million**
- **Implementation starting in July**
- **Continuingly high investments into product development**

Lübeck – After a Supervisory Board meeting the Executive Board of Drägerwerk AG & Co. KGaA today approved a turnaround program. As a result the Executive Board is expecting a positive effect of EUR 100 million by 2011 against the benchmark figure of the net sales and cost structure in 2008 given comparable foreign exchange rates. The majority of the more than 400 individual measures are already to impact in 2010. The Company is taking this action to sustainably counter the unsatisfactory earnings and cash flow situation. For 2009 the Executive Board assumes that earnings will be well below previous year figures. These negative impacts on earnings are attributable to an expected decline in net sales of around 5 percent and a shift in the product mix towards less profitable products. These effects will not be offset sufficiently by already available flexibility to adjust capacities and will not be completely compensated by the fast-acting measures of the turnaround program. Despite the negative development trend in earnings, the Company will continue to maintain its R&D investments at high levels in line with the previous year and will be launching 13 new products in the medical division and 16 new products in the safety division.

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Page 2 / 4

Shift in product mix putting pressure on earnings

Earnings in the safety division are being affected by a higher proportion of public sector orders and a corresponding decline in the share of industrial sector orders. The medical division is being impacted by currency effects as well as a shift towards less profitable portfolio components. Both divisions are recording a considerable shift towards growth markets which again only offer low margins. Stefan Dräger, Chairman of the Drägerwerk AG & Co. KGaA Executive Board: "All in all even a moderate decline in net sales would result in a dramatic decline in earnings in 2009 if no counter measures were taken. As a result, we are going to be very determined in the implementation of our turnaround program. This will put us in a position to generate positive earnings even in a more challenging environment and to continue making investments into renewing our product portfolio, enhancing quality and accessing growth markets. The overall package will make Dräger even more competitive and therefore safeguard jobs in the long-term."

Reduction in headcount expected

We have to make a considerable improvement to our cost structure around the world if we are to achieve the targets of our turnaround program. Measures to reduce headcount are to be expected against this backdrop. "This is an extremely painful decision which we are not taking lightly," explained Dräger. The Executive Board will be taking up negotiations with workers' representatives very soon, "to keep the number of necessary redundancies a low as possible by creating a Pact for Jobs with all employees." In defining earnings enhancing measures and improvement potentials, the Executive Board initially concentrated on measures which are not going to result in any changes to staffing levels. At the end of April 2009, the Company employed in excess of 450 employees more than one year before.

60 percent of the improvements in earnings are to be achieved in non-personnel related projects, 30 percent in personnel measures and 10 percent by optimizing net sales. The implementation of measures is scheduled to start in July, measures subject to codetermination procedures will start after negotiations with workers' representatives have been completed.

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Page 3 / 4

All departments to deliver high earnings contributions

“Considerable savings are expected as early as 2009 in purchasing, and negotiations with suppliers are making great progress,” outlined Stefan Dräger. As part of the optimization program PRIME (Production Improvement for Excellence) manufacturing is to improve efficiency, cut costs, accelerate production and reduce required floor space while at the same time boosting quality. Dräger will also be reviewing global production locations and the production layout based on internal and external benchmarks. The US site in Danvers will be closed in June and Monitoring activities will be moved from there to the site in Andover. The Company is aiming to tap into significant savings potential in logistics by changing processes and attaining more favorable terms from suppliers. The joint use of shared services like Marketing Communications and IT contributes to cutting expenses in general administration. In general, travel and fleet expenses are to be reduced and rental costs are to be cut by renegotiating terms. Efficiency in R&D is to be increased by introducing stringent project management and by installing a market-driven approach to prioritizing projects. Dräger: “The objective in R&D is not to reduce the budget, but to accelerate the launch of new developments which are critical to our competitive edge, as this is where our future prospects are.” Marketing and sales expenses are going to continue to decline in the medical division on the back of fully exploiting the potential of the regional structure introduced last year. Efficiency in Service will be improved by standardizing and managing processes more closely. Measures focusing on costs will be complemented by measures to improve cash flow. This will help achieve a significant reduction in the net working capital.

Dräger: Dräger turnaround program will strengthen Company

Stefan Dräger: “As a result of the turnaround program, we will emerge from the economic and financial crisis a stronger company. And to achieve that we need the support of all employees. In the future this will make us even more competitive than we are today and protect jobs. In our effort to reach this target, we will be pushing the implementation of these measures as a top priority.”

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Page 4 / 4

Disclaimer

This press release contains forward-looking statements regarding the future development of the Dräger Group. These forward-looking statements are based on the current expectations, presumptions, and forecasts of the Executive Board as well as the information available to it to date and have been prepared to the best of its knowledge and belief. No guarantee or liability for the occurrence of the future developments and results specified can be assumed in respect of such forward-looking statements. Rather, the future developments and results are dependent on a number of factors. They entail risks and uncertainties beyond the Company's control and are based on assumptions which could prove to be incorrect. Notwithstanding any legal requirements to adjust forecasts, we assume no obligation to update the forward-looking statements contained in this report. The Dräger Group will publish the Q2 2009 figures on August 6, 2009. You will find all other financial dates on our website at www.draeger.com under Investor Center/Financial Calendar

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