

## **Report of the General Partner on agenda item 7 on the grounds for the authorisation of the General Partner to exclude pre-emptive rights in the case of capital increases from Authorised Capital**

With regard to item 7 of the agenda, the General Partner and the Supervisory Board propose to the Annual General Meeting that the General Partner be authorised, with the consent of the Supervisory Board, to increase the Company's share capital on one or several occasions by up to EUR 16,256,000.00 by issuing ordinary bearer shares (no-par value shares) against cash and/or non-cash contributions (Authorised Capital). The authorisation is valid until 7 May 2014.

Authorised Capital is aimed at enabling the Company to react quickly and flexibly as needed to raise capital at favourable terms. Authorised Capital pertains solely to the issue of new voting ordinary shares.

If Authorised Capital is utilised, shareholders shall generally be granted pre-emptive rights. However, the General Partner may, with the consent of the Supervisory Board, exclude pre-emptive rights when Authorised Capital is utilised in certain cases:

- a) Excluding pre-emptive rights for purposes of balancing fractional amounts is a reasonable and necessary measure for implementing a capital increase for technical reasons and specifically in order to establish a practicable subscription ratio. Excluding pre-emptive rights for fractional amounts facilitates the settlement of the allotment and exercise of pre-emptive rights.
- b) The proposed resolution also stipulates that the General Partner may, with the consent of the Supervisory Board, exclude shareholders' pre-emptive subscription rights in order to acquire non-cash assets, specifically in the context of corporate mergers or for the acquisition of companies, parts of companies or equity interests in companies. The aim is to enable the Company to continue to become more competitive by making corporate acquisitions and thus achieve a sustained increase in earnings. The Company should be able to react quickly and flexibly to favourable opportunities on national and international markets or to take advantage of other opportunities as they present themselves to acquire companies, parts of companies or equity interests in companies. Experience has shown that sellers of interesting acquisition targets often insist on equity rather than cash consideration. In the battle for attractive acquisitions, those buyers who can offer a seller equity in the company as consideration are therefore at an advantage. Acquisitions generally involve complex transactional structures, and when an opportunity presents itself, shares must be issued quickly in order to

compete with other potential buyers; this necessitates the route of an authorisation to issue shares from Authorised Capital. The General Partner will in each individual case carefully review whether or not it should exercise the authorisation to utilise Authorised Capital to issue shares without pre-emptive rights if and when any acquisition opportunities become concrete. It will exclude shareholders' pre-emptive rights only if the acquisition in exchange for the issue of shares in the Company is in the recognised interests of the Company and the shareholders. The issue amount for the new shares would be stipulated by the General Partner, with the consent of the Supervisory Board, taking into account the interests of the Company. Currently there are no specific plans for any acquisitions, the implementation of which would require increasing the share capital by issuing shares without pre-emptive rights.

- c) Finally, the proposed resolution provides for the authorisation to exclude pre-emptive subscription rights under § 186 (3) sentence 4 AktG if new shares are issued against cash contributions. Such authorisation does not pertain to the entire amount of Authorised Capital, but rather is limited to a maximum of 10% of the share capital. The 10% threshold under § 186 (3) sentence 4 AktG may only be utilised once in total. In other words, if and to the extent that, during the term of this authorisation, the Company exercises concurrently existing authorisations to exclude pre-emptive rights under § 186 (3) sentence 4 AktG based on the resolution of the Annual General Meeting on item 8 of the agenda, for example in connection with reselling treasury shares, the number of shares that may be issued without pre-emptive rights under § 186 (3) sentence 4 AktG in the context of a capital increase from Authorised Capital would be reduced accordingly.

In addition, the law permits pre-emptive rights to be excluded under § 186 (3) sentence 4 AktG only in those cases where the issue price is not substantially below the quoted price of shares already listed and carrying substantially the same features. In other words, the Company may and will exercise this option of excluding pre-emptive rights only if its ordinary shares are already listed. While there are no concrete plans at present to have the ordinary shares admitted to trading, the Company nevertheless wishes to keep its options open. A discount of 3% to 5% on the current quoted price is generally not deemed to be substantial. Whatever the case, the discount should be kept as low as possible. The General Partner and the Supervisory Board feel that the authorisation to exclude pre-emptive rights under § 186 (3) sentence 4 AktG is necessary in order to be able to act swiftly and flexibly to take advantage of future opportunities on the capital market as they present themselves without having to observe the formal steps

and statutory time limits required when the capital is increased by issuing shares with pre-emptive rights. The interests of the shareholders are safeguarded by issuing the shares at a price close to that of the quoted price. This way, shareholders need not worry about any significant price losses and, if need be, can purchase the shares required to maintain their equity interests on the open market at comparable prices. The option of excluding pre-emptive rights under § 186 (3) sentence 4 AktG makes it possible for management to react quickly to favourable market conditions. In addition, avoiding the pre-emptive rights discount that would otherwise be required enables the Company to strengthen its capitalisation to a greater extent than would be the case with a capital increase with pre-emptive rights.

The General Partner is not authorised to exclude shareholders' pre-emptive rights for purposes of servicing option and/or conversion rights or satisfying option obligations under participation rights.

The General Partner will report on the details regarding the exercise of the authorisation at the Annual General Meeting following any issue of shares in the Company from Authorised Capital excluding pre-emptive rights.

Lübeck, March 2009

Drägerwerk AG & Co. KGaA

General Partner

Drägerwerk Verwaltungs AG

The Management Board

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Stefan Dräger  
(CEO)

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Gert-Hartwig Lescow

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Dr. Herbert Fehrecke

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Dr. Ulrich Thibaut

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Dr. Dieter Pruss