Half-yearly financial report
January 1 to June 30, 2017
Dräger Group

Dräger. Technology for Life®

THE DRÄGER GROUP OVER THE PAST FIVE YEARS

		Six months 2013	Six months 2014	Six months 2015	Six months 2016	Six months 2017
Order intake	€ million	1,159.8	1,119.4	1,249.3	1,221.1	1,302.0
Net sales	€ million	1,100.6	1,073.2	1,179.5	1,111.4	1,116.0
Gross profit	€ million	546.9	490.6	540.8	486.6	498.2
in % of net sales (gross margin)	%	49.7	45.7	45.8	43.8	44.6
EBITDA [1]	€ million	113.0	69.1	62.7	46.5	60.1
EBIT [2]	€ million	79.2	34.0	22.7	5.5	19.1
in % of net sales (EBIT margin)	%	7.2	3.2	1.9	0.5	1.7
Interest result	€ million	–12.6	–11.6	–11.3	–8.4	–6.8
Income taxes	€ million	–21.0	–7.6	–3.7	1.8	–4.0
Net profit	€ million	45.6	14.9	7.7	–1.1	8.2
Earnings per share on full distribution [3,4]						
per preferred share	€	2.02	0.66	0.35	–0.05	0.36
per common share	€	1.99	0.63	0.32	–0.08	0.33
Equity [5]	€ million	751.9	808.9	931.1	895.0	1,000.2
Equity ratio [5]	%	37.8	40.3	41.2	39.5	45.6
Capital employed [5,6]	€ million	997.6	1,081.9	1,310.0	1,259.2	1,229.9
EBIT [2,7]/Capital employed [5,6] (ROCE)	%	21.6	14.4	12.8	3.9	12.2
Net financial debt [5]	€ million	130.9	135.7	189.9	150.6	41.8
DVA [7,8]	€ million	132.9	63.5	62.0	–39.4	64.5
Headcount as of June 30		12,930	13,575	13,851	13,412	13,484

1 EBITDA = earnings before net interest result, income taxes, depreciation and amortization
2 EBIT = earnings before net interest result and income taxes
3 Based on an imputed actual full distribution of earnings attributable to shareholders
4 Values for 2016 were adjusted due to a data transmission error
5 Value as of reporting date
6 Capital Employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
7 Value of the last twelve months
8 Dräger Value Added = EBIT less cost of capital (through 2015: 9 %, from 2016: 7 %) of average invested capital

Possible rounding differences in this financial report may lead to slight discrepancies.

This Half-yearly financial report has been set up in German and English language. In case of any discrepancy between the German and English version, the German version shall prevail.

Dear Shareholders, dear Readers,

The world is getting more colorful! All told, 2017 has so far seen stronger economic momentum. This is good news in view of the many factors of uncertainty in the world. However, the growth is rather unevenly distributed. While we are seeing a lasting boom in Germany, many other countries are suffering from the low commodity prices. Still, the situation appears to have levelled off.

Dräger is also growing once again. Orders on hand, which were higher at the start of the year, have continued to grow over the course of 2017 on account of the good orders situation. In the first half of the year, we recorded the best order intake for the period in the past five years. Net sales also picked up toward the end of the second quarter, allowing us to finish with a slight year-on-year rise in net sales (net of currency effects). Halfway into the year, we are now on par with 2016 (net of currency effects) in terms of net sales.

In terms of earnings, we have seen significant improvement over 2016 in the first six months of the year. The bad news, however, is that the growing increase in the value of the euro started to have a noticeable impact on gross profit in the second quarter. This came on the heels of positive currency effects at the start of 2017. As a result, the second quarter was down year on year.

So what is next for us in the short to medium term? In light of the growth in our orders on hand and the fact that our strongest quarter is yet to come, we are optimistic that we will be able to end fiscal year 2017 with net sales growth. With a view to our EBIT margin forecast, we expect to land within the forecast range of 5 to 7 percent.

The Fit for Growth efficiency program is allowing us to address key issues regarding the future. We have reduced our cost base and optimized the production structure, and we continue to work on increasing the speed of innovation. Dräger continues to practice ongoing cost discipline. Right now, there is no need for us to intervene again. Instead, the focus is on implementing programs and the strategy. We are on track!

Best regards,

Stefan Dräger

Stefan Dräger

The Dräger shares

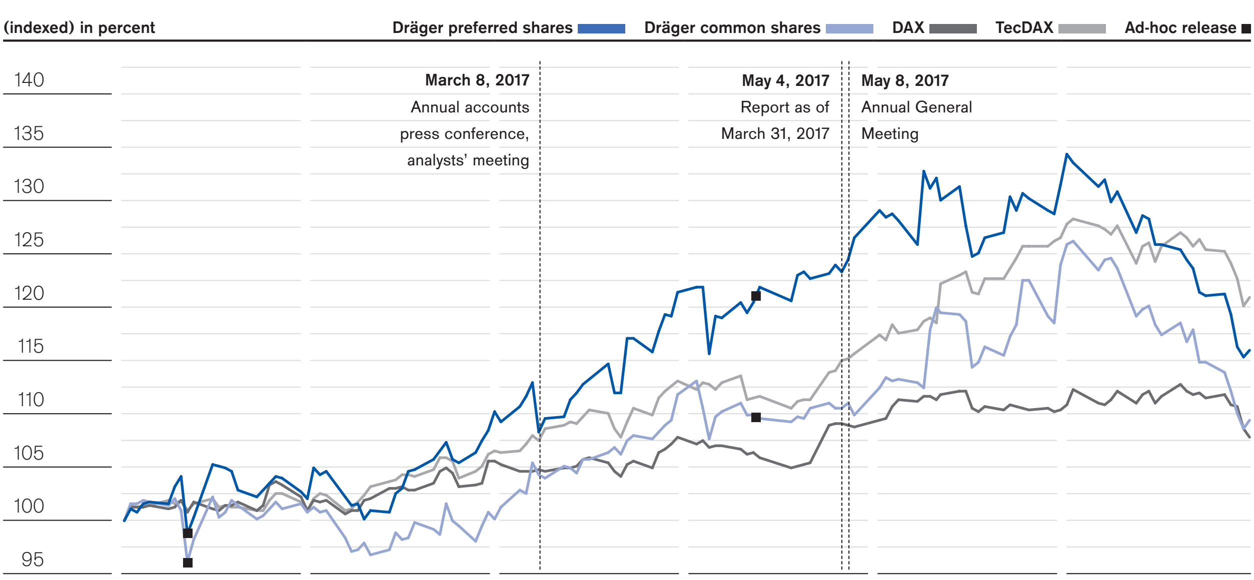
The Dräger shares performed positively in the first half of the year. Prices for Dräger common shares rose by 9 percent over the course of the year, while Dräger preferred shares increased by 16 percent.

DEVELOPMENT OF THE DRÄGER SHARES

Dräger common shares and preferred shares began the new fiscal year trading at EUR 64.44 and EUR 79.50 respectively. Prices initially stalled at approximately this level over subsequent weeks. Then, around midway through the first quarter, Dräger shares began to consistently increase in value in a positive stock market environment, reaching their highest level so far this year in early June. In this phase, preferred shares performed significantly better than common shares. Prices fell again in June, but, at the end of the first half of the year, were still significantly higher than prices recorded at the start of the year.

As of the balance sheet date on June 30, 2017, Dräger common shares closed at EUR 70.50, a rise of 9 percent on the beginning of the year. Dräger preferred shares closed the half-year at EUR 92.11, up 16 percent. The DAX stock market index rose by 8 percent to 12,325 points in the first half of the year. The TecDAX index also developed favorably over the course of the first half of the year, increasing by 21 percent to 2,188 points.

PERFORMANCE OF THE DRÄGER SHARES



DRÄGER SHARES – BASIC FIGURES

	Common shares	Preferred shares
Securities identification number (WKN)	555060	555063
ISIN [1]	DE0005550602	DE0005550636
Ticker symbol	DRW	DRW3
Reuters symbol	DRWG.DE	DRWG_p.DE
Bloomberg symbol	DRW8	DRW3
Main stock exchange	Frankfurt/Xetra	Frankfurt/Xetra

[1] International Stock Identification Number

DRÄGER SHARES KEY FIGURES

	Six months 2017	Six months 2016
Common shares		
No. of shares as of the reporting date	10,160,000	10,160,000
High (in €)	81.21	61.25
Low (in €)	61.99	45.04
Share price on the reporting date (in €)	70.50	50.00
Average daily trading volume [1]	5,588	4,192
Earnings per common share on full distribution (in €) [2,3]		
Undiluted/diluted (in €)	0.33	–0.08
Preferred shares		
No. of shares as of the reporting date	7,600,000	7,600,000
High (in €)	106.60	69.57
Low (in €)	78.59	52.58
Share price on the reporting date (in €)	92.11	54.75
Average daily trading volume [1]	31,782	26,742
Earnings per preferred share on full distribution (in €) [2,3]		
Undiluted/diluted (in €)	0.36	–0.05
Market capitalization (in €)	1,416,316,000	924,100,000

[1] All German stock exchanges (Source: designated sponsor).
[2] Based on an imputed actual full distribution of earnings attributable to shareholders
[3] Values for 2016 were adjusted due to a data transmission error

Management Report of the Dräger Group for the First Half of 2017

General economic conditions

INCREASED GROWTH

According to the Institute for the World Economy (IfW), the global economy finds itself on the up. Economic sentiment, particularly in industrialized countries, is good, and in many emerging markets the economic situation has improved noticeably. The global economy is therefore likely to grow by 3.6 percent in 2017. For the eurozone, the IfW anticipates growth of 2.0 percent. The German economy is set to grow by 1.7 percent and, according to the IfW, is on the cusp of a boom in economic development. While production figures in most emerging economies continue to rise further, the IfW believes economic growth in China will gradually slow down.

The Bank for International Settlements (BIS) believes that the prevailing economic conditions are the best seen since the financial crisis. However, in its annual report, the BIS also warned of a move away from globalization. Protectionism would be a tough blow to prospects of sustainable and robust economic growth.

FED CONTINUES TO RAISE INTEREST RATES, ECB SIGNALS MINOR CHANGE OF COURSE

The U.S. Federal Reserve (the Fed) increased interest rates marginally for the fourth time since the 2008 financial crisis in mid-June 2017. At the same time, the U.S. central bank also announced that going forward it would be slowly and steadily selling off the bonds it had purchased in the past few years. The European Central Bank (ECB) left its benchmark rate at the record low this June, although further rate cuts are out of the question given the positive economic development in Europe. The ECB is to continue its bond-buying activities at least until the end of this year.

INFLATION RATES REMAIN LOW

Inflation rose at the start of 2017 but has not increased any further since. In Germany, prices were up by 1.6 percent in year-on-year terms in June. In the eurozone, prices rose by 1.3 percent in June compared to the prior year.

MARKET AND INDUSTRY PERFORMANCE

The relevant industries in the Europe segment recorded minor positive performance overall in the first half of 2017. All in all, medical technology developed robustly due to demographic development and the rising importance of healthcare. In Germany, net sales in the medical equipment market were up both domestically and in terms of exports. The market for medical equipment in South East Europe continued on its road to recovery but remained impacted by cost pressures that limited freedom in procurement. The Russian market is being affected by rising protectionism, which is making it increasingly difficult for international medical technology manufacturers to access the market. Conditions for safety technology in industrialized European markets were varied depending on sector and country; overall, however, development was positive. Germany recorded solid growth here across all sectors. Growth rates, albeit some marginal, were recorded across the board in the chemical industry in the Europe segment. According to our assessment, the sales situation in the European fire service market improved slightly as in many areas backlogs of equipment applications were able to be cleared and investment funding drawn on. Most application-driven markets recorded growth, which was primarily due to the high level of investment in the construction industry and demand in the energy, environment, waste water, and waste sectors. France saw rising investment and a number of modernization projects in its industry. In the U.K., many industries still recorded moderate growth even though uncertainty over the terms of Brexit is already delaying investment decisions. We registered rising demand in Southern Europe among industries purchasing safety technology products. Russia recorded further slumps in growth, including in the chemical industry.

The relevant industries in the Americas segment only posted weak growth overall in the first half of 2017. The medical technology market varied considerably once again. The U.S. market saw growth, albeit at a slower rate than in the prior year. This was due to uncertainty over revisions to healthcare policy, among other factors. The market for medical equipment in Canada continued to develop positively, while the Central and South American market proved problematic overall. Investments in Brazil and Chile were delayed further, whereas the Argentinean market recovered. Mexico had a difficult year after struggling with weak economic growth. Budget cuts also had an impact on medical technology sales. By contrast, sales of safety technology products in North America rose slightly due above all to an increased willingness to invest and consistent rises in employment figures in the U.S. The oil and gas industry developed significantly better overall. The U.S. petrochemical industry benefited from new plants going online, while the U.S. chemical industry profited from the recovery of U.S. industrial development. In Canada, an increase in government spending, a slight rise in commodity prices, and full order books improved overall economic demand. Important industrial sectors in Central and South America were still suffering from uncertainty in their respective national economies — such as Argentina and Chile — and only purchased safety technology products to a limited extent. In Mexico, the value of the Mexican peso came under pressure and impacted economic development. Brazil showed positive development — particularly in the chemical and automotive industries — due to the stabilization of industrial production. Demand in the mining industry in this region was once again sluggish.

Extremely varied performance was recorded in the relevant industries in the AAA segment (Africa, Asia, and Australia) in the first half of 2017. Medical technology markets performed well, due in part to the increasing demand particularly from emerging markets for healthcare products. Development in the Middle East was little more problematic. Growth in the United Arab Emirates' healthcare sector slowed, with an increasing number of projects coming under scrutiny. The medical equipment market in China recorded further growth, with healthcare modernization boosting demand. However, the underlying market conditions are becoming increasingly difficult — above all due to government regulation. Demand for medical technology in India continued to develop dynamically, primarily fueled by the growth of private hospitals. Emerging markets in the AAA segment are performing well overall. In Vietnam, for instance, a backlog of investment in modern equipment, increasing incomes among the population, and rising standards of healthcare bolstered demand for high-quality medical technology. Safety technology markets displayed positive trends for the most part, although there was a great deal of variety between different countries. Debt levels and a dependency on raw materials negatively impacted medium-term activities in emerging markets. Large-scale refinery projects boosted the fortunes of international equipment and services industries, particularly in Asia. Asian chemical markets also recorded higher growth rates. In China, the tendency towards import substitution continued to pose a risk, while growth in the mechanical engineering, electronics, and also the automotive industries continued. The Chinese government has increased its commitment to complying with environmental and emissions regulations and, in doing so, has supported the renewable energy sector. The situation in the Middle East and Africa remained problematic, with almost no changes in the underlying conditions. The oil market remains affected by surplus supply, despite price rises and agreements to cut output. In Iran, a number of projects were delayed due to a various obstacles such as funding issues. In Australia, the manufacturing industry continued to shrink while the chemical industry found itself on an even keel.

OVERALL ASSESSMENT OF UNDERLYING CONDITIONS

Global economic growth is rising once again following a number of years of sluggish expansion. This is being fueled both by industrialized economies as well as the overall improvement to the situation in many emerging markets. Factors of uncertainty, such as increasing protectionist tendencies, Brexit, and hotspots of political conflicts such as the Middle East are not having a significant impact at the current time, but still pose a risk moving forward. Medical and safety technology markets remain in robust shape and are continuing on their courses of growth, with a degree of difference from region to region.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Second quarter			Six months		
		2017	2016	Changes in %	2017	2016	Changes in %
Order intake	**€ million**	**662.7**	**621.4**	**+6.6**	**1,302.0**	**1,221.1**	**+6.6**
Net sales	**€ million**	**581.0**	**579.0**	**+0.3**	**1,116.0**	**1,111.4**	**+0.4**
Gross profit	**€ million**	**257.7**	**263.2**	**–2.1**	**498.2**	**486.6**	**+2.4**
EBITDA [1]	**€ million**	**37.3**	**42.4**	**–12.0**	**60.1**	**46.5**	**+29.3**
EBIT [2]	**€ million**	**16.8**	**21.2**	**–21.0**	**19.1**	**5.5**	**> +100.0**
Net profit	**€ million**	**8.9**	**12.5**	**–29.1**	**8.2**	**–1.1**	**> +100.0**
Earnings per share on full distribution [3,4]							
per preferred share	€	0.40	0.70	–24.5	0.36	–0.05	> +100.0
per common share	€	0.39	0.69	–25.0	0.33	–0.08	> +100.0
Research and development costs	€ million	55.9	55.7	+0.3	111.9	109.9	+1.8
Equity ratio [5]	%	45.6	39.5		45.6	39.5	
Cash flow from operating activities [4]	€ million	3.4	32.0	–89.3	31.2	42.4	–26.3
Net financial debt [6]	€ million	41.8	150.6	–72.3	41.8	150.6	–72.3
Investments	€ million	24.1	24.7	–2.3	42.1	49.3	–14.6
Capital employed [5,6]	€ million	1,229.9	1,259.2	–2.3	1,229.9	1,259.2	–2.3
Net working capital [5,7]	€ million	552.5	568.5	–2.8	552.5	568.5	–2.8
Gross profit/net sales	%	44.4	45.5		44.6	43.8	
EBIT [2]/net sales	%	2.9	3.7		1.7	0.5	
EBIT [2,8]/Capital employed [5,6] (ROCE)	%	12.2	3.9		12.2	3.9	
Net financial debt [5]/EBITDA [1,8]	Factor	0.18	1.12		0.18	1.12	
Gearing [9]	Factor	0.04	0.17		0.04	0.17	
DVA [8,10]	€ million	64.5	–39.4	> +100.0	64.5	–39.4	> +100.0
Headcount as of June 30		13,484	13,412	+0.5	13,484	13,412	+0.5

1 EBITDA = earnings before net interest result, income taxes, depreciation and amortization
2 EBIT = earnings before net interest result and income taxes
3 Based on an imputed actual full distribution of earnings attributable to shareholders
4 Values for 2016 were adjusted due to a data transmission error
5 Value as of reporting date
6 Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
7 Net working capital = current, non-interest-bearing assets plus non-current trade receivables less current, non-interest-bearing debt
8 Value of the last twelve months
9 Gearing = Net financial debt/equity
10 Dräger Value Added = EBIT less cost of capital of average invested capital

Business Performance of the Dräger Group

ORDER INTAKE

	Second quarter				Six months			
in € million	2017	2016	Changes in %	Net of currency effects in %	2017	2016	Changes in %	Net of currency effects in %
Europe	359.2	349.2	+2.9	+3.6	706.8	673.2	+5.0	+5.9
Americas	134.4	120.8	+11.2	+10.5	259.1	236.6	+9.5	+6.6
Africa, Asia, Australia	169.1	151.4	+11.7	+11.9	336.2	311.3	+8.0	+6.6
Total	**662.7**	**621.4**	**+6.6**	**+7.0**	**1,302.0**	**1,221.1**	**+6.6**	**+6.2**
thereof medical division	435.7	417.3	+4.4	+4.5	841.0	800.7	+5.0	+4.4
thereof safety division	226.9	204.2	+11.2	+12.1	461.1	420.4	+9.7	+9.7

ORDER INTAKE

Order intake (net of currency effects) increased by 6.2 percent in the first half of the year. All three segments contributed to this positive development. In the second quarter, demand rose by 7.0 percent (net of currency effects) due in particular to double-digit rises in order volume in the Africa, Asia, and Australia and Americas segments. Order intake also rose in Europe. Demand for safety technology projects increased by a double-digit amount in the second quarter, while orders for medical technology products rose by 4.5 percent (net of currency effects).

Demand for medical technology products increased significantly in the areas of hospital infrastructure systems, thermoregulation equipment, and patient monitoring and clinical data management in the first half of the year. Orders of respiratory care devices and in business with hospital consumables also rose, while order intake for anesthesia devices remained stable.

In terms of safety technology, we registered a major increase in demand for respiratory and personal protection products and for safety accessories in the first six months of the year. Orders also rose in business with gas detection devices and in service business. Demand for alcohol detection devices, meanwhile, also rose. By contrast, orders for engineered solutions declined significantly.

NET SALES

in € million	Second quarter 2017	Second quarter 2016	Changes in %	Net of currency effects in %	Six months 2017	Six months 2016	Changes in %	Net of currency effects in %
Europe	319.5	324.5	–1.6	–0.6	618.3	624.2	–0.9	–0.2
Americas	120.2	112.2	+7.1	+7.0	227.7	216.2	+5.3	+2.8
Africa, Asia, Australia	141.4	142.3	–0.7	–0.1	270.0	271.1	–0.4	–2.0
Total	**581.0**	**579.0**	**+0.3**	**+1.0**	**1,116.0**	**1,111.4**	**+0.4**	**–0.0**
thereof medical division	370.0	365.9	+1.1	+1.7	706.4	704.1	+0.3	–0.2
thereof safety division	211.0	213.1	–1.0	–0.2	409.6	407.4	+0.6	+0.3

NET SALES

Net sales in the first half of the year remained on a par with the prior year (net of currency effects). An increase in net sales in the Americas segment (net of currency effects) was offset by a decline in the Africa, Asia, and Australia segment, while net sales remained largely stable in Europe. Net sales in the second quarter rose by 1.0 percent (net of currency effects), driven by positive development in the Americas segment.

EARNINGS

Gross profit increased in the first half of 2017 by EUR 11.6 million to EUR 498.2 million (6 months 2016: EUR 486.6 million) against the backdrop of stable net sales (net of currency effects). At 44.6 percent, our gross margin was 0.9 percentage points higher than in the prior year. The gross margin improved in the Americas and in Europe, whereas it declined in the Africa, Asia, and Australia segment.

In the second quarter, the gross margin rose by 1.1 percentage points year on year to 44.4 percent. This decline was primarily due to currency effects, which had a considerable negative impact unlike in the first quarter. All three segments, but particularly the Africa, Asia, and Australia segment, recorded a decline in their margins in the second quarter.

Functional costs fell by 1.5 percent in the first half of the year (net of currency effects). Currency effects and collective pay rate increases pushed costs up, meaning that the decline came to 1.1 percent in nominal terms. Restructuring expenses were not incurred, unlike in the first six months of the prior year. Net of these restructuring expenses in the prior year (6 months 2016: EUR 6.2 million) and currency effects, functional costs declined marginally by 0.2 percent.

Selling and marketing costs were up 0.7 percent, net of burdining currency effects. This increase was the result of development in the Americas segment, where we registered higher volume-related costs. Part of the savings made in the prior year were one-off in nature. Expenditure on research and development increased by 1.7 percent (net of currency effects). At 10.0 percent of net sales, the research and development (R&D) ratio was approximately on a par with the prior year (6 months 2016: 9.9 percent). Administrative costs were also below the first six months of the prior year, falling 10.9 percent (net of currency effects). Net of currency effects and one-off expenses for our efficiency program in the prior year, our administrative costs fell by 5.1 percent. In spite of collective pay rate increases, personnel expenses within the Group decreased marginally year on year by 0.2 percent (net of currency effects) due to the lower headcount.

At EUR –2.2 million, the other financial result decreased by a significant margin compared to the prior year (6 months 2016: EUR +1.0 million). This decline is due to the fact that, unlike in the prior year, overall currency-related valuation losses were recorded instead of valuation gains.

Total Group earnings before interest and taxes (EBIT) amounted to EUR 19.1 million in the first half of the year (6 months 2016: EUR 5.5 million). This meant that the EBIT margin rose to 1.7 percent (6 months 2016: 0.5 percent). With marginally higher net sales volume (+0.3 percent) in the second quarter, EBIT declined by EUR 4.5 million year on year in this period.

The interest result improved to EUR –6.8 million (6 months 2016: EUR –8.4 million). The tax rate in the current year stood at 32.5 percent, as in the prior year. Due to non-periodic effects, the actual tax rate was higher, coming to 32.8 percent in the first half of 2017 (6 months 2016: 62.3 percent). Earnings after income taxes amounted to EUR 8.2 million, up by EUR 9.3 million year on year (6 months 2016: EUR –1.1 million).

INVESTMENTS

In the first half of 2017, we invested EUR 37.0 million in property, plant, and equipment (6 months 2016: EUR 45.3 million) and EUR 5.1 million in intangible assets (6 months 2016: EUR 4.0 million). They mainly relate to replacement investments. In addition, a sum of EUR 4.4 million was invested in property, plant, and equipment for the construction project in Krefeld for sales and service activities relating to safety products (project volume totaling roughly EUR 14.0 million). Assets and liabilities were acquired within the scope of the acquisition of gas detection company bentekk GmbH. As a result, the Dräger Group's intangible assets rose by a total of EUR 2.6 million, EUR 1.0 million was attributed to goodwill.

Depreciation and amortization in the first half of 2017 was on a par with the prior year at EUR 41.0 million (6 months 2016: EUR 41.0 million). Investments covered 102.6 percent of depreciation, meaning that non-current assets rose by EUR 1.1 million net.

CASH FLOW STATEMENT

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

In the first six months of fiscal year 2017, the Dräger Group generated cash inflow from operating activities of EUR 31.2 million compared to cash inflow of EUR 42.4 million in the prior-year period. The primary factor in this development was the fact that, at EUR

59.0 million, inventories increased by a greater margin than in the prior-year period (EUR 38.1 million). In addition, other assets rose by a greater margin compared to the prior year of EUR 33.1 million (6 months 2016: EUR 16.9 million), while the increase in other liabilities was down year on year at EUR 15.9 million (6 months 2016: EUR 27.7 million). Earnings before net interest result, income taxes, depreciation, and amortization (EBITDA) — adjusted for cash-neutral changes to provisions and other non-cash earnings/expenses — increased by EUR 9.3 million from EUR –1.1 million to EUR 8.2 million.

Cash outflow from investing activities fell to EUR 29.5 million (6 months 2016: EUR 42.2 million). This decline was primarily due to the fact that the prior-year period included EUR 14.1 million for investments in the factory of the future that was largely completed in fiscal year 2016. By contrast, Dräger has already invested EUR 4.4 million in the construction project in Krefeld for sales and service activities relating to safety products in fiscal year 2017.

Cash outflow from financing activities of EUR 41.9 million (6 months 2016: EUR 9.8 million) was mainly due to the repayment of current account liabilities of EUR 33.3 million (6 months 2016: EUR 61.0 million), although a note loan in the amount of EUR 60.0 million was taken out at the same time in the prior-year period.

Cash and cash equivalents as of June 30, 2017 exclusively comprised cash, of which EUR 6.1 million (December 31, 2016: EUR 5.4 million) was subject to restrictions.

Financial management

BORROWING

In June 2017, the existing master loan agreement and the related bilateral credit lines with core banks of EUR 355.5 million were increased to EUR 377 million and extended prematurely by a further five years to June 2022 in order to secure working capital financing in the medium term. In relation to this, BNP Paribas is participating in the master loan agreement for the first time, while Svenska Handelsbanken left the agreement. Note loans totaled EUR 98.4 million as of June 30, 2017 (December 31, 2016: EUR 98.4 million).

NET ASSETS

Equity declined marginally by EUR 3.3 million to EUR 1,000.2 million in the first six months of 2017. The equity ratio stood at 45.6 percent as of June 30, 2017, higher than the figure from December 31, 2016 (43.4 percent). Exchange rate differences have reduced equity by EUR 19.5 million, but lower pension provisions had the opposite effect. The adjustment of the underlying interest rate for German pension provisions, and particularly the increase in the discounting rate from 1.75 percent to 2.00 percent, reduced pension provisions by EUR 17.9 million; the net amount of this adjustment of EUR 12.3 million after deferred tax liabilities increased reserves from retained earnings recognized directly in equity.

Total assets decreased by EUR 116.6 million to EUR 2,195.7 million in the first six months of 2017. On the assets side, trade receivables fell by EUR 146.1 million and cash and cash equivalents by EUR 45.8 million. By contrast, inventories increased by EUR 46.0 million and other current assets by EUR 27.8 million.

The change on the liabilities side primarily resulted from lower current provisions (EUR –50.3 million), particularly on account of the payment of variable remuneration and the reduction in loans and liabilities (EUR –38.1 million). Furthermore, trade liabilities also declined (EUR –22.7 million), as did non-current provisions (EUR –17.2 million) — primarily for pensions. The increase in other current liabilities (+18.9 million), primarily for prepayments received, had the opposite effect.

DRÄGER VALUE ADDED

Dräger Value Added (DVA) climbed by EUR 103.9 million to EUR 64.5 million year on year in the twelve months to June 30, 2017 (12 months to June 30, 2016: EUR –39.4 million). Rolling EBIT rose year on year by EUR 101.0 million. Capital costs fell by EUR 3.0 million, since average capital employed decreased by 3.3 percent to EUR 1,228.1 million. The reduction in capital employed was due to lower average current assets, largely caused by a reduction in trade receivables. This trend is also reflected in days working capital (coverage of current assets), which fell by 6.6 days to 117.0 days.

BUSINESS PERFORMANCE OF EUROPE SEGMENT

		Second quarter				Six months			
		2017	2016	Changes in %	Net of currency effects in %	2017	2016	Changes in %	Net of currency effects in %
Order intake with third parties	**€ million**	**359.2**	**349.2**	**+2.9**	**+3.6**	**706.8**	**673.2**	**+5.0**	**+5.9**
thereof Germany	€ million	132.6	131.6	+0.8	+0.8	264.7	257.0	+3.0	+3.0
Net sales with third parties	**€ million**	**319.5**	**324.5**	**–1.6**	**–0.6**	**618.3**	**624.2**	**–0.9**	**–0.2**
thereof Germany	€ million	127.9	133.3	–4.1	–4.1	244.0	247.8	–1.5	–1.5
EBITDA [1]	**€ million**	**24.1**	**26.1**	**–7.8**		**39.0**	**30.4**	**+28.4**	
EBIT [2]	**€ million**	**14.2**	**15.6**	**–8.8**		**19.3**	**10.3**	**+87.9**	
Capital employed [3,4]	€ million	584.7	590.2	–0.9		584.7	590.2	–0.9	
EBIT [2]/Net sales	%	4.5	4.8			3.1	1.6		
EBIT [2,5]/Capital employed [3,4] (ROCE)	%	16.0	8.3			16.0	8.3		
DVA [5,6]	€ million	54.1	7.4	> +100.0		54.1	7.4	> +100.0	

1 EBITDA = earnings before net interest result, income taxes, depreciation and amortization
2 EBIT = earnings before net interest result and income taxes
3 Capital Employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
4 Value as of reporting date
5 Value of the last twelve months
6 Dräger Value Added = EBIT less cost of capital of average invested capital

Business Performance of Europe Segment

In Europe, order intake rose by 5.9 percent in the first six months of the year (net of currency effects). This was particularly due to rising demand in Germany, the U.K., the Netherlands, and Austria. However, orders declined during the first half of the year in Italy, Switzerland, Hungary, and Norway, although it should be noted that we had recorded a large order for a rescue train in Switzerland in the prior year. Orders in the second quarter increased by 3.6 percent (net of currency effects).

In terms of products, demand for respiratory and personal protection products, safety technology, workplace infrastructure, safety accessories, gas detection products, and safety services rose in particular in the first half of the year. By contrast, demand for anesthesia devices, engineered solutions, and patient monitoring and clinical data management declined.

Orders in Germany rose by 3.0 percent in the first half of the year. A rise in demand for workplace infrastructure business and safety and medical accessories was offset by a decline in demand for anesthesia devices, patient monitoring and clinical data management, respiratory care devices, and respiratory and personal protection products of safety technology.

Net sales remained relatively stable in the first six months of the year in the Europe segment (net of currency effects), whereas deliveries in Germany declined by 1.5 percent. Net sales also developed steadily in Europe in the second quarter of the year, whereas net sales in Germany declined by 4.1 percent.

EARNINGS

After the slight fall in net sales, gross profit increased by 1.9 percent in the first half of 2017. The gross margin improved by 1.2 percentage points. With net sales declining in the second quarter, the gross margin fell by 0.4 percentage points.

Functional costs fell by 2.2 percent (nominal: –2.5 percent) in the first half of the year (net of currency effects), with the second-quarter decline coming to 2.1 percent (nominal: –2.7 percent). This was primarily due to the reduction in cross-segment functional costs.

EBIT for the Europe segment stood at EUR 19.3 million in the first half of 2017, improving significantly year on year (6 months 2016: EUR 10.3 million). The EBIT margin rose from 1.6 percent to 3.1 percent. In the second quarter, the EBIT margin was as high as 4.5 percent (second quarter 2016: 4.8 percent).

Dräger Value Added in the Europe segment climbed by EUR 46.7 million to EUR 54.1 million year on year in the twelve months to June 30, 2017 (12 months to June 30, 2016: EUR 7.4 million). Rolling EBIT rose year on year by EUR 44.7 million, whereas capital costs declined by EUR 2.0 million to EUR 39.4 million due to lower capital employed.

BUSINESS PERFORMANCE OF AMERICAS SEGMENT

		Second quarter				Six months			
		2017	2016	Changes in %	Net of currency effects in %	2017	2016	Changes in %	Net of currency effects in %
Order intake with third parties	**€ million**	**134.4**	**120.8**	**+11.2**	**+10.5**	**259.1**	**236.6**	**+9.5**	**+6.6**
Net sales with third parties	**€ million**	**120.2**	**112.2**	**+7.1**	**+7.0**	**227.7**	**216.2**	**+5.3**	**+2.8**
EBITDA [1]	**€ million**	**6.1**	**5.2**	**+16.2**		**6.7**	**1.7**	**> +100.0**	
EBIT [2]	**€ million**	**0.8**	**–0.2**	**> +100.0**		**–3.9**	**–9.0**	**+56.2**	
Capital employed [3,4]	€ million	293.5	301.2	–2.6		293.5	301.2	–2.6	
EBIT [2]/Net sales	%	0.6	–0.2			–1.7	–4.1		
EBIT [2,5]/Capital employed [3,4] (ROCE)	%	5.2	–6.8			5.2	–6.8		
DVA [5,6]	€ million	–5.7	–40.5	+85.8		–5.7	–40.5	+85.8	

1 EBITDA = earnings before net interest result, income taxes, depreciation and amortization
2 EBIT = earnings before net interest result and income taxes
3 Capital Employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
4 Value as of reporting date
5 Value of the last twelve months
6 Dräger Value Added = EBIT less cost of capital of average invested capital

Business Performance of Americas Segment

Orders in the Americas segment rose by 6.6 percent in the first six months of the year (net of currency effects). Significant increases in demand in the U.S. but also in Colombia, Ecuador, and Brazil, contributed to this trend. In Cuba, Venezuela, Honduras, and Argentina, order intake was down. Order intake rose by a double-digit margin of 10.5 percent in the second quarter (net of currency effects).

In terms of products, we recorded significant growth in the intake of orders for anesthesia devices, patient monitoring and clinical data management, workplace infrastructure, respiratory care devices, and alcohol detection devices in the first six months of 2017. By contrast, orders engineered solutions, gas detection devices, and medical services declined in particular.

Net sales in the Americas segment were up by 2.8 percent in the first half of the year (net of currency effects). In the second quarter, the increase in deliveries was as high as 7.0 percent (net of currency effects) in the wake of a significant increase in order volume in the U.S.

EARNINGS

The rise in net sales and a 1.4 percentage-point improvement in the gross margin resulted in the Americas segment's gross profit increasing by 8.3 percent in the first half of the year. Against the backdrop of rising net sales, gross profit was up by 4.1 percent in the second quarter of 2017. By contrast, the gross margin declined by 1.4 percentage points.

Functional costs rose by 1.2 percent in the first half of 2017 (net of currency effects; +2.7 percent in nominal terms). Given that cost growth was disproportionately low compared to net sales growth, the cost ratio in relation to net sales fell by 1.4 percentage points (second quarter: –2.7 percentage points compared to previous year). Functional costs rose in the second quarter by 1.5 percent (net of currency effects: +1.6 percent).

We recorded EBIT of EUR –3.9 million in the first half of 2017. The shortfall was, however, able to be significantly reduced year on year (6 months 2016: EUR –9.0 million). The EBIT margin improved from –4.1 percent to –1.7 percent. In the second quarter, EBIT in the Americas segment came to EUR 0.8 million (second quarter 2016: EUR –0.2 million).

Dräger Value Added in the Americas segment climbed by EUR 34.8 million to EUR –5.7 million year on year in the twelve months to June 30, 2017 (12 months to June 30, 2016: EUR –40.5 million). Rolling EBIT rose year on year by EUR 35.8 million. However, capital costs also rose slightly by EUR 1.0 million due to a rise in capital employed (+5.0 percent).

BUSINESS PERFORMANCE OF AFRICA, ASIA AND AUSTRALIA SEGMENT (AAA)

		Second quarter				Six months			
		2017	2016	Changes in %	Net of currency effects in %	2017	2016	Changes in %	Net of currency effects in %
Order intake with third parties	**€ million**	**169.1**	**151.4**	**+11.7**	**+11.9**	**336.2**	**311.3**	**+8.0**	**+6.6**
Net sales with third parties	**€ million**	**141.4**	**142.3**	**–0.7**	**–0.1**	**270.0**	**271.1**	**–0.4**	**–2.0**
EBITDA [1]	**€ million**	**7.2**	**11.1**	**–35.2**		**14.4**	**14.4**	**+0.3**	
EBIT [2]	**€ million**	**1.7**	**5.8**	**–70.0**		**3.7**	**4.2**	**–12.6**	
Capital employed [3,4]	€ million	351.6	367.8	–4.4		351.6	367.8	–4.4	
EBIT [2]/Net sales	%	1.2	4.1			1.4	1.6		
EBIT [2,5]/Capital employed [3,4] (ROCE)	%	11.8	5.7			11.8	5.7		
DVA [5,6]	€ million	16.1	–6.4	> +100.0		16.1	–6.4	> +100.0	

1 EBITDA = earnings before net interest result, income taxes, depreciation and amortization
2 EBIT = earnings before net interest result and income taxes
3 Capital Employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
4 Value as of reporting date
5 Value of the last twelve months
6 Dräger Value Added = EBIT less cost of capital of average invested capital

Business Performance of Africa, Asia, and Australia Segment

Order intake in the Africa, Asia, and Australia segment increased by 6.6 percent (net of currency effects) in the first half of the year. Healthy demand in Pakistan, Saudi Arabia, China, and Singapore in particular was a key factor in this trend, whereas the number of orders in Japan, Iran, Vietnam, and the United Arab Emirates decreased. Orders in the second quarter increased by 11.9 percent (net of currency effects).

The strongest growth rates in the first half of the year where products were concerned were registered with thermoregulation equipment, respiratory and personal protection products, patient monitoring and clinical data management, and gas detection products. Orders for alcohol detection devices and safety accessories also increased substantially, while demand for anesthesia devices declined.

Net sales in the Africa, Asia, and Australia segment declined by 2.0 percent in the first six months of the year (net of currency effects). However, deliveries in the second quarter remained on a par with the prior year (net of currency effects). Deliveries in China rose by a double-digit margin in both periods (net of currency effects).

EARNINGS

After the slight fall in net sales in nominal terms, gross profit decreased by 1.5 percent in the first half of 2017. The gross margin fell by 0.5 percentage points. In the second quarter, the gross margin was 2.8 percentage points lower than in the prior-year quarter.

Functional costs fell by 2.5 percent net of currency effects (–1.8 percent in nominal terms); in the second quarter, they were down by 1.4 percent (net of currency effects; –1.7 percent in nominal terms). This was primarily due to the reduction in cross-segment functional costs.

EBIT in the Africa, Asia, and Australia segment stood at EUR 3.7 million in the first half of 2017 (6 months 2016: EUR 4.2 million). EUR 1.7 million of this figure was attributed to the second quarter (Q2 2016: EUR 5.8 million). The EBIT margin fell by 0.2 percentage points to 1.4 percent in the first half of 2017.

Dräger Value Added (DVA) climbed by EUR 22.5 million in the Africa, Asia, and Australia segment to EUR 16.1 million year on year in the twelve months to June 30, 2017 (12 months to June 30, 2016: EUR –6.4 million). Rolling EBIT was up by EUR 20.5 million year on year, while capital costs fell by EUR 2.0 million. This was due to lower average capital employed, which fell by 7.1 percent to EUR 364.3 million.

Additional Information on the Medical and Safety Business

INFORMATION ON THE MEDICAL BUSINESS

		Second quarter				Six months			
		2017	2016	Changes in %	Net of currency effects in %	2017	2016	Changes in %	Net of currency effects in %
Order intake with third parties	**€ million**	**435.7**	**417.3**	**+4.4**	**+4.5**	**841.0**	**800.7**	**+5.0**	**+4.4**
Europe	€ million	216.8	221.6	–2.1	–2.0	414.7	408.3	+1.6	+1.9
Americas	€ million	97.7	83.2	+17.4	+16.5	181.4	159.9	+13.4	+10.5
Africa, Asia, Australia	€ million	121.2	112.5	+7.7	+8.5	244.8	232.5	+5.3	+4.4
Net sales with third parties	**€ million**	**370.0**	**365.9**	**+1.1**	**+1.7**	**706.4**	**704.1**	**+0.3**	**–0.2**
Europe	€ million	187.1	185.7	+0.8	+1.4	361.8	358.6	+0.9	+1.4
Americas	€ million	81.4	79.5	+2.4	+2.3	150.2	148.7	+1.0	–1.3
Africa, Asia, Australia	€ million	101.5	100.8	+0.7	+1.8	194.3	196.8	–1.3	–2.4
EBIT [1,2]	**€ million**	**2.7**	**7.9**	**–65.6**		**–4.4**	**–9.1**	**+51.2**	
Research and development costs	€ million	38.9	40.4	–3.7		78.4	79.0	–0.7	
EBIT [1]/net sales [3]	%	0.7	2.1			–0.6	–1.3		

[1] EBIT = Earnings before net interest result and income taxes

[2] Business figures are determined on the basis of products' allocation to the medical business. Non-product-related costs, including costs for the headquarters, are distributed using a plan-based net sales formula.

[3] Value for the second quarter 2016 was adjusted due to a data transmission error.

INFORMATION ON THE SAFETY BUSINESS

		Second quarter				Six months			
		2017	2016	Changes in %	Net of currency effects in %	2017	2016	Changes in %	Net of currency effects in %
Order intake with third parties	**€ million**	**226.9**	**204.2**	**+11.2**	**+12.1**	**461.1**	**420.4**	**+9.7**	**+9.7**
Europe	€ million	142.4	127.6	+11.6	+13.4	292.0	264.8	+10.3	+11.9
Americas	€ million	36.7	37.7	–2.5	–2.6	77.7	76.6	+1.3	–1.4
Africa, Asia, Australia	€ million	47.9	38.9	+23.0	+22.0	91.4	78.9	+15.8	+13.0
Net sales with third parties	**€ million**	**211.0**	**213.1**	**–1.0**	**–0.2**	**409.6**	**407.4**	**+0.6**	**+0.3**
Europe	€ million	132.3	138.9	–4.7	–3.2	256.5	265.6	–3.4	–2.3
Americas	€ million	38.8	32.7	+18.6	+18.5	77.4	67.5	+14.8	+11.8
Africa, Asia, Australia	€ million	39.9	41.5	–4.0	–4.8	75.7	74.2	+1.9	–0.7
EBIT [1,2]	**€ million**	**14.1**	**13.4**	**+5.3**		**23.5**	**14.6**	**+60.7**	
Research and development costs	€ million	17.0	15.3	+10.9		33.5	31.0	+8.2	
EBIT [1]/net sales [3]	%	6.7	6.3			5.7	3.6		

[1] EBIT = Earnings before net interest result and income taxes

[2] Business figures are determined on the basis of products' allocation to the safety business. Non-product-related costs, including costs for the headquarters, are distributed using a plan-based net sales formula.

[3] Value for the second quarter 2016 was adjusted due to a data transmission error.

CHANGED CONDITIONS AFTER THE CLOSING OF THE INTERIM REPORTING PERIOD

There were no significant changes between the end of the first half of 2017 and the time this interim financial report was prepared.

Research and development

In the first half of 2017, we invested EUR 111.9 million in research and development (R&D), which was more than in the prior-year period (6 months 2016: EUR 109.9 million). The R&D expenses amounted to 10.0 percent of net sales (6 months 2016: 9.9 percent).

In terms of medical business, the focus remained on expanding the intensive care and operating room product portfolio, as well as on developing customer solutions within the Infinity Acute Care System.

With “IACS VG6” we expanded the functionality of our “Infinity Acute Care System (IACS)”. Among them is the “Infinity M-Cable Microstream CO_2” which increases the clinical value by allowing monitoring of exhaled CO_2 on intubated and non-intubated patients. This also helps to monitor the respiration rate and reduces the need to perform repetitive blood gas analysis, an invasive procedure. “Scio Four gas measurement” is also now supported by the “IACS” allowing continuous monitoring of gas and volatile anesthetics during anesthesia procedures where no anesthesia workstation with integrated gas management is being used. “IACS VG6” enhances the overall clinical value of the “IACS” solution in all critical care units where it is marketed: OR, ICU, NICU and ER.

The new “Vista 120 S” expands our monitoring portfolio in the value segment and our footprint in the overall patient monitoring market. It has a 12 inch color touchscreen display and a number of important and valuable features. Via connectivity to Dräger devices like “Savina”, “Fabius Plus and XL” and “Primus/IE” it offers customers a system solution in the upper basic market segment.

Our new “Isolette 8000 plus” incubator provides a controlled environment for both premature and full-term babies. With a host of performance features designed to provide a stable, cocoon-like environment, Dräger sets the standard for thermoregulation in the mid-market. Also, it includes features that support developmental care practices for the baby and has a hygienic concept that enhances infection control.

The new “Savina 300 Select” is the first device to offer functions such as oxygen therapy and automatic tube compression, features previously only included in high-end intensive respiratory devices. Its turbine only requires ambient air and, with its integrated and external batteries, the device can be used independently from a central power supply for up to five hours. This enables this ventilator to be deployed in hospitals with a great deal of flexibility.

The new “ClassicStar plus” is the newest addition to Dräger's range of non-invasive ventilation masks. It is available simply as a nasal mask or also as a mouth and oronasal mask.

It features a soft and anatomically shaped silicone lip as sealing interface, fitting the patient's face perfectly and increasing comfort. What is more, both products are free from BPA and PVC.

The focus of innovation in terms of safety business is on expanding the Dräger product portfolio and developing systems to deliver complete solutions for customers.

The new “Dräger-Tubes” app, which is available for free, closes the gap that had existed between analog and digital documentation of gas measurement values using Dräger Tubes. The app removes the need to fill out complex paper records by hand. Instead, your smartphone does all the work for you in a few simple steps.

Our “GasSecure GS01” wireless gas detection system has received FM certification and is therefore now approved for the U.S. market. Aimed in particular at the oil and gas industry, this system is a reliable and low-cost solution to detect hydrocarbons in order to find leaks quickly and reduce the risk of explosion.

Personnel

WORKFORCE TREND

		June 30, 2017	December 31, 2016	June 30, 2016
Germany		6,319	6,227	6,265
Other		7,165	7,036	7,147
Dräger Group total		**13,484**	**13,263**	**13,412**
Turnover of employees (Basis: average of the past twelve months)	%	4.9	7.5	6.7
Sick days of work days in Germany (Basis: average of the past twelve months)	%	6.1	5.6	5.3
Temporary staff in Germany (incl. short-term project employment)		634	461	453

As of June 30, 2017, 13,484 people worked for the Dräger Group worldwide, 72 more than in the prior year (June 30, 2016: 13,412); this equates to a 0.5 percent rise in headcount. In Germany, the number of people working for the Dräger Group increased by 54 year on year, and the number of people working abroad went up by 18. As of June 30, 2017, 53.1 percent (June 30, 2016: 53.3 percent) of employees were working outside of Germany.

The number of employees in Germany increased in particular in Service (+85) — predominantly for technicians in Rental and Safety Services — as well as in R&D (+36). In Production (–34) and Marketing (–19) the number of employees decreased while it increased slightly in Sales (+7).

The slight increase in personnel abroad was particularly attributed to Service (+51) and concerns in particular new staff for the management of technical equipment in Spain who was previously employed as temporary staff. In Production (–8), Sales (–21), and in administrative areas (–13), the number of employees decreased.

Personnel expenses within the Group remained on a par with the prior year at EUR 497.9 million. Although costs declined by 0.2 percent net of currency effects, currency effects had a minor negative impact meaning that personnel expenses actually rose by 0.1 percent in nominal terms. This slight year-on-year decline in costs net of currency effects was due to the fact that the average number of employees during the period was below the prior-year figure, despite the rise as of the reporting date. This was offset by the collective pay rise in the metal and electrical industries in Germany and similar increases abroad. The personnel cost ratio came to 44.6 percent in the first half of 2017 (6 months 2016: 44.8 percent).

PERSONNEL EXPENSES [1]

in € thousand	Six months 2017	Six months 2016
Wages and salaries	**409,017**	**408,876**
Social security contributions and related employee benefits	74,296	75,572
Pension expenses	14,634	12,974
	497,947	**497,422**

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

RISKS TO FUTURE DEVELOPMENT

The material risks to our net assets, financial position, and results of operations as well as the structure of our risk management system are outlined in the annual report for fiscal year 2016 on pages 95 et seq. The annual report may be downloaded online at **www.draeger.com**.

There were no material changes compared to the 2016 annual report. In addition, Dräger has not currently identified any individual or aggregated risks that could have a material impact on the company's continued existence as a going concern.

Outlook

FUTURE MARKET ENVIRONMENT

The International Monetary Fund (IMF) expects the global economy to grow by 3.5 percent in 2017, which would equate to a year-on-year increase of 0.3 percentage points. The higher rate of growth reflects the cyclical recovery of investments, production, and international trade. Economic expansion has gathered momentum recently, particularly in industrialized economies. For the U.S. the IMF has reduced its forecast as fiscal policy is less expansionary than previously expected. Growth has also recovered in emerging markets, following a poor 2016.

The IMF continues to believe that medium term the global economy's risk-reward profile is negative overall. The risk of protectionism fueled by domestic policy is rising due to ongoing structural issues such as low productivity growth and widespread income disparity. This could threaten global economic integration and the international economic order — based on cooperation — from which the global economy and particularly emerging markets, have greatly benefited. Non-economic risk factors such as geopolitical tensions and terrorist attacks must also not be ignored.

IMF — JULY 2017 GROSS DOMESTIC PRODUCT (GDP) GROWTH FORECAST

in %	2017	2018
Global economy	3.5	3.6
USA	2.1	2.1
Eurozone	1.9	1.7
Germany	1.8	1.6
China	6.7	6.4

FUTURE MARKET AND SEGMENT SITUATION

We believe that the relevant industries in the Europe segment will experience moderate growth and perform satisfactorily in the second half of 2017, driven by replacement and expansion investments. We expect slight growth in the medical technology market. Safety technology markets are likely to continue to develop positively overall.

In terms of the Americas segment, we expect stabilization in relevant industries in the second half of 2017 as well as, for the most part, further sales opportunities. The U.S. healthcare market will experience further slight growth in spite of uncertainty surrounding its healthcare reforms, with possible changes only taking effect from 2018. Sales of safety technology products are likely to continue to develop positively.

In the Africa, Asia, and Australia segment, we expect relevant industries to remain positive for the most part and forecast solid sales opportunities in the second half of 2017, although the underlying conditions vary greatly. We consider medical technology markets to be in positive shape, while the momentum enjoyed by emerging economies is set to remain in place. According to our estimations, there will be a great deal of opportunities for sales of safety technology products, not least because of the progress made in a large number of major projects.

FUTURE SITUATION OF THE COMPANY

The following section should be read in conjunction with the “Future situation of the company” section in the management report of the 2016 annual report (pages 109 et seq.), which describes expectations for 2017 in detail. The following table provides an overview of the expectations regarding the development of various forecast figures. The forecast horizon is the fiscal year.

EXPECTATIONS FOR FISCAL YEAR 2017

	Results achieved Fiscal year 2016	Forecast 2017 according to the annual report	Current forecast
Net sales	–1.5% (net of currency effects)	0.0–3.0 % (net of currency effects)	Confirmed
EBIT margin	5.4 %	5.0–7.0 % [1]	Confirmed
DVA	EUR 49.8 million	EUR 40–90 million	Confirmed
Other forecast figures:			
Gross margin	45.0 %	44.0–46.0 %	Confirmed
Research and development costs	EUR 219.0 million	EUR 230–245 million	Confirmed
Interest result	EUR –15.5 million	EUR –13 to –17 million	Confirmed
Days working capital (DWC)	121.7 days	Slight improvement	Confirmed
Investment volume [2]	EUR 99.9 million	EUR 90–105 million	Confirmed
Net financial debt	EUR 34.7 million	Improvement	Confirmed

[1] Based on exchange rates at the start of fiscal year 2017
[2] Excluding company acquisitions

DRÄGER MANAGEMENT ESTIMATE

Growth in global trade and the global economy is rising. Economic prospects have improved, both in certain emerging markets and in the eurozone. However, uncertainty surrounding potential protectionism and lower economic integration continues.

We began the year with a high number of orders on hand, and this figure has grown further over the course of 2017 due to the positive order intake trend. So far, net sales development has been subdued. However, net sales rose again at the end of the quarter. In terms of earnings, the recovery in the value of the euro had a negative impact in the second quarter after still positive currency effects at the start of the year. There is a clear year-on-year improvement in earnings after the first six months of the year.

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 that could prove to be incorrect. Dräger does not assume any responsibility for updating the forward-looking statements made in this report.

Lübeck, July 26, 2017

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Rainer Klug
Gert-Hartwig Lescow
Dr. Reiner Piske
Anton Schrofner

Interim financial statements of the Dräger Group as of June 30, 2017

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

in € thousand	Notes	Second quarter 2017	Second quarter 2016	Six months 2017	Six months 2016
Net sales		581,023	579,029	1,115,985	1,111,434
Cost of sales		–323,283	–315,821	–617,831	–624,867
Gross profit		**257,740**	**263,208**	**498,153**	**486,568**
Research and development expenses		–55,886	–55,700	–111,895	–109,914
Marketing and selling expenses		–134,967	–133,864	–271,961	–268,516
General administrative expenses		–45,218	–51,153	–91,122	–101,853
Other operating income		1,787	1,591	4,845	3,409
Other operating expenses		–5,274	–3,888	–6,761	–5,269
		–239,558	**–243,013**	**–476,895**	**–482,143**
		18,181	**20,195**	**21,258**	**4,425**
Profit from other investments		–	48	0	82
Other financial result		–1,423	969	–2,171	1,036
Financial result (before interest result)	**6**	**–1,423**	**1,016**	**–2,170**	**1,117**
EBIT		**16,758**	**21,211**	**19,088**	**5,542**
Interest result	6	–3,614	–4,033	–6,841	–8,402
Earnings before income taxes		**13,145**	**17,178**	**12,247**	**–2,860**
Income taxes	7	–4,260	–4,640	–4,013	1,782
Earnings after income taxes		**8,885**	**12,538**	**8,234**	**–1,078**
Earnings after income taxes		**8,885**	**12,538**	**8,234**	**–1,078**
Non-controlling interests in net profit		–54	152	218	177
Earnings attributable to participation certificates (excluding minimum dividend, after taxes)		2,015	–	2,015	–
Earnings attributable to shareholders		6,923	12,386	6,002	–1,254
Undiluted/diluted earnings per share on full distribution [1,2]					
per preferred share (in €)		0.40	0.70	0.36	–0.05
per common share (in €)		0.39	0.69	0.33	–0.08

[1] The dividend premium of EUR 0.06 on preferred shares is recognized pro rata on a quarterly basis.
[2] Values for 2016 were adjusted due to a data transmission error

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

in € thousand	Six months 2017	Six months 2016
Earnings after income taxes	**8,234**	**–1,078**
Items that cannot be reclassified into the income statement		
Remeasurements of defined benefit pension plans	17,876	–54,537
Deferred taxes on remeasurements of defined benefit pension plans	–5,618	17,179
Items that may be reclassified into the income statement in the future		
Currency translation adjustment for foreign subsidiaries	–19,524	–8,268
Change in the fair value of derivative financial instruments recognized directly in equity	–428	–292
Deferred taxes on changes in the fair value of derivative financial instruments recognized directly in equity	135	92
Other comprehensive income (after taxes)	**–7,559**	**–45,825**
Total comprehensive income	**676**	**–46,903**
thereof earnings attributable to non-controlling interests	80	244
thereof earnings attributable to participation certificates (excluding minimum dividend, after taxes)	2,015	–
thereof earnings attributable to shareholders	–1,419	–47,147

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

in € thousand	Notes	June 30, 2017	December 31, 2016
Assets			
Intangible assets	8	345,242	347,579
Property, plant and equipment	8	415,861	420,851
Investments in associates		373	373
Other non-current financial assets		10,349	13,937
Deferred tax assets		141,013	133,702
Other non-current assets		2,402	2,126
Non-current assets		**915,239**	**918,568**
Inventories	9	432,712	386,759
Trade receivables and receivables from construction contracts		535,616	681,743
Other current financial assets		42,728	37,236
Cash and cash equivalents		175,651	221,481
Current income tax refund claims		14,581	15,111
Other current assets	10	79,216	51,427
Current assets		**1,280,503**	**1,393,757**
Total assets		**2,195,743**	**2,312,325**

in € thousand	Notes	June 30, 2017	December 31, 2016
Equity and liabilities			
Capital stock		45,466	45,466
Capital reserves		234,028	234,028
Reserves retained from earnings, incl. group result		699,317	682,803
Participation capital		29,497	29,497
Other comprehensive income		–10,077	9,683
Non-controlling interests		1,958	2,039
Equity	**11**	**1,000,188**	**1,003,516**
Liabilities from participation certificates		23,251	22,687
Provisions for pensions and similar obligations	12	304,049	318,325
Other non-current provisions	13	54,909	57,824
Non-current interest-bearing loans	14	182,511	188,635
Other non-current financial liabilities		27,773	27,994
Non-current income tax liabilities		5,547	5,578
Deferred tax liabilities		1,673	1,471
Other non-current liabilities		14,972	15,726
Non-current liabilities		**614,685**	**638,240**
Other current provisions	13	160,861	211,203
Current interest-bearing loans and liabilities to banks	14	25,073	57,025
Trade payables		157,044	179,773
Other current financial liabilities		19,220	25,336
Current income tax liabilities		34,574	31,996
Other current liabilities		184,097	165,236
Current liabilities		**580,869**	**670,569**
Total equity and liabilities		**2,195,743**	**2,312,325**

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

	in € thousand	Second quarter 2017	Second quarter 2016	Six months 2017	Six months 2016
	Operating activities				
	Earnings after income taxes	8,885	12,538	8,234	–1,078
+	Write-down/write-up of non-current assets	20,587	21,213	41,031	40,947
+	Interest result	3,614	4,033	6,841	8,402
+/–	Income taxes	4,260	4,640	4,013	–1,782
–	Decrease in provisions	–23,598	–19,388	–48,149	–34,272
+/–	Other non-cash expenses/income	14,501	–7,895	11,812	–3,583
+/–	Gains/losses from the disposal of non-current assets	100	9	–1,017	–21
–	Increase in inventories	–15,137	–18,978	–58,964	–38,119
–	Increase in leased equipment	–2,621	–2,966	–4,815	–7,113
+	Decrease in trade receivables	20,103	20,331	133,832	122,714
+/–	Decrease/increase in other assets	–5,371	8,099	–33,109	–16,896
+/–	Increase/decrease in trade payables	–4,553	15,671	–23,701	–31,130
+/–	Increase/decrease in other liabilities	–7,632	6,246	15,864	27,725
–	Cash outflow for income taxes	–8,240	–10,188	–17,630	–20,377
–	Cash outflow for interests	–1,791	–2,085	–4,065	–4,054
+	Cash inflow from interests	308	686	1,045	1,024
	Cash inflow from operating activities	**3,414**	**31,969**	**31,223**	**42,386**
	Investing activities				
–	Cash outflow for investments in intangible assets	–774	–1,489	–1,137	–3,526
+	Cash inflow from the disposal of intangible assets	0	1	1	1
–	Cash outflow for investments in property, plant and equipment	–16,697	–23,439	–29,765	–39,285
+	Cash inflow from disposals of property, plant and equipment	890	97	2,153	628
–	Cash outflow for investments in non-current financial assets	–14	–13	–34	–24
+	Cash inflow from the disposal of non-current financial assets	237	1	241	1
–	Cash outflow from the acquisition of subsidiaries	–980	–	–980	–
	Cash outflow from investing activities	**–17,338**	**–24,842**	**–29,520**	**–42,205**
	Financing activities				
–	Distribution of dividends (including dividends for participation certificates)	–4,001	–4,001	–4,001	–4,001
+	Cash provided by raising loans	7	9	8	59,957
–	Cash used to redeem loans	–2,241	–2,202	–3,800	–4,112
–	Net balance of other liabilities to banks	–3,836	–16,519	–33,279	–60,975
–	Net balance of finance lease liabilities repaid/incurred	–328	–380	–671	–653
–	Profit distributed to non-controlling interests	–161	–	–161	0
	Cash outflow from financing activities	**–10,561**	**–23,093**	**–41,904**	**–9,783**
	Change in cash and cash equivalents in the reporting period	**–24,485**	**–15,967**	**–40,202**	**–9,602**
+/–	Effect of exchange rates on cash and cash equivalents	–7,025	1,254	–5,628	–1,003
+	Cash and cash equivalents at the beginning of the reporting period	207,161	176,875	221,481	172,767
	Cash and cash equivalents on reporting date	**175,651**	**162,162**	**175,651**	**162,162**

For notes to the cash flow statement, please see page 13 seq.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

						Other comprehensive income						
in € thousand	Capital stock	Capital reserves	Reserves retained from earnings incl. group result	Participation capital	Treasury shares	Currency translation differences	Derivative financial instruments	Financial assets available for sale	Total other comprehensive income	Total equity of shareholder Drägerwerk AG & Co. KGaA	Non-controlling interests	Equity
January 1, 2016	**45,466**	**234,028**	**626,634**	**29,497**	**0**	**10,849**	**–2,201**	**43**	**8,691**	**944,315**	**1,614**	**945,929**
Earnings after income taxes	–	–	–1,254	–	–	–	–	–	0	–1,254	177	–1,078
Other comprehensive income	–	–	–37,358	–	–	–8,335	–200	–	–8,535	–45,893	67	–45,825
Total comprehensive income	**–**	**–**	**–38,612**	**–**	**–**	**–8,335**	**–200**	**–**	**–8,535**	**–47,147**	**244**	**–46,903**
Distributions	–	–	–4,001	–	–	–	–	–	0	–4,001	0	–4,001
June 30, 2016	**45,466**	**234,028**	**584,021**	**29,497**	**0**	**2,514**	**–2,401**	**43**	**156**	**893,167**	**1,858**	**895,025**
January 1, 2017	**45,466**	**234,028**	**682,803**	**29,497**	**0**	**10,169**	**–434**	**–51**	**9,684**	**1,001,476**	**2,039**	**1,003,516**
Earnings after income taxes	–	–	8,016	–	–	–	–	–	0	8,016	218	8,234
Other comprehensive income	–	–	12,258	–	–	–19,386	–293	–	–19,679	–7,420	–138	–7,559
Total comprehensive income	**–**	**–**	**20,275**	**–**	**–**	**–19,386**	**–293**	**–**	**–19,679**	**596**	**80**	**676**
Distributions	–	–	–4,001	–	–	–	–	–	0	–4,001	–161	–4,162
Changes in the scope of consolidation/other	–	–	241	–	–	–82	–	–	–82	159	–	159
June 30, 2017	**45,466**	**234,028**	**699,317**	**29,497**	**0**	**–9,299**	**–727**	**–51**	**–10,077**	**998,231**	**1,958**	**1,000,188**

Notes of the Dräger Group as of June 30, 2017 (condensed)

1 BASIS OF PREPARATION OF THE INTERIM GROUP FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA, Lübeck, Germany, prepared its Group financial Statements for fiscal year 2016 in accordance with the International Financial Reporting Standards (IFRS) as defined by the International Accounting Standards Boards (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). In fiscal year 2017, the interim financial statements of the Dräger Group have therefore also been prepared in accordance with IFRS, and the interim reports in compliance with IAS 34 as well as German Accounting Standard No. 16 (GAS 16 — Interim Financial Reporting) of the German Accounting Standards Committee (GASC).

The interim report should be read in connection with the disclosures in the Dräger IFRS annual report as of December 31, 2016. It was not audited or reviewed by an auditor.

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

2 ACCOUNTING POLICIES

The same accounting principles were applied in preparing the interim financial statements and calculating the comparative figures as in the Group financial statements for 2016. A detailed description of these methods is published in the notes to the Group financial statements in the 2016 annual report in Note 8.

A discount rate of 2.0 percent (December 31, 2016: 1.75 percent) was used as a basis for the German pension provisions reported in these interim financial statements on account of the change in interest rates. The result from the revaluation of pension plans decreased the provisions for pensions and similar obligations.

The annual report may also be downloaded online at www.draeger.com.

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

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

The following new standards and amendments to existing standards published by the IASB, which have already been adopted in EU law, are to be applied for the first time in fiscal year 2017, in the event that transactions fall within the respective scopes of application:

- The “Annual Improvements to IFRSs 2014–2016 Cycle (issued December 2016)” resulted in slight adjustments to IFRS 1, IFRS 12, and IAS 28 or existing regulations being clarified. This does not have a material impact on Dräger’s Group financial statements.
- The amendments to IAS 7 “Statement of Cash Flows (issued January 2016)” in line with the “Disclosure Initiative” stipulate additional notes disclosures that should help users of financial statements to evaluate changes in liabilities arising from entity’s financing

activities. Dräger will include these disclosures in the 2017 Group financial statements. This does not have a material impact on Dräger's Group financial statements.

– The amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses (issued January 2016)" clarify how to account for deferred tax assets for unrealized losses related to debt instruments measured at fair value and recognized in other comprehensive income. This does not have a material impact on Dräger's Group financial statements.

Further new mandatory standards or amendments of standards that apply only to fiscal years beginning on or after January 1, 2018 and/or that have not yet been endorsed can be found in the Dräger IFRS annual report as of December 31, 2016.

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

3 CALCULATING EARNINGS PER SHARE PURSUANT TO IAS 33

In June 2017, the International Financial Reporting Standards Interpretations Committee (IFRS IC) stated its position regarding the consideration and calculation of participating equity instruments and the resulting tax effects when calculating "earnings per share" pursuant to IAS 33. This confirmed the manner in which participation certificates are taken into account by the Dräger Group when calculating earnings per share and, therefore, the earnings per share previously reported.

The IFRS IC stated that future tax benefits, which would result in the case of a hypothetical full distribution on participating equity instruments (in the form of participation certificates at Dräger), are to be taken into account when calculating earnings per share. Where the participating equity instruments also participate in the tax benefits, the tax benefits are to be allocated to the shareholders and the holders of participating equity instruments using an iterative process.

4 EFFECTS OF THE CHANGES IN THE SCOPE OF CONSOLIDATION

In the first half of 2017, Dräger acquired 51 percent of the shares in bentekk GmbH, Hamburg, Germany, and added this company to the scope of consolidation. bentekk GmbH develops gas measuring devices designed to quickly and accurately measure the presence of benzene and other carcinogenic substances in the atmosphere. These devices are mobile and handheld and allow very low concentrations, which could previously only be measured in a stationary laboratory environment, to be detected and measured quickly. The devices are predominantly used for clearance measurements during maintenance work and indicate if thresholds are being exceeded. The acquisition of shares enables Dräger to expand its portfolio of gas detection systems.

The agreed purchase price of the shares in bentekk GmbH amounted to EUR 1,000 thousand and has already been paid in full. The parties also agreed a put option for the minority shareholders as well as a call option for the remaining shares (49 percent) in bentekk GmbH in four equal tranches of EUR 250 thousand (for a total of EUR 1,000 thousand). The options have a term of no more than five years. Dräger fully includes bentekk GmbH in the scope of consolidation as a result of the form of these options. The options have a net present value of EUR 848 thousand.

The present value of the total purchase price of EUR 1,848 thousand, which is included within the scope of the provisional purchase price allocation, impacted the consolidated balance sheet as follows:

EFFECT OF ACQUISITION ON THE CONSOLIDATED BALANCE SHEET

in € thousand	Carrying amount acquired	Purchase price allocation	Fair values acquired
Intangible assets	14	1,592	1,606
Property, plant and equipment	3	0	3
Other non-current financial assets	1	0	1
Deferred tax assets	141	0	141
Inventories	27	0	27
Cash and cash equivalents	20	0	20
Other current assets	12	0	12
Total assets acquired	**218**	**1,592**	**1,811**
Other non-current financial liabilities	440	0	440
Deferred tax liabilities	0	514	514
Other current provisions	8	0	8
Trade payables	14	0	14
Other current liabilities	3	0	3
Total liabilities assumed	**465**	**514**	**979**
Equity = Balance of assets acquired and liabilities taken over	**–246**	**1,078**	**832**

Purchase price paid	–1,000
+ Present value of put option/call option	–848
Present value of total purchase price	**–1,848**
Goodwill	**1,016**

The current net outflow of funds in the Group financial statements totaled EUR 980 thousand on account of the simultaneous takeover of cash in the amount of EUR 20 thousand.

The goodwill remaining after the provisional purchase price allocation relates to expected synergy effects that cannot be capitalized as well as to the expected income related to future innovations to maintain competitiveness. Goodwill is calculated from the purchase price, less the acquired assets and assumed liabilities, and attributed to the Europe segment (EUR 750 thousand) and the Africa, Asia, and Australia Segment (AAA) segment (EUR 267 thousand). Goodwill is not deductible for tax purposes.

Since joining the scope of consolidation, the net sales of bentekk GmbH of EUR 1 thousand, as well as corresponding earnings after income taxes of EUR –171 thousand, are included in the consolidated income statement of the Dräger Group. Had bentekk GmbH joined the scope of consolidation effective January 1, 2017, net sales of EUR 29 thousand, as well as corresponding earnings after income taxes of EUR –379 thousand, would have been included in the consolidated income statement of the Dräger Group.

US subsidiary Draeger Interservices Inc., Pittsburgh, USA, was also liquidated in June 2017. The company's assets were transferred to other Group companies prior to its liquidation.

5 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Europe		Americas		Africa, Asia, Australia		Dräger Group	
		Six months 2017	Six months 2016	Six months 2017	Six months 2016	Six months 2017	Six months 2016	Six months 2017	Six months 2016
Order intake with third parties	**€ million**	**706.8**	**673.2**	**259.1**	**236.6**	**336.2**	**311.3**	**1,302.0**	**1,221.1**
Net sales with third parties	**€ million**	**618.3**	**624.2**	**227.7**	**216.2**	**270.0**	**271.1**	**1,116.0**	**1,111.4**
EBITDA [1]	**€ million**	**39.0**	**30.4**	**6.7**	**1.7**	**14.4**	**14.4**	**60.1**	**46.5**
Depreciation/Amortization	€ million	–19.7	–20.1	–10.6	–10.7	–10.7	–10.2	–41.0	–41.0
EBIT [2]	**€ million**	**19.3**	**10.3**	**–3.9**	**–9.0**	**3.7**	**4.2**	**19.1**	**5.5**
Capital employed [3,4]	€ million	584.7	590.2	293.5	301.2	351.6	367.8	1,229.9	1,259.2
EBIT [2]/Net sales	%	3.1	1.6	–1.7	–4.1	1.4	1.6	1.7	0.5
EBIT [2,5]/Capital employed [3,4] (ROCE)	%	16.0	8.3	5.2	–6.8	11.8	5.7	12.2	3.9
DVA [5,6]	€ million	54.1	7.4	–5.7	–40.5	16.1	–6.4	64.5	–39.4

1 EBITDA = earnings before net interest result, income taxes, depreciation and amortization
2 EBIT = Earnings before net interest result and income taxes
3 Capital employed in segments = Trade receivables, inventories incl. prepayments received;
Capital employed Group = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
4 Value as of reporting date
5 Value of the last twelve months
6 Dräger Value Added = EBIT less cost of capital of average invested capital

The key figures from the segment report are as follows:

EBIT

in € thousand	Six months 2017	Six months 2016
Earnings after income taxes	8,234	–1,078
+ Interest result	6,841	8,402
+ Income taxes	4,013	–1,782
EBIT	**19,088**	**5,542**

CAPITAL EMPLOYED

in € thousand	June 30, 2017	June 30, 2016
Total assets	2,195,743	2,263,584
– Deferred tax assets	–141,013	–158,050
– Cash and cash equivalents	–175,651	–162,162
– Non-interest-bearing liabilities	–649,165	–684,140
Capital employed	**1,229,914**	**1,259,232**

DVA

in € thousand	June 30, 2017	June 30, 2016
EBIT (of the last twelve months)	150,459	49,496
– Cost of capital (Basis: average of capital employed in the past twelve months)	–85,967	–88,936
DVA	**64,493**	**–39,440**

The business performance of the individual segments is detailed in the management report accompanying these interim financial statements. Services rendered between the segments follow the arm's length principle.

6 FINANCIAL RESULT

FINANCIAL RESULT

in € thousand	Six months 2017	Six months 2016
Financial result (before interest result)	**–2,170**	**1,117**
Interest and similar income	1,318	1,303
Interest and similar expenses	–8,158	–9,705
Interest result	**–6,841**	**–8,402**

7 INCOME TAXES

Income taxes for the first half of 2017 were calculated on the basis of an anticipated Group tax rate of 32.5 percent (6 months 2016: 32.5 percent).

8 INTANGIBLE ASSETS/PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS/PROPERTY, PLANT AND EQUIPMENT

in € thousand	Carrying value January 1, 2017	Additions	Disposals/other changes	Depreciation/ amortization	Carrying value June 30, 2017
Intangible assets	347,579	5,074	–1,312	–6,098	345,242
Property, plant and equipment	420,851	37,011	–7,069	–34,933	415,861

9 INVENTORIES

INVENTORIES

in € thousand	June 30, 2017	December 31, 2016
Finished goods and merchandise	243,684	208,525
Work in progress	61,456	48,768
Raw materials, consumables and supplies	124,700	126,999
Payments made	2,871	2,467
	432,712	**386,759**

10 OTHER CURRENT ASSETS

OTHER CURRENT ASSETS

in € thousand	June 30, 2017	December 31, 2016
Prepaid expenses	36,879	22,487
Other tax refund claims	35,331	24,054
Receivables from investment allowances	769	852
Remaining other current assets	6,237	4,033
	79,216	**51,427**

The increase in prepaid expenses is largely attributable to deferred expenses in the current year. Other tax refund claims primarily included VAT claims. Remaining other current assets increased as a result of reporting date factors.

11 EQUITY

Retained earnings

The rise in interest rates to 2.00 percent (December 31, 2016: 1.75 percent) affected provisions for pensions and similar obligations as well as retained earnings. Please also see our explanations in Note 12 of these notes.

12 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations decreased by EUR 14,276 thousand in the first six months of fiscal year 2017. The underlying interest rate was adjusted from 1.75 percent to 2.00 percent for German pension entitlements. This resulted in income from the remeasurement of pension plans of EUR 17,876 thousand. The net amount of EUR 12,258 thousand is recognized directly in equity under other comprehensive income and offset against retained earnings.

13 OTHER NON-CURRENT AND CURRENT PROVISIONS

As of June 30, 2017, other non-current provisions mainly comprised provisions for personnel obligations of EUR 38,776 thousand (December 31, 2016: EUR 39,093 thousand).

Other current provisions as of June 30, 2017 also included monthly accruals and mainly consisted of provisions for personnel obligations of EUR 57,378 thousand (December 31, 2016: EUR 96,775 thousand), provisions for unpaid invoices of EUR 39,526 thousand (December 31, 2016: EUR 38,213 thousand), and warranty provisions of EUR 18,829 thousand (December 31, 2016: EUR 22,079 thousand).

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

While the loan volume has remained more or less unchanged over the past six months, other liabilities to banks declined by EUR 34,192 thousand.

15 MEASUREMENT OF ASSETS AND LIABILITIES REPORTED AT FAIR VALUE

Regular fair value measurement of financial instruments
Financial instruments recognized at fair value are allocated to the following three levels of the fair value hierarchy:

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

in € thousand	Level	June 30, 2017	December 31, 2016
Assets measured at fair value			
Derivatives with positive fair value (non-current)	2	330	1,126
therof in a hedging relationship		6	929
Derivatives with positive fair value (current)	2	9,657	6,425
therof in a hedging relationship		5,674	5,346
Securities (non-current)	1	679	679
Liabilities measured at fair value			
Derivatives with negative fair value (non-current)	2	3,077	4,184
therof in a hedging relationship		1	3,694
Derivatives with negative fair value (current)	2	4,588	5,879
therof in a hedging relationship		2,813	2,221

Level 1:
Prices in the active markets are assumed in unchanged form for identical financial assets or liabilities. The fair values of non-current securities are based on current stock market prices.

LEVEL 2:
Uses largely observable input factors that can be directly (i.e. price) or indirectly (i.e. derived from prices) observed for financial assets or financial liabilities; these do not include any listed prices taken into consideration in level 1.

Dräger applies the discounted cash flow method when measuring derivatives. Expected cash flows are determined on the basis of secured prices and/or interest rates and the observable closing rates and/or interest rates, which are then discounted using an interest rate that takes into account Dräger's Company-related risks.

Level 3:
Uses factors not based on observable market data for the measurement of financial assets and liabilities (unobservable input factors). These are classified as level 3 when there is an unobservable input factor present that significantly influences the measurement. The Dräger Group does not hold any level 3 financial instruments.

There was no material change between levels 1 and 2.

Fair value of financial instruments not regularly recognized at fair value

The fair value of level 2 financial assets and liabilities measured at amortized cost is determined using the discounted cash flow method by replacing the interest rates used in the initial calculation of non-current financial assets and liabilities with interest rates derived from current Company-related interest rate curves as of the balance sheet date.

The fair value of the note loans and bank loans is approximately EUR 0.9 million up on the corresponding carrying value. The fair value of the remaining assets and liabilities largely corresponds with their carrying value.

16 RELATED PARTY TRANSACTIONS

Services were rendered for Stefan Dräger and companies related to Stefan Dräger, the Dräger-Stiftung and the Dräger-Familienstiftung (Dräger Foundation and Dräger Family Foundation) totaling EUR 11 thousand (6 months 2016: EUR 15 thousand) in the first half of 2017. Receivables in this respect amounted to EUR 1 thousand as of June 30, 2017 (June 30, 2016: EUR 4 thousand).

Drägerwerk AG & Co. KGaA rendered rental services and other services totaling EUR 63 thousand (6 months 2016: EUR 66 thousand) for associate MAPRA Assekuranzkontor GmbH in the first half of 2017.

Receivables in this respect amounted to EUR 1 thousand on June 30, 2017 (June 30, 2016: EUR 2 thousand); there were no liabilities.

Claudia Dräger, the wife of Stefan Dräger, is actively employed by the Dräger Group. Her employment contract was concluded at arm's length terms and conditions.

The remuneration of the employee representatives on the Supervisory Board for work performed in addition to the Supervisory Board activities was also concluded at arm's length terms and conditions. Overall, remuneration is of immaterial importance for the Dräger Group.

Dräger Verwaltungs AG is the general partner of Drägerwerk AG & Co. KGaA and holds 0 percent of the capital. Only a few transactions are conducted with the general partner, as it only exercises administrative functions. The general partner is entitled to compensation for all expenses incurred in association with the management of Drägerwerk AG & Co. KGaA, including the contractually agreed remuneration for its executive bodies. These expenses comprise the remuneration of the Executive Board, the remuneration of its Supervisory Board, liability remuneration as well as other expenses.

Liabilities to Drägerwerk Verwaltungs AG amounted to EUR 1,597 thousand as of June 30, 2017 (June 30, 2016: EUR 2,018 thousand). The expenses of Drägerwerk AG & Co. KGaA for services provided by Drägerwerk Verwaltungs AG amounted to EUR 2,712 thousand in the first half of 2017 (June 30, 2016: EUR 2,050 thousand).

In the first half of the year, Drägerwerk AG & Co. KGaA rendered services of EUR 4 thousand for Drägerwerk Verwaltungs AG. There were no outstanding receivables resulting from this as of June 30, 2017.

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

17 SUBSEQUENT EVENTS

There were no significant changes between the end of the first six months of 2017 and the time this interim financial report was prepared.

Lübeck, Germany, July 26, 2017

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Rainer Klug
Gert-Hartwig Lescow
Dr. Reiner Piske
Anton Schrofner

MANAGEMENT COMPLIANCE STATEMENT

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

Lübeck, Germany, July 26, 2017

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Rainer Klug
Gert-Hartwig Lescow
Dr. Reiner Piske
Anton Schrofner

FINANCIAL CALENDAR

Report as of June 30, 2017, Conference call	July 27, 2017
Report as of September 30, 2017, Conference call	November 2, 2017

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