Dräger

Half-yearly financial report
January 1 to June 30, 2013
Dräger Group

Dräger. Technology for Life®

THE DRÄGER GROUP OVER THE PAST FIVE YEARS

		Six months 2009	Six months 2010	Six months 2011	Six months 2012	Six months 2013
Order intake	€ million	932.8	1,048.9	1,109.1	1,139.3	1,159.8
Orders on hand [1]	€ million	439.5	496.5	484.4	524.5	533.7
Net sales	€ million	893.9	1,016.7	1,033.3	1,072.7	1,100.6
EBITDA [2,3]	€ million	46.0	128.8	120.8	124.9	113.0
EBIT [4]	€ million	15.1	102.6	94.5	93.7	79.2
in % of net sales (EBIT-margin)	%	1.7	10.1	9.1	8.7	7.2
Interest result [5]	€ million	–14.5	–17.8	–14.1	–17.0	–12.6
Income taxes [5]	€ million	0.7	–28.9	–26.6	–23.5	–21.0
Earnings after income taxes [5]	€ million	1.3	55.9	53.7	53.2	45.6
of which attributable to shareholders [5]	€ million	–1.8	47.4	46.3	50.3	43.5
Earnings per share [6]						
per preferred share	€	–0.13	3.75	2.82	3.06	2.65
per common share	€	–0.16	3.72	2.79	3.03	2.62
Earnings per share on full distribution [7]						
per preferred share	€	–0.01	2.53	2.02	2.33	2.02
per common share	€	–0.04	2.50	1.99	2.30	1.99
Equity [1,5]	€ million	543.5	578.2	640.6	703.4	751.9
Equity ratio [1,5]	%	31.6	29.3	34.0	34.5	37.8
Capital employed [1,5,8,9]	€ million	944.6	952.4	903.3	920.6	997.6
EBIT [4,10] / capital employed [1,5,8,9] (ROCE)	%	7.8	17.6	20.4	23.1	21.6
Net financial debt [1,11]	€ million	256.3	350.1	153.9	143.5	130.9
DVA [5,8,12]	€ million	–13.2	91.3	104.3	133.4	132.9
Headcount [1]		11,027	11,139	11,598	12,279	12,930

1 Value as of June 30
2 EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
3 Equipment leased out is recognized in property, plant and equipment since 2012. The figures for investments in 2011 were adjusted accordingly.
4 EBIT = Earnings before net interest result and income taxes
5 The prior-year values were adjusted in compliance with IAS 8 due to the first-time application of IAS 19 (2011).
6 On the basis of the proposed dividend
7 Based on an imputed actual full distribution of earnings attributable to shareholders
8 The prior-year figures were adjusted due to restatements in fiscal year 2012 (see also Note 3 in the 2012 annual report of the Dräger Group).
9 Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
10 Value of the last twelve months
11 Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. The figures for prior periods were adjusted accordingly.
12 Dräger Value Added = EBIT less cost of capital

TO OUR SHAREHOLDERS

MANAGEMENT REPORT

INTERIM FINANCIAL STATEMENTS OF THE DRÄGER GROUP AS OF JUNE 30, 2013

Possible rounding differences in the interim report may lead to slight discrepancies.

LETTER FROM THE CHAIRMAN OF THE EXECUTIVE BOARD

Dear Shareholders, dear Employees,

The growth momentum of the global economy is not increasing. The International Monetary Fund has once again reduced its growth forecast for this year and next year. In addition to the ongoing recession in the eurozone, lower growth in emerging markets, particularly in China, is acting as a brake.

Is the growth of emerging markets, from which many German companies have also benefited, coming to an end? First of all, a growth rate of 7.5 percent, like China reported in the second quarter and which is approximately in line with expectations for the full year, is still an impressive figure, even though it is less than in previous years. However, it is even more important that China set the foundation for sustainable growth. Curbing credit growth and adjusting the focus of investments can be quite helpful in this process.

How might this affect Dräger's business? Over the past few years, our growth has been very positively influenced by demand from emerging countries, particularly those in Asia. And this development is continuing. The development and expansion of healthcare systems is far from over, and providing better medical care is also an important element of domestic policy in these countries. The situation is similar when it comes to safety technology systems, whether for mines or chemical plants. Fluctuations in demand from one quarter to the next do not break a trend, but are part of the business.

The expansion of our international sales network is therefore a basic requirement to be able to benefit even more from these international growth opportunities in the future. To do so, we have to invest and shoulder these costs. This goes both for the expansion of our new marketing organization as well as for continuing major investments in research and development and IT systems, which help us grow closer to becoming a global organization. In doing so, we intend to solidify the foundation for the long-term success of our company.

Of course, we must keep an eye on our profitability. We are therefore being watchful and are paying close attention to the further development of demand in order to take action if necessary. However, the guiding idea will remain securing the long-term competitiveness of our company.

Best regards,

Stefan Dräger

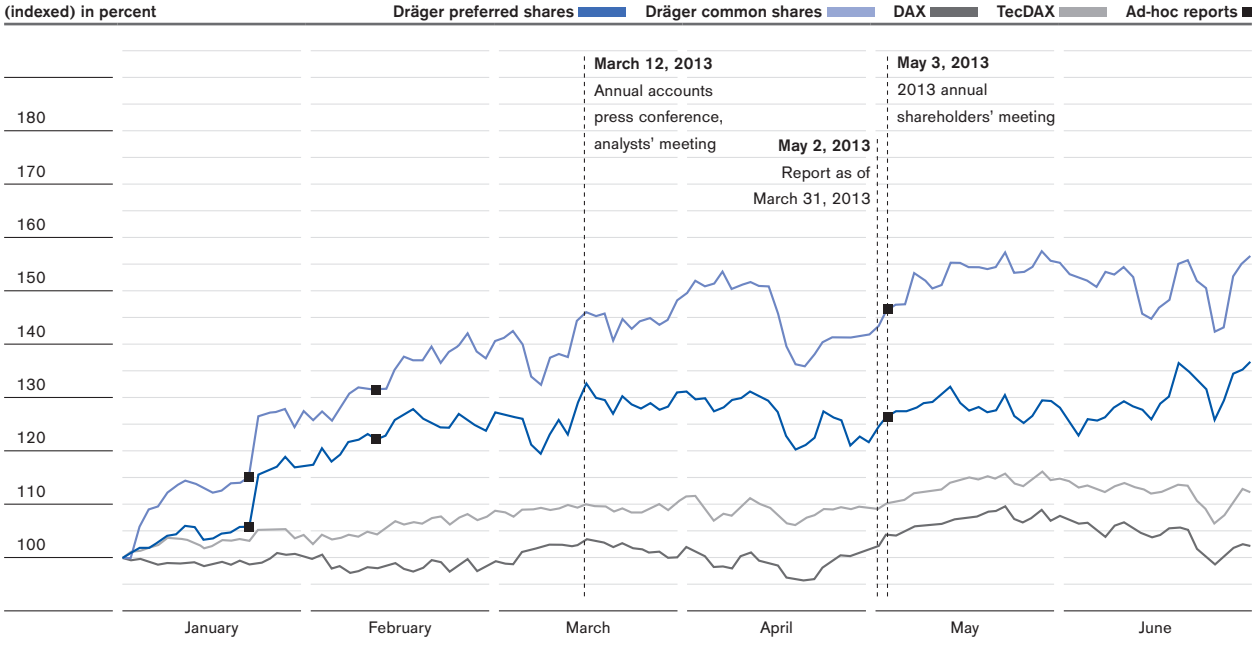
Stefan Dräger

The Dräger Shares

SHARE PRICE DEVELOPMENT

Dräger common shares increased in price by 57 percent in the first six months of the year and Dräger preferred shares by 37 percent. In particular, the Dräger shares rose significantly in the days following the publication of the preliminary results for 2012 in January. On March 14, preferred shares closed at a price of over EUR 100 for the first time. The closing prices on June 28, 2013 were EUR 89.28 for common shares and an all-time high of EUR 105.30 for preferred shares. The DAX and TecDAX share indices performed under-proportionally compared to the Dräger shares, rising by 2 percent and 12 percent respectively. After starting the year with a sideward move, the DAX continuously increased in value starting in mid-April. During the reporting period, both indices reached their highest levels since the outbreak of the economic crisis in 2008. The DAX even reached an all-time high at 8,530 points. Uncertainties about the future monetary policy of the US Federal Reserve, however, caused the indices to fall significantly again in late June.

SHARE PRICE DEVELOPMENT IN THE FIRST SIX MONTHS OF 2013



DRÄGER SHARES – BASIC FIGURES

	Common share	Preferred share
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 2013	Six months 2012
Common share		
No. of shares on the reporting date	10,160,000	10,160,000
High (in €)	89.65	77.30
Low (in €)	57.00	48.41
Share price on the reporting date (in €)	89.28	69.73
Average daily trading volume [1]	7,836	4,097
Earnings per common share		
Undiluted (in €)	2.62	3.03
Diluted (in €)	2.54	2.97
Earnings per common share on full distribution [2]		
Undiluted (in €)	1.99	2.30
Diluted (in €)	1.95	2.28
Preferred share		
No. of shares on the reporting date	6,350,000	6,350,000
High (in €)	105.30	87.15
Low (in €)	76.90	63.55
Share price on the reporting date (in €)	105.30	77.80
Average daily trading volume [1]	32,270	34,107
Earnings per preferred share (in €)		
Undiluted (in €)	2.65	3.06
Diluted (in €)	2.57	3.00
Earnings per preferred share on full distribution (in €) [2]		
Undiluted (in €)	2.02	2.33
Diluted (in €)	1.98	2.31
Market capitalization	1,575,739,800	1,202,486,800

[1] All German stock exchanges (Source: designated sponsors)
[2] Based on an imputed actual full distribution of earnings attributable to shareholders

Management Report of the Dräger Group for the First Half of 2013

General Economic Conditions

UPTURN FAILS TO MATERIALIZE

The growth of the global economy is gaining little momentum in 2013. The World Bank believes global gross domestic product (GDP) growth this year will probably not exceed last year's level. Emerging markets are unable to offer the same growth momentum as in the years before the financial crisis. In particular, China is recording moderate growth rates. This is reflected in both the recent decline in exports as well as the weak Purchase Manager Index for Chinese industry, which the major bank HSBC regularly calculates. In many industrialized nations, budget consolidation and high unemployment are slowing growth. Whereas the USA seems likely to almost match last year's growth in 2013 despite automatic budgetary cuts, the eurozone remains mired in recession, and the forecast recovery is taking longer than expected. Following a hesitant start to the year, the German economy grew somewhat faster in the second quarter, according to the Bundesbank. However, the pace of growth looks likely to slow down again in summer, as the Bundesbank wrote in its latest monthly report.

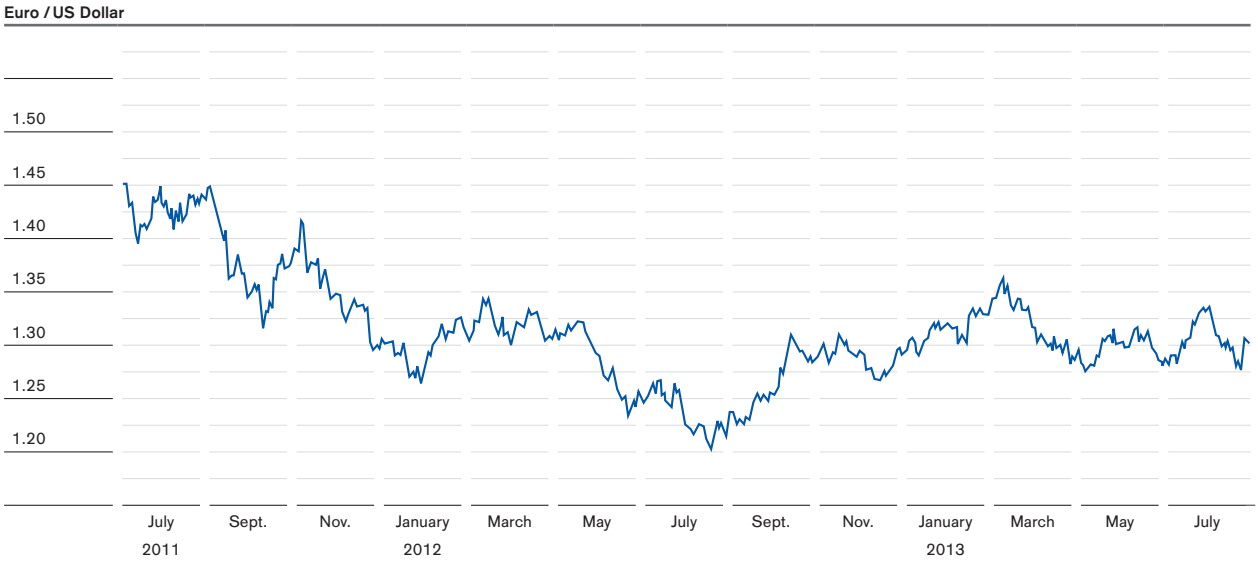
CENTRAL BANKS REMAIN EXPANSIVE

Worldwide, central banks are pursuing expansive monetary policies with the aim of supporting global economic growth. Japan's central bank is keeping its key interest rate near 0 percent and is also buying government bonds in order to raise inflation to 2 percent within the next two years by expanding the money supply. In May, consumer prices in Japan did not fall for the first time in seven months. The European Central Bank (ECB) lowered its key interest rate in early May to a record low of 0.5 percent. In early July, the ECB also committed to keep interest rates in the eurozone low or even cut them further in the long term. The US Federal Reserve (Fed) is keeping its key interest rates in the 0- to 0.25-percent range. However, the Fed recently remarked that it would scale back its securities-buying activities toward the end of the year if the outlook for the US economy remained positive. The Bank for International Settlements (BIS) has issued a warning about long-term expansionary monetary policy by key central banks. These policies are reaching their limits, and additional monetary policy stimulus is increasingly becoming a risk, according to the BIS.

EURO STABLE, INFLATION RATES LOW

Over the course of the year so far, the euro's exchange rate against the US dollar has remained around the same as it was at the beginning of the year. It fell below the value of EUR 1.30 to USD 1.00 for a short time in early in July. Measured against the currencies of 21 of the most important trading partners in the eurozone, the nominal effective exchange rate of the euro was up 4.2 percent year on year on July 3, 2013. The reported rates of inflation remain moderate. The eurozone rate in June was 1.6 percent following 2.5 percent for full year 2012. In Germany, consumer prices went up 1.8 percent in June following an increase of 2.0 percent in 2012.

EXCHANGE RATE DEVELOPMENTS



Source: VWD (Vereinigte Wirtschaftsdienste)

MARKET AND INDUSTRY PERFORMANCE

Demand for medical technology did not change noticeably between the first and second quarters. Emerging markets continue to record moderate growth. China, with its increasing health-care demands, is making a disproportionately large contribution to this. Growth in North America corresponds to expectations of increasing spending due to health-care reform. However, key elements of this reform will be delayed by about one year. In contrast, market developments were subdued in Germany and South Europe. In South Europe, in particular, the financial crisis and the public consolidation efforts continued to negatively impact investment activities in the second quarter.

Demand for safety technology was largely stable in the second quarter with disproportionately high growth in services. Lower energy prices stabilized industrial export capacity utilization and led to a noticeable recovery of the US economy; the economic situation in manufacturing stabilized in the first half of the year, and demand rose primarily in the oil and gas industries. The lower overall demand for safety technology products in South Europe was offset by rising demand in Latin America and the Middle East. In Australia, the sharp decrease in mining due to lower demand for raw materials was felt significantly.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Second quarter			Six months		
		2013	2012	Change in %	2013	2012	Change in %
Order intake	**€ million**	**588.5**	**588.4**	**+0.0**	**1,159.8**	**1,139.3**	**+1.8**
Orders on hand [1]	**€ million**	**533.7**	**524.5**	**+1.8**	**533.7**	**524.5**	**+1.8**
Net sales	**€ million**	**566.8**	**543.4**	**+4.3**	**1,100.6**	**1,072.7**	**+2.6**
EBITDA [2]	**€ million**	**56.5**	**63.1**	**–10.5**	**113.0**	**124.9**	**–9.6**
Depreciation / amortization	€ million	–17.1	–16.2	+5.4	–33.7	–31.2	+8.1
EBIT [3]	**€ million**	**39.4**	**47.0**	**–16.0**	**79.2**	**93.7**	**–15.4**
Interest result [4]	€ million	–6.2	–7.2	–14.6	–12.6	–17.0	–25.9
Income taxes [4]	€ million	–10.3	–12.0	–14.2	–21.0	–23.5	–10.6
Net profit [4]	**€ million**	**23.0**	**27.7**	**–17.1**	**45.6**	**53.2**	**–14.3**
Earnings per share [5]							
per preferred share	€	1.36	1.58	–13.9	2.65	3.06	–13.4
per common share	€	1.35	1.57	–14.0	2.62	3.03	–13.5
Earnings per share on full distribution [6]							
per preferred share	€	1.03	1.21	–14.9	2.02	2.33	–13.3
per common share	€	1.02	1.20	–15.0	1.99	2.30	–13.5
R&D costs	€ million	51.6	47.6	+8.3	100.0	93.8	+6.6
Equity ratio [1,4]	%	37.8	34.5		37.8	34.5	
Cash flow from operating activities	€ million	–2.7	12.8	–121.4	–11.0	48.7	–122.6
Net financial debt [1]	€ million	130.9	143.5	–8.8	130.9	143.5	–8.8
Investments	€ million	24.5	20.9	+17.3	43.5	33.9	+28.2
Capital employed [1,4,7,8]	€ million	997.6	920.6	+8.4	997.6	920.6	+8.4
Net working capital [1,4,7,9]	€ million	499.8	398.5	+25.4	499.8	398.5	+25.4
EBIT [3] / Net sales	%	7.0	8.6		7.2	8.7	
EBIT [3,10] / capital employed [1,4,7,8] (ROCE)	%	21.6	23.1		21.6	23.1	
Net financial debt [1] / EBITDA [2,10]	Factor	0.46	0.52		0.46	0.52	
Gearing [4,11]	Factor	0.17	0.20		0.17	0.20	
DVA [4,7,12]	€ million	132.9	133.4	–0.4	132.9	133.4	–0.4
Total headcount [1]		12,930	12,279	+5.3	12,930	12,279	+5.3

Business Performance of the Dräger Group

ORDER INTAKE

	Second quarter				Six months			
€ million	2013	2012	Change in %	Net of currency effects in %	2013	2012	Change in %	Net of currency effects in %
Germany	111.2	114.6	–2.9	–2.9	229.6	231.1	–0.7	–0.7
Rest of Europe	201.9	209.0	–3.4	–2.4	398.2	402.1	–1.0	–0.3
Americas	116.8	122.6	–4.7	–1.7	231.2	218.1	+6.0	+7.8
Asia / Pacific	107.0	99.8	+7.3	+12.2	204.5	201.0	+1.7	+5.0
Other	51.5	42.5	+21.1	+24.9	96.3	86.9	+10.8	+14.1
Total	**588.5**	**588.4**	**+0.0**	**+2.1**	**1,159.8**	**1,139.3**	**+1.8**	**+3.2**

Order intake rose by 2.1 percent (net of currency effects) in the second quarter. In the medical division, demand rose by 1.5 percent (net of currency effects). Demand in the safety division went up by 2.6 percent (net of currency effects). In the first six months of fiscal year 2013, our order intake was up 3.2 percent (net of currency effects) year on year.

We generated the strongest growth in medical technology applications in the second quarter with anesthesiology products and hospital consumables in the medical division. In the safety division, we recorded a significant increase in the service business. In the medical division workplace infrastructure as well as respiratory care and thermoregulation products saw declines, as did personal protection products in the safety division.

Notes related to table on page 10

1 Value as of June 30
2 EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
3 EBIT = Earnings before net interest result and income taxes
4 The prior-year values were adjusted in compliance with IAS 8 due to the first-time application of IAS 19 (2011).
5 On the basis of the proposed dividend
6 Based on an imputed actual full distribution of earnings attributable to shareholders
7 The prior-year figures were adjusted due to restatements in fiscal year 2012 (see also Note 3 in the 2012 annual report of the Dräger Group).
8 Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
9 Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt
10 Value of the last twelve months
11 Gearing = Net financial debt/equity
12 Dräger Value Added = EBIT less cost of capital

Our order intake saw double-digit growth (net of currency effects) in the second quarter in the Asia / Pacific and Other Countries regions. In Germany, the Rest of Europe and the Americas regions, however, we recorded a slight decrease in demand (net of currency effects).

ORDERS ON HAND

€ million	June 30, 2013	June 30, 2012	Change in %	Net of currency effects in %
Germany	135.2	84.4	+60.2	+60.2
Rest of Europe	156.0	179.2	–12.9	–11.8
Americas	104.0	107.4	–3.1	+1.9
Asia / Pacific	83.9	98.4	–14.7	–11.1
Other	54.5	55.1	–1.2	+1.0
Total	**533.7**	**524.5**	**+1.8**	**+4.1**

On June 30, 2013, orders on hand were EUR 533.7 million, up 4.1 percent (net of currency effects) on the prior year's figure (June 30, 2012: EUR 524.5 million). Without the large order from Deutsche Bahn, orders on hand would have decreased by 5.0 percent (net of currency effects).

Equipment orders on hand, excluding the contract with Deutsche Bahn that extends to 2016, covered a 2.6 month period (June 30, 2012: 2.7 months). This key figure is based on the average net sales over the past twelve months.

NET SALES

	Second quarter				Six months			
€ million	2013	2012	Change in %	Net of currency effects in %	2013	2012	Change in %	Net of currency effects in %
Germany	112.7	112.1	+0.6	+0.6	212.0	213.6	–0.7	–0.7
Rest of Europe	192.1	186.8	+2.8	+3.9	379.9	375.4	+1.2	+1.9
Americas	113.8	105.7	+7.7	+10.7	216.6	208.2	+4.0	+5.7
Asia / Pacific	108.9	91.9	+18.6	+24.1	210.7	191.8	+9.8	+13.8
Other	39.2	47.0	–16.5	–13.2	81.4	83.7	–2.6	+0.6
Total	**566.8**	**543.4**	**+4.3**	**+6.5**	**1.100.6**	**1.072.7**	**+2.6**	**+4.1**

Net sales increased by 6.5 percent (net of currency effects) in the second quarter. The medical division contributed to this with a rise of 6.5 percent (net of currency effects). Net sales in the safety division went up by 6.3 percent (net of currency effects). In the first half of fiscal year 2013, net sales rose by 4.1 percent (net of currency effects) year on year.

In the medical division, we recorded significant growth in anesthesiology, respiratory care and thermoregulation products as well as in the hospital consumables business. In the safety division, net sales in the service business in particular recorded an increase. We recorded declining net sales in the medical division in patient monitoring and clinical data management. In the safety division, deliveries to customers in the fire services market fell.

In Germany and the Rest of Europe, we were able to increase net sales slightly (net of currency effects). This was due to an increase in deliveries in the safety division. In the Asia/Pacific and Americas region, our net sales saw double-digit growth (net of currency effects). The medical division, in particular, contributed to this development. Net sales in the Other Countries region fell by 13.2 percent (net of currency effects). Both divisions recorded lower net sales year on year in the past quarter.

EARNINGS

Gross profit in the second quarter went up by EUR 3.2 million to EUR 276.2 million due to higher net sales. At 48.7 percent, the gross margin was, however, lower than in the same quarter of the prior year. In the first half of 2013, gross profit developed slightly disproportionately in relation to net sales, with an increase of EUR 9.2 million to EUR 546.9 million. At 49.7 percent, the gross margin was 0.4 percentage points lower than in the prior year. Product mix and margin effects, as well as negative currency effects, contributed to this development. While the medical division experienced an increased margin, which was driven in part by shifts in the product mix toward more profit-oriented products, it was somewhat lower in the safety division compared to the prior year. A drop in margin in this division was mainly due to a lower margin in the business with government agencies and a slight change in the product mix.

Based on the margin and currency effects stated above, as well as the overproportionate increase in functional costs, the total earnings in the first half of the year and second quarter were lower than in the prior year. In the first half of 2013, functional expenses rose by 5.1 percent compared to the prior-year figure, the main reason being a rise in research and development activities, which rose by 6.6 percent as planned. In the medical division, we focused our activities on expanding our solution concept for intensive

care customers. In the safety division, our focus was on expanding our product portfolio and developing systems that offer comprehensive customer solutions. The research and development (R&D) ratio therefore amounted to 9.1 percent of net sales (6 months 2012: 8.7 percent). Increased expenditure to strengthen the sales structure in growth markets also contributed to the rise in costs. Personnel expenses rose by 6.4 percent, not only due to growth-related hiring, but also as a result of pay raises in accordance with wage agreements in the metal and electrical industries in Germany, which took effect in May 2012. The changes in exchange rates compared to the euro had a slightly positive effect on functional costs.

The other financial results decreased earnings by EUR 1.8 million in the second quarter (Q2 2012: EUR +1.5 million) and by EUR 0.7 million in the first six months (6 months 2012: EUR +0.2 million).

Overall, we generated group earnings before interest and taxes (EBIT) of EUR 79.2 million (6 months 2012: EUR 93.7 million). The EBIT margin fell from 8.7 percent in the prior-year period to 7.2 percent. In the second quarter, EBIT was EUR 39.4 million, making it EUR 7.6 million lower than in the prior year. The margin dropped to 7.0 percent (Q2 2012: 8.6 percent). The positive effect from the increase in net sales partly compensated for the negative effect from the drop in gross margin by 1.5 percentage points and the 3.4 percent rise in functional costs.

The interest results improved by EUR 4.4 million to EUR –12.6 million year on year. Decreased debt contributed to this development. Furthermore, the fees associated with the buyback of participation certificates negatively affected the interest result in the first quarter of the prior year. The tax rate went up slightly to 31.5 percent (6 months 2012: 30.6 percent).

Earnings after income taxes amounted to EUR 45.6 million, down 14.3 percent on the prior year (6 months 2012: EUR 53.2 million).

INVESTMENTS

In the first half of 2013, Dräger invested EUR 3.2 million (6 months 2012: EUR 3.3 million) in intangible assets and EUR 40.3 million in property, plant and equipment (6 months 2012: 30.6 million). The majority of these investments are for modernizing production and administration facilities as well as replacements. Depreciation and amortization totaled EUR 33.7 million in the first half of 2013 (6 months 2012: EUR 31.2 million), and were covered up to 129 percent by investments, meaning that non-current assets increased by EUR 9.8 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 2013, our cash outflow from operating activities amounted to EUR 11.0 million compared to cash inflow of EUR 48.7 million in the prior year. The smaller decrease in trade receivables of EUR 47.0 million (6 months 2012: EUR 85.0 million) was the main contributor to this development. In addition, the gentler rise in other liabilities of EUR 13.9 million (6 months 2012: EUR 28.5 million), as well as the steeper rise in other assets of EUR 44.9 million (6 months 2012: EUR 35.0 million) had a negative impact. In addition, earnings after income taxes – adjusted for depreciation and amortization, changes to cash neutral provisions, as well as other non-cash earnings / expenses – decreased by EUR 2.2 million to EUR 48.7 million. The lesser decrease in trade payables of EUR 27.3 million as against the prior year's figure of EUR 32.9 million had a positive effect.

The cash inflow from operating activities includes EUR 24.5 million in income taxes paid (6 months 2012: EUR 21.8 million), EUR 1.3 million in interest received (6 months 2012: EUR 3.2 million) and EUR 14.7 million in interest paid (6 months 2012: EUR 16.3 million).

Cash outflow from investing activities went up to EUR 36.4 million (6 months 2012: EUR 28.7 million) due to modernizing measures and building modifications at the Lübeck site.

Cash outflow from financing activities in the amount of EUR 83.7 million was primarily impacted by the repayment of two note loans in the amount of EUR 79.0 million. On the other hand a loan amounting to EUR 18.0 million was taken up. In the prior year, the buyback of the 581,474 participation certificates led to cash outflow of EUR 122.1 million (EUR 122.5 million including incidental purchase costs) and therefore had a material impact on cash outflow from financing activities of EUR 129.0 million. In addition, dividends in the amount of EUR 21.9 million (6 months 2012: EUR 3.8 million) were paid.

Cash and cash equivalents as of June 30, 2013 exclusively comprised cash, of which EUR 13.6 million (June 30, 2012: EUR 11.8 million) was subject to restrictions.

Financial management

BORROWING

The number of note loans has been reduced compared with the financing activities described in the Annual Report 2012 on pages 81 onward. In the first half of 2013, we redeemed two mature note loans in the amounts of EUR 25 million and EUR 54 million respectively. Total note loans amounted to EUR 232.5 million on June 30, 2013 (December 31, 2012: EUR 311.5 million).

NET ASSETS

Equity rose by EUR 22.2 million to EUR 751.9 million in the first six months of 2013. The equity ratio went up to 37.8 percent as of June 30, 2013 (December 31, 2012: 34.7 percent).

Total assets decreased in the first six months of 2013 by EUR 109.6 million to EUR 1,990.5 million. Increased inventories (up EUR 38.0 million) and other current assets (up EUR 31.1 million) were more than offset by decreased cash and cash equivalents (down EUR 135.2 million) and trade receivables (down EUR 56.0 million). On the liabilities side, net assets went up by EUR 22.2 million, whereas loans and liabilities to banks dropped by EUR 61.9 million and trade payables decreased by EUR 28.4 million.

As of June 30, 2013, Dräger Value Added (DVA, on a twelve-month rolling basis) came to EUR 132.9 million (June 30, 2012: EUR 133.4 million), on par with the prior-year level. The average cost of capital increased by EUR 3.3 million year on year, as the average capital invested rose by 4.1 percent to EUR 921.2 million. The improved EBIT in the fourth quarter of 2012 was the main contributor to the Dräger Value Added.

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Second quarter			Six months		
		2013	2012	Change in %	2013	2012	Change in %
Order intake	**€ million**	**385.4**	**387.1**	**–0.4**	**749.2**	**735.7**	**+1.8**
Orders on hand [1]	**€ million**	**348.9**	**369.7**	**–5.6**	**348.9**	**369.7**	**–5.6**
Net sales	**€ million**	**363.4**	**348.0**	**+4.4**	**704.4**	**685.7**	**+2.7**
EBITDA [2]	**€ million**	**31.9**	**38.8**	**–17.8**	**65.9**	**73.3**	**–10.1**
Depreciation / amortization	€ million	–6.2	–6.6	–5.4	–12.6	–12.9	–2.9
EBIT [3]	**€ million**	**25.6**	**32.2**	**–20.3**	**53.3**	**60.3**	**–11.6**
R&D costs	€ million	36.6	33.3	+9.9	70.3	65.0	+8.2
Cash flow from operating activities	€ million	9.6	12.2	–21.1	2.9	39.5	–92.6
Investments	€ million	7.9	6.7	+16.9	14.2	11.1	+27.3
Capital employed [1,4,5,6]	€ million	632.5	564.9	+12.0	632.5	564.9	+12.0
Net working capital [1,5,6,7]	€ million	378.5	293.3	+29.1	378.5	293.3	+29.1
EBIT [3] / Net sales	%	7.1	9.2		7.6	8.8	
EBIT [3,8] / capital employed [1,4,5,6] (ROCE)	%	28.2	32.3		28.2	32.3	
DVA [4,5,9]	€ million	125.7	133.5	–5.9	125.7	133.5	–5.9
Total headcount [1]		7,127	6,851	+4.0	7,127	6,851	+4.0

[1] Value as of June 30
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = Earnings before net interest result and income taxes
[4] The prior-year values were adjusted in compliance with IAS 8 due to the first-time application of IAS 19 (2011).
[5] The prior-year figures were adjusted due to restatements in fiscal year 2012 (see also Note 3 in the 2012 annual report of the Dräger Group).
[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 less current, non-interest-bearing debt
[8] Value of the last twelve months
[9] Dräger Value Added = EBIT less cost of capital

Business Performance of the Medical Division

ORDER INTAKE

	Second quarter				Six months			
€ million	2013	2012	Change in %	Net of currency effects in %	2013	2012	Change in %	Net of currency effects in %
Germany	75.6	73.4	+2.9	+2.9	153.4	154.4	–0.6	–0.6
Rest of Europe	118.2	129.0	–8.4	–7.4	225.4	238.2	–5.4	–4.6
Americas	79.4	88.1	–9.9	–7.0	160.5	153.0	+4.9	+6.6
Asia / Pacific	70.9	64.2	+10.5	+15.8	137.2	122.5	+12.0	+16.1
Other	41.3	32.4	+27.3	+28.8	72.8	67.5	+7.8	+9.0
Total	**385.4**	**387.1**	**–0.4**	**+1.5**	**749.2**	**735.7**	**+1.8**	**+3.2**

In the second quarter, order intake in the medical division increased by 1.5 percent (net of currency effects). In the first six months of fiscal year 2013, we generated a 3.2 percent increase in order volume (net of currency effects).

In the second quarter, we recorded a significant increase in demand for our anesthesiology devices. Orders for hospital consumables as well as patient monitoring and clinical data management increased. Orders in the service business went up slightly. Order intake in the workplace infrastructure customer area fell, as it did for respiratory care and thermoregulation products.

In Germany, order intake rose by 2.9 percent in the second quarter. We recorded growth in patient monitoring and clinical data management as well as in the service business, whereas demand for anesthesiology products fell.

Order intake in the Rest of Europe region dropped by 7.4 percent (net of currency effects). In Poland and Russia in particular, we were unable to match the high prior-year figures. Orders fell in Austria and the Netherlands as well.

In the Americas region, we recorded a 7.0 percent decrease in order intake (net of currency effects) in the second quarter. Strong order intake in Canada and Peru was unable to compensate for declines in Brazil and Mexico. Demand was also down slightly year on year in the USA.

In the Asia/Pacific region, we once again recorded double-digit growth in orders of 15.8 percent (net of currency effects). This was primarily due to developments in China, where order intake grew by more than 30 percent.

Order intake in the Other Countries region increased by 28.8 percent (net of currency effects). Demand from Saudi Arabia and Iraq was particularly strong.

ORDERS ON HAND

€ million	June 30, 2013	June 30, 2012	Change in %	Net of currency effects in %
Germany	53.4	49.6	+7.6	+7.6
Rest of Europe	99.4	120.8	–17.8	–16.7
Americas	88.0	93.4	–5.8	–0.7
Asia / Pacific	63.0	62.9	+0.1	+3.9
Other	45.2	43.0	+5.1	+5.9
Total	**348.9**	**369.7**	**–5.6**	**–3.3**

On June 30, 2013, orders on hand in the medical division were EUR 348.9 million, down 3.3 percent (net of currency effects) on the prior year's figure (June 30, 2012: EUR 369.7 million). While orders on hand went up in Germany and the Asia/Pacific region, the Rest of Europe region recorded a significant decrease.

Equipment orders on hand covered a nearly unchanged 3.0-month period (June 30, 2012: 2.9 months). This key figure is based on the average net sales over the past twelve months.

NET SALES

	Second quarter				Six months			
€ million	2013	2012	Change in %	Net of currency effects in %	2013	2012	Change in %	Net of currency effects in %
Germany	73.3	76.9	–4.7	–4.7	137.4	145.9	–5.8	–5.8
Rest of Europe	106.0	107.3	–1.3	–0.2	214.5	214.2	+0.1	+0.9
Americas	79.1	71.2	+11.2	+14.1	147.4	142.9	+3.1	+4.8
Asia / Pacific	76.1	58.0	+31.3	+37.4	143.9	121.5	+18.5	+23.1
Other	29.0	34.7	–16.4	–15.0	61.2	61.2	+0.1	+1.6
Total	**363.4**	**348.0**	**+4.4**	**+6.5**	**704.4**	**685.7**	**+2.7**	**+4.3**

Net sales in the medical division increased by 6.5 percent (net of currency effects) in the second quarter of 2013. In the first six months, the increase in net sales amounted to 4.3 percent (net of currency effects).

In the second quarter, we recorded a significant increase in the customer areas of workplace infrastructure, anesthesiology devices and the hospital consumables business. Net sales also increased in the respiratory care and thermoregulation customer areas as well as in the service business. Only the patient monitoring and clinical data management business declined.

In Germany, net sales fell by 4.7 percent. A rise in the service business was unable to offset the decline in the equipment business, especially for respiratory care devices, patient monitoring and clinical data management, and anesthesiology products.

In the Rest of Europe region, net sales remained nearly stable (net of currency effects) in the second quarter. Growth in Russia and Switzerland was offset by declines in France, the Netherlands and Austria.

With growth of 14.1 percent (net of currency effects), net sales developed very positively in the Americas region. Our deliveries increased significantly in the USA (+20 percent), and we also recorded an increase in Mexico, Canada and Peru. In Colombia, Argentina and Chile, however, we recorded decreases year on year.

On the other hand, we achieved double-digit growth in the Asia/Pacific region, where net sales increased by 37.4 percent (net of currency effects) in the second quarter. In particular, deliveries to China, Japan, Singapore and India increased significantly.

Net sales in the Other Countries region declined by 15.0 percent (net of currency effects). In the prior year, we delivered larger orders in Saudi Arabia and Iraq and were unable to match these net sales figures again.

EARNINGS

In the second quarter, the gross margin was down year on year due, in particular, to currency effects. However, thanks to high net sales, our gross margin was up year on year in absolute terms. In the first half of 2013, the gross margin of our medical division was up slightly on the prior year. A favorable country and product mix, lower-margin large projects in the prior-year quarter, as well as lower warranty expenses, resulted in a comparatively higher margin. Currency effects, however, narrowed the margin. Increased net sales also boosted gross profit.

Due to disproportionately higher functional costs, the result was down year on year both in the first half of the year and in the second quarter. Further strengthening of the sales organization and a sales market driven rise in freight costs in particular contributed to pushing up selling expenses. As planned, we invested in research and development and increased the corresponding expenses by 8.2 percent (net of currency effects: 8.3 percent) in the first half of the year.

Overall, EBIT in the medical division went down by 11.6 percent to EUR 53.3 million (6 months 2012: EUR 60.3 million). The EBIT margin was therefore 7.6 percent (6 months 2012: 8.8 percent). In the second quarter, EBIT declined to EUR 25.6 million compared to the prior year (second quarter of 2012: EUR 32.2 million). The EBIT margin decreased to 7.1 percent (second quarter of 2012: 9.2 percent) in the second quarter on account of higher functional costs and a lower gross margin.

INVESTMENTS

In the first half of 2013, the medical division invested EUR 0.5 million (6 months 2012: EUR 0.4 million) in intangible assets and EUR 13.7 million (6 months 2012: EUR 10.7 million) in property, plant and equipment. These mainly related to replacements. We also invested a further EUR 2.1 million into the construction of a new production and administration building in China and EUR 0.4 million into the new sales companies in Panama and Peru. Depreciation and amortization came to EUR 12.6 million in the first half of 2013. Investments covered 113 percent of depreciation and amortization, meaning that non-current assets rose by EUR 1.6 million net.

NET ASSETS

As of June 30, 2013, capital employed increased by EUR 67.6 million to EUR 632.5 million (June 30, 2012: EUR 564.9 million). The main reason is a rise in receivables and inventories. Receivables went up disproportionately compared to net sales for reasons such as delayed payments from business in Saudi Arabia in the prior year and an increase in overdue receivables in Spain.

Cash flow from operating stood at EUR 2.9 million in the first half of 2013, significantly lower than in the prior-year period (6 months 2012: EUR 39.5 million). The main reasons for this were a lower reduction in receivables and lower earnings year on year.

DVA in the medical division fell by EUR 7.8 million to EUR 125.7 million year on year as of June 30, 2013 (year on year as of June 30, 2012: EUR 133.5 million). The lower EBIT (on a twelve-month rolling basis) and capital employed, which was higher on average, both had an equally negative impact on DVA (around EUR 4 million each).

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Second quarter			Six months		
		2013	2012	Change in %	2013	2012	Change in %
Order intake	**€ million**	**210.7**	**209.6**	**+0.5**	**426.2**	**419.5**	**+1.6**
Orders on hand [1]	**€ million**	**186.2**	**156.7**	**+18.9**	**186.2**	**156.7**	**+18.9**
Net sales	**€ million**	**211.3**	**202.9**	**+4.1**	**412.0**	**402.4**	**+2.4**
EBITDA [2]	**€ million**	**28.5**	**30.9**	**–7.7**	**53.3**	**64.2**	**–16.9**
Depreciation / amortization	€ million	–6.7	–6.1	+10.4	–13.1	–11.9	+9.7
EBIT [3]	**€ million**	**21.8**	**24.8**	**–12.2**	**40.3**	**52.3**	**–23.0**
R&D costs	€ million	14.4	13.8	+4.0	28.4	27.7	+2.7
Cash flow from operating activities	€ million	–0.4	0.5	–187.1	6.6	25.9	–74.5
Investments	€ million	8.9	9.8	–9.9	17.3	16.4	+5.8
Capital employed [1,4,5,6]	€ million	234.9	217.3	+8.1	234.9	217.3	+8.1
Net working capital [1,4,5,7]	€ million	155.7	140.7	+10.6	155.7	140.7	+10.6
EBIT [3] / Net sales	%	10.3	12.2		9.8	13.0	
EBIT [3,8] / capital employed [1,4,5,6] (ROCE)	%	36.3	38.0		36.3	38.0	
DVA [4,5,9]	€ million	66.2	64.2	+3.1	66.2	64.2	+3.1
Total headcount [1]		4,972	4,688	+6.1	4,972	4,688	+6.1

[1] Value as of June 30
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = Earnings before net interest result and income taxes
[4] The prior-year values were adjusted in compliance with IAS 8 due to the first-time application of IAS 19 (2011).
[5] The prior-year figures were adjusted due to restatements in fiscal year 2012 (see also Note 3 in the 2012 annual report of the Dräger Group).
[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 less current, non-interest-bearing debt
[8] Value of the last twelve months
[9] Dräger Value Added = EBIT less cost of capital

Business Performance of the Safety Division

ORDER INTAKE

	Second quarter				Six months			
€ million	2013	2012	Change in %	Net of currency effects in %	2013	2012	Change in %	Net of currency effects in %
Germany	42.7	48.4	–11.8	–11.8	90.8	91.0	–0.2	–0.2
Rest of Europe	84.2	80.7	+4.3	+5.2	173.8	164.9	+5.4	+6.0
Americas	37.5	34.5	+8.6	+11.7	70.8	65.4	+8.2	+10.1
Asia / Pacific	36.1	35.9	+0.6	+4.8	67.3	78.8	–14.6	–12.6
Other	10.2	10.1	+1.3	+12.3	23.5	19.4	+21.3	+32.2
Total	**210.7**	**209.6**	**+0.5**	**+2.6**	**426.2**	**419.5**	**+1.6**	**+3.0**

Order intake in the safety division increased by 2.6 percent (net of currency effects) in the second quarter. In the first half of fiscal year 2013, order intake rose by 3.0 percent (net of currency effects).

Orders saw above average growth in the service business. Business with government agencies went down slightly. While orders for alcohol testing devices were up, personal protection products for fire services declined. We recorded growth in plant safety with stationary gas detection products. Business with industrial customers relating to mobile gas detectors and light respiratory protection was slightly down compared to the prior year.

Order intake in Germany declined considerably by 11.8 percent in the second quarter. In the prior year, business with government agencies benefited from a large order by the German Navy. Continuous growth was seen with industrial customers and the fire services market, while government agencies' demand for alcohol testing devices decreased.

We recorded solid order growth of 5.2 percent (net of currency effects) in the Rest of Europe region. Growth was achieved in the Netherlands, in particular from business with the offshore industry, as well as in Denmark and Finland. In the South European countries, considerable reluctance to invest in safety technology systems and devices continued.

In the Americas region, order intake increased by 11.7 percent (net of currency effects). Order intake improved in South America. We also recorded significantly higher demand in the US, in particular for gas detection products, alcohol testing devices and engineered solutions.

Order intake in the Asia/Pacific region grew again in the second quarter, achieving a plus of 4.8 percent (net of currency effects). In China, order intake increased significantly, especially with orders for mobile gas detectors and compressors. Orders fell compared to the prior year in the other countries of the region.

In the Other Countries region, we recorded a 12.3-percent increase in order intake (net of currency effects) in the second quarter. This was especially due to strong demand for safety products from the mining industry in South Africa.

ORDERS ON HAND

€ million	June 30, 2013	June 30, 2012	Change in %	Net of currency effects in %
Germany	82.8	35.6	+132.5	+132.5
Rest of Europe	56.8	58.8	–3.5	–2.1
Americas	16.4	14.4	+13.9	+19.0
Asia / Pacific	21.0	35.8	–41.3	–38.2
Other	9.3	12.1	–23.4	–16.5
Total	**186.2**	**156.7**	**+18.9**	**+21.1**

Orders on hand came to EUR 186.2 million on June 30, 2013, up 21.1 percent (net of currency effects) year on year (June 30, 2012: EUR 156.7 million). Excluding the impact from large projects, such as the tunnel rescue trains, orders on hand declined by 7.3 percent.

Equipment orders on hand, adjusted for large projects and currency effects, covered 2.0 months (June 30, 2012: 2.4 months). This key figure is based on the average net sales over the past twelve months.

NET SALES

	Second quarter				Six months			
€ million	2013	2012	Change in %	Net of currency effects in %	2013	2012	Change in %	Net of currency effects in %
Germany	46.8	42.4	+10.5	+10.5	89.3	81.9	+9.1	+9.1
Rest of Europe	86.6	79.8	+8.5	+9.5	166.4	162.4	+2.5	+3.1
Americas	34.8	34.5	+0.7	+3.6	69.3	65.3	+6.1	+7.9
Asia / Pacific	32.9	33.9	–2.9	+1.5	66.8	70.3	–5.0	–2.2
Other	10.1	12.3	–17.6	–8.2	20.2	22.5	–10.1	–2.3
Total	**211.3**	**202.9**	**+4.1**	**+6.3**	**412.0**	**402.4**	**+2.4**	**+3.8**

In the second quarter, net sales in our safety division increased by 6.3 percent (net of currency effects). After six months, net sales were up 3.8 percent (net of currency effects) on the prior-year period.

Our service business continued to develop very positively and recorded double-digit growth in net sales in the second quarter. The maintenance and equipment rental business of the so-called Shutdown Management also grew. Net sales from stationary gas detection devices, mobile gas detectors and light respiratory products for industrial customers increased. In the fire services market, net sales went down slightly.

In Germany, net sales rose by 10.5 percent in the second quarter. Business with government agencies benefited from the delivery of a large order for the German Armed Forces (Bundeswehr). In terms of business with industrial customers, net sales from stationary gas detection products and light respiratory protection went up. Higher numbers of deliveries to fire protection specialist retailers boosted net sales from Fire Services products.

Net sales also rose by 9.5 percent in the Rest of Europe region (net of currency effects). We realized a major services order in the Netherlands. In Russia, net sales improved considerably. Lower growth was recorded in Scandinavia, Great Britain and Turkey. By contrast, net sales continue to fall sharply in South Europe.

Net sales rose by a considerable 3.6 percent (net of currency effects) in the Americas region. Net sales increased significantly in Latin American countries. By way of example, there were large deliveries to customers in Colombia and Argentina in the past quarter.

In the US, net sales declined. Positive developments in the alcohol testing device business were unable to offset the effects from a large contract in the prior year.

Net sales in the Asia/Pacific region were slightly up on the prior year's figure in the second quarter (net of currency effects). China saw only moderate growth in net sales. Net sales in Australia dropped in the wake of the weak economic development.

In the Other Countries region, net sales dropped by 8.2 percent (net of currency effects). The rise in net sales in South Africa was not able to offset effects of a larger delivery to the Middle East in the prior-year quarter.

EARNINGS

Due to higher net sales, gross profit rose by 2.0 percent in the second quarter. The gross margin was down 1.1 percent on the prior-year quarter on account of elevated costs in production support areas and a shift of the product mix toward products with a lower margin. Negative currency effects, the rising share of low-margin products in net sales and higher costs in the production support areas impacted the safety division's gross margin in the first six months. Increased net sales, generated through other channels, are another aspect that contributed to the safety division recording an overall reduction of 1.9 percent in the gross margin.

Earnings were also negatively impacted by increased functional costs in sales and administration. On top of additional sales activities in growth markets, we increased our IT infrastructure expenses as planned. Functional costs grew stronger than net sales both in the second quarter and in the entire first half of the year.

In view of these developments, EBIT of the safety division decreased to EUR 40.3 million in the first half of fiscal year 2013 (6 months 2012: EUR 52.3 million). The EBIT margin dropped to 9.8 percent (6 months 2012: 13.0 percent). In the second quarter of 2013, we achieved EBIT in the amount of EUR 21.8 million and an EBIT margin of 10.3 percent. That was a decline of 1.9 percent compared to the prior-year period and was primarily due to the lower gross margin as well as the higher functional costs in Sales and IT.

INVESTMENTS

Within the safety division, we invested EUR 0.2 million (2012: EUR 0.5 million) in intangible assets and EUR 17.1 million (6 months 2012: EUR 15.9 million) in property, plant and equipment. This increase is primarily attributable to investments in our Asian sales branches as well as investments in the expansion and modernization of production in the Czech Republic and in Lübeck. Depreciation and amortization amounted to

EUR 13.1 million in the first half of 2013. Investments covered 132 percent of depreciation and amortization, and non-current assets rose by EUR 4.2 million net.

FINANCIAL POSITION AND NET ASSETS

Capital employed in the safety division increased year on year by 8.1 percent to EUR 234.9 million (6 months 2012: EUR 217.3 million). This development is mainly due to a rise in trade receivables and a reduction in current provisions. Days working capital (coverage of net current assets) was 98.9 days in the safety division, 0.2 days down on the prior-year figure. In line with the increase in working capital and decrease in earnings, cash flow from operating activities fell to EUR 6.6 million (6 months 2012: EUR 25.9 million).

DVA in the safety division rose by EUR 2.0 million to EUR 66.2 million (6 months 2012: EUR 64.2 million). Higher DVA was mainly driven by the EUR 2.8 million increase in EBIT (on a twelve-month rolling basis).

BUSINESS PERFORMANCE OF DRÄGERWERK AG & CO. KGAA / OTHER COMPANIES

		Second quarter			Six months		
		2013	2012	Change in %	2013	2012	Change in %
Order intake	**€ million**	**3.5**	**4.5**	**–23.0**	**7.1**	**8.2**	**–13.9**
Orders on hand [1]	**€ million**	**0.0**	**0.0**		**0.0**	**0.0**	
Net sales	**€ million**	**3.5**	**4.5**	**–23.0**	**7.1**	**8.2**	**–13.9**
EBITDA [2]	**€ million**	**87.4**	**92.0**	**–4.9**	**115.9**	**120.9**	**–4.2**
Depreciation / amortization	€ million	–4.1	–3.5	+17.1	–8.1	–6.4	+27.5
EBIT [3]	**€ million**	**83.3**	**88.5**	**–5.8**	**107.8**	**114.6**	**–6.0**
R&D costs	€ million	0.6	0.5	+19.9	1.3	1.2	+4.5
Cash flow from operating activities	€ million	66.1	89.7	–26.4	78.4	95.0	–17.5
Investments	€ million	7.8	4.3	+80.2	12.0	6.4	+86.9
Capital employed [1,4]	€ million	755.2	757.5	–0.3	755.2	757.5	–0.3
Net working capital [1,5]	€ million	–21.1	–26.6	–20.6	–21.1	–26.6	–20.6
Total headcount [1]		831	740	+12.3	831	740	+12.3

[1] Value as of June 30
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = Earnings before net interest result and income taxes
[4] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[5] Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt

Business performance of the Drägerwerk AG & Co. KGaA / Other companies

EARNINGS

Drägerwerk AG & Co. KGaA is the parent company of the Dräger Group. Together with the other companies, it provides services to the medical and safety divisions and their companies.

EBIT of Drägerwerk AG & Co. KGaA/Other companies declined in the first six months of 2013 to EUR 107.8 million (6 months 2012: EUR 114.6 million). The decrease resulted from lower profit transfers in the first six months of 2013 in the amount of EUR 121.4 million (6 months 2012: EUR 131.6 million), which were primarily attributable to Dräger Medical GmbH.

In the second quarter of 2013, the EBIT of Drägerwerk AG & Co. KGaA/Other companies dropped to EUR 83.3 million (second quarter of 2012: EUR 88.5 million). This development was mainly due to lower profit transfers in the second quarter of 2013 in the amount of EUR 90.7 million (6 months 2012: EUR 97.0 million), which were primarily attributable to Dräger Medical GmbH.

INVESTMENTS

Investments at Drägerwerk AG & Co. KGaA/Other companies amounted to EUR 12.0 million in the first half of 2013 (6 months 2012: EUR 6.4 million). Investments in intangible assets were similar to the prior year. Investments in property, plant and equipment rose by EUR 5.5 million to EUR 9.5 million (6 months 2012: EUR 3.9 million). The majority of these activities relate to investments in buildings, the construction and maintenance of production facilities as well as improvement and modernization efforts in administration.

Research and development

We attach a great deal of importance to our research and development (R&D) activities and therefore work hard to expand these. In the first six months of 2013, we continued to increase our R&D activities. Research and development expenses increased by 6.6 percent to EUR 100.0 million (6 months 2012: EUR 93.8 million). The research and development ratio went up to 9.1 percent of net sales (6 months 2012: 8.7 percent).

Research and development expenses in the medical division came in at EUR 70.3 million for the first half of the year (6 months 2012: EUR 65.0 million). This corresponded to a

research and development ratio of 10 percent of net sales in the first six months of 2013, up on the prior-year period (9.5 percent). The investment activities focus on expanding our customer-oriented approach in intensive care. Special attention is being paid to developing new components and products for the "Infinity Acute Care System (IACS)". With the new "M540 VG2.1 stand-alone" software version launched in the second quarter of 2013, the "Infinity Monitor M540" continuously monitors the patient's vital statistics in a stand-alone operation and transmits the data to the "Infinity CentralStation (ICS)". Compactly designed, the "M540" offers hospitals a ground-breaking solution in terms of mobility and scalability for use in their daily clinical work. It monitors vital signs during patient transport and wirelessly communicates data to the network and the ICS. In intensive care, the "M540" is used as a part of the "Infinity Acute Care Systems". The "M540" can also be run on its own if only basic monitoring is required, transferring data to the hospital network via the "M500" docking station. The new "Infinity CentralStation ICS VG1" collects and displays the data of up to 64 patients. Hospital employees can monitor 32 beds on the main screen; another 32 beds can be covered in observation mode and opened as required. The 22-inch screen enhances the display of clinical data. In addition, more curves can be shown. The user interface is aligned with the operating philosophy behind other new Dräger devices, meaning that users will require less explanation and training. The "Perseus A500" as a ceiling supply unit version expands our product portfolio of this new anesthesia device. The installation of the ceiling supply unit eliminates the need for irritating cables or tubing and speeds up the cleaning and disinfecting of operating rooms. A remote control ensures that it can be easily set to an ergonomic working position.

Within the safety division, we invested EUR 28.4 million in the first half of 2013 (6 months 2012: EUR 27.7 million) in research and development, corresponding to 6.9 percent of net sales (6 months 2012: 6.9 percent). The focus is on expanding our product portfolio and developing systems to deliver complete solutions for our customers. In addition, the product portfolio is being modularized progressively. "Bodyguard 1500", a personal alert safety system (PASS) for professional and volunteer fire services, was launched on the market in the past quarter. If the user remains motionless for more than a set period of time, the device generates an acoustic and visual alert, drawing other team members' attention to their colleague. The Tx gauge of the self contained breathing apparatus wirelessly transmits data to the PASS device. The "Bodyguard 1500" addresses the growing middle segment for these products. The "Dräger CatEx 125 Mining PR sensor" was developed further, offering significantly increased resistance to sensor poison. This means it has a long useful life and helps our customers to reduce their operating costs. The sensor is optimized for detecting methane. Thanks to its robust design, it is particularly suitable for use in mining. We overhauled the "Ex Sensor LC" and significantly

boosted its measuring quality. The sensor is fit to detect even minimum concentrations of combustible materials. Customers from the chemical and petrochemical industries rely on this sensor to monitor environments prone to explosion.

Personnel

As of June 30, 2013 Dräger employed a total of 12,930 people around the world, an increase of 651 from the previous year (June 30, 2012: 12,279). This corresponds to a rise of 5.3 percent. In Germany, the number of people working for Dräger Group rose by 358. The number of employees working abroad went up by 293. Headcount was mainly increased in Sales (+165), Research and Development (+120), Production (+110) and Service (+93). As of June 30, 2013, a total of 53.4 percent (June 30, 2012: 53.8 percent) of employees were working outside Germany.

The headcount at Drägerwerk AG & Co. KGaA/Other companies went up by 91 employees year on year. At Drägerwerk AG & Co. KGaA, new people were hired in administrative positions – for example in IT (+20), in Finance (+16), in HR (+10) and in Purchasing (+8).

In the medical division, the number of employees rose by 276 compared to the period a year ago, with recruitment efforts focusing on the following areas: in Germany in Production (+63), in particular through the takeover of temporary employees, and in Research and Development (+47); at foreign subsidiaries in Sales (+90) and Service (+22); and in Research and Development (+17) and Production (+16) at the Chinese production and development site in Shanghai.

In the safety division, Dräger employed a total of 284 more people on June 30, 2013 than in the prior year. In Germany, the headcount was mainly increased in Production (+33), Logistics (+31) as well as Research and Development (+30); in Production, the majority of new employees were due to supplemental collective agreement to take over temporary staff. Outside of Germany, 135 new employees were recruited in the safety division, most of whom in Sales (+50), Service (+49) and Research and Development (+22).

In the first half of 2013, Group personnel expenses went up by 6.4 percent to EUR 428.8 million year on year. This increase was due, in particular, to growth-related recruitment and increases in wages and salaries. One reason for the increase in wages and salaries was the 4.3 percent pay rise for the German metal and electrical industries in May 2012. The personnel cost ratio came to 39.0 percent in the first half of 2013 (first half of 2012: 37.6 percent).

PERSONNEL EXPENSES

in € thousand	Six months 2013	Six months 2012
Wages and salaries	355,234	336,965
Social security contributions and related employee benefits	63,375	58,253
Pension expenses	10,204	7,846
	428,813	**403,064**

WORKFORCE TREND

	June 30, 2013	December 31, 2012	June 30, 2012
Medical division	7,127	6,948	6,851
Safety division	4,972	4,771	4,688
Drägerwerk AG & Co. KGaA / other companies	831	797	740
Dräger Group total	**12,930**	**12,516**	**12,279**
Germany	6,031	5,821	5,673
Other	6,899	6,695	6,606
Turnover in % of employees (Basis: average of the past twelve months)	3.7	4.3	4.6
Sick days in % of work days (Basis: average of the past twelve months)	3.7	3.5	3.3
Temporary staff in Germany	212	272	295

RISK TO FUTURE DEVELOPMENT

The structure of our risk management system and material risks to our net assets, financial position and results of operations are outlined in the annual report for fiscal year 2012 on pages 68 et seq. and 116 et seq. respectively. The annual report may be downloaded online at **www.draeger.com**.

There were no material changes to the 2012 annual report. In addition, we cannot currently identify any individual or aggregated risks that could have a material impact on the Company's continued existence as a going concern.

CHANGED CONDITIONS AFTER THE CLOSING OF THE INTERIM REPORTING PERIOD

There have been no material changes between the end of the first six months of 2013 and the time this interim financial report was prepared.

Outlook

FUTURE MARKET ENVIRONMENT

The global economy is failing to accelerate its growth. The emerging markets are not managing to pick up on the strong growth they experienced prior to the financial crisis. In China in particular, growth seems to have slowed down for a longer time. In 2012, the country recorded the lowest growth rate in more than ten years – and there are no signs that the situation is set to improve this year. On the contrary, government efforts to curb the expansion of credit seem to be weakening the economy even further. The International Monetary Fund (IMF) trimmed its growth projection for China to 7.75 percent at the end of May, lower than in the prior year.

In the US, however, recent economic data points toward recovery. This caused the US central bank to suggest the possibility of scaling back monthly bond purchases. If such measures have a considerable long-term impact on international capital flows, there is a risk that growth in emerging countries will slow down on a sustained basis, according to the IMF. The economic situation in Europe remains challenging, and improvements have yet to set in. The South European countries are still in the grips of recession. And even the states at the core of the eurozone are hardly achieving growth as a result of reluctance to make investments and consume. Even Germany will barely grow in 2013.

In view of these developments, the IMF has again cut its world growth forecast for 2013 to 3.1 percent, the same figure as in the prior year. The projection for 2014 has been downgraded accordingly. Decline in growth in several key emerging markets and the continued recession in Europe are cited as the main reasons. The IMF has reduced its forecast for the eurozone further. The region's economy will shrink by another 0.6 percent in 2013. Any hopes of improvement have not been fulfilled so far.

IMF – JULY 2013 GROSS DOMESTIC PRODUCT (GDP) GROWTH FORECAST

	2013	2014
Global economy	3.1%	3.8%
USA	1.7%	2.7%
Eurozone	–0.6%	0.9%
Germany	0.3%	1.3%
China	7.8%	7.7%

Source: International Monetary Fund (IMF)

FUTURE MARKET AND INDUSTRY PERFORMANCE

In the safety market, weak industrial growth will be overcompensated by ever-tightening safety regulations. We still expect positive stimulus from our relevant safety markets – the oil and gas, chemical and mining industries – as new energy sources are being tapped around the world to cover the additional energy required by the emerging markets and to become more independent from sources in the Middle East. Following a weak first half of the year, the chemical industry is expected to pick up some steam in the second six months of the year. The investment backlog in the fire services industry is likely to continue as pressure on government budgets is still high.

Demand in the medical technology markets will continue to develop further in the second half of the year. However, key measures under the US healthcare reform are delayed. This will negatively impact the expected increase in spending on medical technology in the second six months. The Asian medical technology market will again considerably outperform Western markets in 2013.

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 Annual Report 2012 (pages 126 et seq.), which describes our expectations for 2013 and 2014 in detail.

DRÄGER FORECAST FOR FISCAL YEAR 2013

	Results achieved in 2012	Forecast 2013 according to the annual report	Current forecast
Net sales	+2.5 percent, net of currency effects	Growth between 2 percent and 4 percent	Confirmed
EBIT margin	9,7 percent	Between 8.0 percent and 10.0 percent	Confirmed
Other forecast figures			
Gross margin	49.2 percent	48.5 percent to 49.5 percent	Confirmed
Research and development costs	EUR 197.3 million	EUR 207 million	Confirmed
Interest result	EUR –33.2 million	Slight improvement	Significant improvement
Effective tax rate	31.2 percent	29 percent to 33 percent	Confirmed
Operating cash flow	77 percent of EBIT	70 percent to 85 percent of EBIT	50 percent to 70 percent of EBIT
Investment volume	EUR 78.2 million	EUR 85 million to EUR 105 million	Confirmed
Equity ratio	34.6 percent	35 percent to 38 percent	Confirmed
Net debt	EUR 56.8 million	Improvement	Confirmed

We expect that the interest result will improve more year on year than previously assumed. Given the favorable liquidity situation, planned new borrowing was delayed. The interest result benefits from this.

Based on the results of the first half of the year, we have to downgrade our expectations for the operating cash flow. It is now assumed that Dräger will not be able to fully compensate for the negative impact of the increase in working capital in the first half of the year during the second six months. We therefore anticipate operating cash flow of 50 percent to 70 percent of EBIT for 2013.

DRÄGER MANAGEMENT ESTIMATE

The global economy is struggling to boost growth momentum. The emerging markets, especially China, are failing to live up to expectations. Despite continued budget cuts, economic prospects in the US have improved recently. Economic recovery has yet to set in the eurozone. Fiscal consolidation is impacting growth in Europe. At the same time, companies and authorities are delaying expenses. This situation has expanded from the peripheral countries to the center and is now also affecting core eurozone countries. Germany is also barely growing this year.

Safety markets are more dependent on the economy. Overall, they are expected to achieve only moderate growth in 2013. The medical technology market continues to benefit from the development and expansion of medical infrastructure, in particular in many emerging countries.

We expect to continue the growth trend of recent years and – even if it has become more difficult – achieve the forecast values described in detail in the previous section in fiscal 2013. For 2014, we continue to forecast that net sales growth will outperform market growth in both divisions and the EBIT margin will increase compared to 2013, provided developments in our relevant markets do not deteriorate.

FORWARD-LOOKING STATEMENTS

This management report contains forward-looking statements. The statements are based on the current expectations, presumptions and forecasts of the Executive Board of Drägerwerk Verwaltungs AG as well as the information available to it to date. The forward-looking statements do not provide any warranty for the future developments and results contained therein. Rather, the future developments and results are dependent on a number of factors; they entail various risks and uncertainties and are based on assumptions which could prove to be incorrect. We do not assume any responsibility for updating the forward-looking statements made in this report.

Lübeck, July 29, 2013

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Anton Schrofner

Interim financial statements of the Dräger Group as of June 30, 2013

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

in € thousand	Notes	Second quarter 2013	Second quarter 2012 (figures adjusted)	Six months 2013	Six months 2012 (figures adjusted)
Net sales		566,792	543,433	1,100,638	1,072,713
Cost of sales		–290,571	–270,454	–553,762	–535,004
Gross profit		**276,221**	**272,979**	**546,876**	**537,709**
Research and development costs		–51,563	–47,619	–99,999	–93,846
Marketing and selling expenses		–153,212	–147,866	–302,815	–289,517
General administrative costs		–28,890	–33,626	–63,009	–63,967
Other operating income		1,469	3,047	2,966	4,582
Other operating expenses		–3,075	–1,433	–4,359	–1,604
		–235,271	**–227,496**	**–467,215**	**–444,353**
		40,949	**45,483**	**79,661**	**93,356**
Profit from investments in associates		270	0	270	186
Profit from other investments		0	0	0	0
Other financial result		–1,770	1,471	–681	177
Financial result (before interest result)	**7**	**–1,500**	**1,471**	**–411**	**363**
EBIT		**39,449**	**46,954**	**79,250**	**93,719**
Interest result [1]	7	–6,162	–7,215	–12,613	–17,014
Earnings before income taxes [1]		**33,286**	**39,739**	**66,637**	**76,705**
Income taxes [1]	8	–10,315	–12,017	–21,015	–23,494
Earnings after income taxes [1]		**22,972**	**27,722**	**45,622**	**53,211**
Earnings after income taxes [1]		**22,972**	**27,722**	**45,622**	**53,211**
Non-controlling interests in net profit		–249	519	352	836
Earnings attributable to participation certificates (excluding minimum dividend, after taxes) [2]		907	1,089	1,814	2,117
Earnings attributable to shareholders [1]		22,313	26,116	43,455	50,258
Undiluted earnings per share [3]					
per preferred share (in €)		1.36	1.58	2.65	3.06
per common share (in €)		1.35	1.57	2.62	3.03
Diluted earnings per share [3]					
per preferred share (in €)		1.32	1.56	2.57	3.00
per common share (in €)		1.31	1.55	2.54	2.97
Undiluted earnings per share on full distribution [3]					
per preferred share (in €)		1.03	1.21	2.02	2.33
per common share (in €)		1.02	1.20	1.99	2.30
Diluted earnings per share on full distribution [3]					
per preferred share (in €)		1.01	1.20	1.98	2.31
per common share (in €)		1.00	1.19	1.95	2.28

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

in € thousand	Six months 2013	Six months 2012 (figures adjusted)
Earnings after income taxes	**45,622**	**53,211**
Items which will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans [1]	10,070	108
Deferred taxes on Remeasurements of defined benefit pension plans [1]	–3,147	0
Items which may be reclassified subsequently to profit or loss		
Currency translation adjustment for foreign subsidiaries	–9,683	8,836
Change in the fair value of financial assets designated as available for sale recognized directly in equity	0	–4
Change in the fair value of derivative financial instruments recognized directly in equity	705	–536
Deferred taxes on changes in the fair value of derivative financial instruments recognized directly in equity	0	0
Other comprehensive income	**–2,055**	**8,404**
Total comprehensive income [1]	**43,567**	**61,615**
of which earnings attributable to non-controlling investments	89	1,206
of which earnings attributable to participation certificates (excluding minimum dividend, after taxes) [1, 2]	1,814	2,117
of which earnings attributable to shareholders [1]	41,664	58,292

[1] Previous year's figures were adjusted due to first-time adoption of IAS 19 (2011) in accordance with IAS 8.
[2] The figure is calculated by accruing a dividend for participation certificates of EUR 3.20 (June 30, 2012: EUR 3.70 based on earnings in the first nine months of 2013 and in line with Dräger`s actual dividend policy to distribute around 15% (June 30, 2012: around 15%) of total Group net profit (less earnings attributable to non-controlling interests).

Notes related to table on page 40

[1] Previous year's figures were adjusted due to first-time adoption of IAS 19 (2011) in accordance with IAS 8.
[2] The figure is calculated by accruing a dividend for participation certificates of EUR 3.20 (June 30, 2012: EUR 1.80 based on earnings in the first nine months of 2013 and in line with Dräger`s actual dividend policy to distribute around 15% (June 30, 2012: 15%) of total Group net profit (less earnings attributable to non-controlling interests).
[3] The dividend premium of EUR 0.06 on preferred shares is recognized pro rata on a quaterly basis.

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

in € thousand	Notes	June 30, 2013	December 31, 2012 (figures adjusted)	January 1, 2012 (figures adjusted)
Assets				
Intangible Assets	9	281,776	282,554	280,309
Property, plant and equipment [1]	9	286,777	278,370	273,421
Investments in associates		280	280	306
Other non-current financial assets	16	9,365	9,462	9,766
Deferred tax assets [2]		128,818	135,558	103,573
Other non-current assets [1]		4,008	4,129	21,955
Non-current assets [2]		**711,024**	**710,353**	**689,330**
Inventories	10	400,852	362,872	340,292
Trade receivables and receivables from construction contracts		544,219	600,269	586,488
Other current financial assets	16	30,317	21,974	19,883
Cash and cash equivalents		197,166	332,390	412,309
Current tax refund claims		17,473	13,884	7,531
Other current assets	11	89,434	58,362	58,475
Current assets		**1,279,461**	**1,389,751**	**1,424,978**
Total assets [2]		**1,990,485**	**2,100,103**	**2,114,308**

[1] Previous year's figures were adjusted due to restatements conducted in fiscal year 2012 (see note 3 in the Annual Report 2012 of the Dräger Group).
[2] Previous year's figures were adjusted due to first-time adoption of IAS 19 (2011) in accordance with IAS 8.

in € thousand	Notes	June 30, 2013	December 31, 2012 (figures adjusted)	January 1, 2012 (figures adjusted)
Equity and liabilities				
Capital Stock		42,266	42,266	42,266
Capital reserves		158,098	158,098	158,098
Reserves retained from earnings, incl. group result [2]		522,867	491,891	471,732
Participation capital		29,497	29,497	50,405
Other comprehensive income		–7,540	1,175	2,549
Non-controlling interests		6,692	6,736	6,535
Equity [2]	**12**	**751,879**	**729,661**	**731,585**
Liabilities from participation certificates		19,588	19,208	31,164
Provisions for pensions and similar obligations	13	222,170	229,844	179,418
Other non-current provisions [2]	14	69,018	69,299	59,899
Non-current interest-bearing loans	15	249,183	282,911	365,266
Other non-current financial liabilities	16	6,075	6,133	8,849
Non-current income tax liabilities [1]		10,955	2,317	562
Deferred tax liabilities		1,911	1,957	1,629
Other non-current liabilities		510	487	782
Non-current liabilities [2]		**579,410**	**612,155**	**647,569**
Other current provisions	14	178,215	224,553	228,198
Current loans and liabilities to banks	15	76,084	104,256	84,519
Trade payables		140,804	169,225	172,073
Other current financial liabilities [1]	16	31,777	31,962	38,849
Current income tax liabilities [1]		52,349	53,099	51,145
Other current liabilities [1]		179,967	175,192	160,370
Current liabilities		**659,196**	**758,287**	**735,154**
Total equity and liabilities [2]		**1,990,485**	**2,100,103**	**2,114,308**

[1] Previous year's figures were adjusted due to restatements conducted in fiscal year 2012 (see note 3 in the Annual Report 2012 of the Dräger Group).
[2] Previous year's figures were adjusted due to first-time adoption of IAS 19 (2011) in accordance with IAS 8.

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

	in € thousand	Second Quarter 2013	Second Quarter 2012 (angepasste Werte)	Six months 2013	Six months 2012 (angepasste Werte)
	Operating activities				
	Earnings after income taxes [1]	22,972	27,722	45,622	53,211
+	Write-down / write-up of non-current assets	17,124	16,513	33,857	31,513
–	Decrease in provisions [1, 2]	–29,708	–22,768	–41,419	–31,548
+/–	Other non-cash income / expenses	13,314	–7,158	10,601	–2,353
+/–	Losses / gains from the disposal of non-current assets	86	96	–27	–92
–	Increase in inventories	–11,569	–19,871	–48,400	–47,653
+	Decrease in trade receivables	21,495	15,707	47,013	84,967
+/–	Decrease / Increase in other assets [1]	–12,801	3,948	–44,881	–34,996
–	Decrease in trade payables	–1,113	–2,707	–27,309	–32,888
+/–	Increase / decrease in other liabilities [2]	–22,536	1,328	13,944	28,524
	Cash outflow / inflow from operating activities	**–2,736**	**12,809**	**–11,000**	**48,685**
	Investing activities				
–	Cash outflow for investments in intangible assets	–2,075	–1,906	–3,190	–3,468
+	Cash inflow from the disposal of intangible assets	2	2	139	14
–	Cash outflow for investments in property, plant and equipment [2]	–19,498	–14,817	–34,448	–26,181
+	Cash inflow from disposals of property, plant and equipment	332	570	730	1,405
–	Cash outflow for investments in non-current financial assets	0	–18	–62	–1,056
+	Cash inflow from the disposal of non-current financial assets	231	262	432	619
	Cash outflow from investing activities	**–21,008**	**–15,906**	**–36,399**	**–28,667**
	Financing activities				
–	Distribution of dividends (including dividends for participation certificates)	–21,889	–3,763	–21,889	–3,763
–	Cash outflows from the purchase of participation capital	0	0	0	–122,536
–	Cash outflow from the acquisition of treasury shares for the employee share program	–674	0	–674	0
+	Cash provided by raising loans	18,000	82	18,000	82
–	Cash used to redeem loans	–55,639	–252	–80,817	–1,565
+/–	Net balance of other liabilities to banks	–1,414	–3,412	2,169	343
–	Net balance of finance lease liabilities repaid / incurred	–99	–150	–317	–255
–	Cash outflow from the changes in shareholdings in subsidiiaries	0	0	0	–700
–	Profit distributed to non-controlling interests	–133	–564	–133	–564
	Cash outflow from financing activities	**–61,848**	**–8,059**	**–83,660**	**–128,959**
	Change in cash and cash equivalents in the fiscal year	**–85,592**	**–11,157**	**–131,059**	**–108,941**
+/–	Effect of exchange rates on cash and cash equivalents	–6,180	4,979	–4,165	4,542
+	Cash and cash equivalents at the beginning of the reporting period	288,937	314,089	332,390	412,309
	Cash and cash equivalents on reporting date	**197,166**	**307,911**	**197,166**	**307,911**

[1] Previous year's figures were adjusted due to first-time adoption of IAS 19 (2011) in accordance with IAS 8.
[2] Previous year's figures were adjusted due to restatements conducted in fiscal year 2012 (see note 3 in the Annual Report 2012 of the Dräger Group).

For notes to the cash flow statetment, please see page 15.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

in € thousand	Capital Stock	Capital reserves	Reserves retained from earnings incl. group result	Participation capital	Treasury shares	Other comprehensive income: Currency translation differences	Other comprehensive income: Derivative financial instruments	Other comprehensive income: Financial assets available for sale	Other comprehensive income: Total other-comprehensive income	Total equity of shareholder Drägerwerk AG & Co. KGaA	Non-controlling interests	Equity
January 1, 2012 (before adjustments)	**42,266**	**158,098**	**469,763**	**50,405**	**–**	**4,090**	**–1,520**	**–21**	**2,549**	**723,081**	**6,535**	**729,616**
Adjustments	–	–	1,968	–	–	–	–	–	0	1,968	–	1,968
January 1, 2012 (after adjustments)	**42,266**	**158,098**	**471,732**	**50,405**	**–**	**4,090**	**–1,520**	**–21**	**2,549**	**725,050**	**6,535**	**731,585**
Earnings after income taxes	–	–	52,375	–	–	–	–	–	0	52,375	836	53,211
Other comprehensive income	–	–	108	–	–	8,466	–536	–4	7,926	8,034	370	8,404
Total comprehensive income	**0**	**0**	**52,483**	**0**	**0**	**8,466**	**–536**	**–4**	**7,926**	**60,409**	**1,206**	**61,615**
Distributions	–	–	–3,763	–	–	–	–	–	0	–3,763	–564	–4,327
purchase of the participation capital (equity component)	–	–	–64,269	–20,908	–	–	–	–	0	–85,177	0	–85,177
Changes in the shares of subsidiaries, excluding loss of controll	–	–	–684	–	–	–	–	–	0	–684	–21	–705
Changes in the scope of consolidation / other	–	–	411	–	–	–	–	–	0	411	1	412
June 30, 2012	**42,266**	**158,098**	**455,909**	**29,497**	**0**	**12,556**	**–2,056**	**–25**	**10,475**	**696,245**	**7,157**	**703,402**
January 1, 2013	**42,266**	**158,098**	**489,429**	**29,497**	**0**	**3,390**	**–2,228**	**12**	**1,174**	**720,465**	**6,736**	**727,201**
Adjustments	–	–	2,460	–	–	–	–	–	0	2,460	–	2,460
January 1, 2013 (after adjustments)	**42,266**	**158,098**	**491,891**	**29,497**	**0**	**3,390**	**–2,228**	**12**	**1,174**	**722,925**	**6,736**	**729,661**
Earnings after income taxes	–	–	45,269	–	–	–	–	–	0	45,269	352	45,622
Other comprehensive income	–	–	6,923	–	–	–9,420	0	705	–8,715	–1,792	–263	–2,055
Total comprehensive income	**0**	**0**	**52,192**	**0**	**0**	**–9,420**	**0**	**705**	**–8,715**	**43,477**	**89**	**43,567**
Repurchase of treasury shares	–	–	–	–	–674	–	–	–	0	–674	–	–674
Employee share program	–	–	–	–	674	–	–	–	0	674	–	674
Distributions	–	–	–21,889	–	–	–	–	–	0	–21,889	–133	–22,021
Changes in the scope of consolidation / other	–	–	672	–	–	–	–	–	0	672	–	672
June 30, 2013	**42,266**	**158,098**	**522,867**	**29,497**	**0**	**–6,030**	**–2,228**	**717**	**–7,541**	**745,186**	**6,692**	**751,879**

Notes of the Dräger Group as of June 30, 2013 (condensed)

1 BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA, Lübeck, Germany, prepared its group financial statements for fiscal year 2012 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 2013, 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, 2012. 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

In principal the same accounting principles as in the group financial statements for 2012 were applied in preparing the interim financial statements and calculating the comparative figures. A detailed description of these methods is published in the notes to the group financial statements in the 2012 annual report on pages 149 et seq.

A discount rate of 3.5 percent (December 31, 2012: 3.25 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. Actuarial gains and losses, and therefore provisions for pensions and similar obligations, decreased as a result.

The annual report is available for download online at **www.draeger.com**

In preparing the interim financial statements, the group opted to present condensed financial statements with selected explanatory notes. Overall, 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 amendments to existing standards published by the IASB, which have already been adopted in EU law, will be applied for the first time in fiscal year 2013:

- As part of the amendments to IAS 1 “Presentation of Items of Other Comprehensive Income (issued June 2011)”, the individual other comprehensive income items are divided into amounts that can be reclassified to the income statement and those that do not require reclassification. Income taxes pertaining to these items are also to be divided correspondingly.
- Due to the amendments to IAS 19 “Employee Benefits (issued June 2011)”, the expected return on plan assets and the interest expense on pension obligations are replaced by a standardized net interest component. The interest rate of the defined benefit obliga-

tions (DBO) is applied to net debt when calculating the net interest component. In addition, total past service costs are recognized in the period of the related plan amendment. Furthermore, the requirements for termination benefits are being amended with regard to the definition as well as the date on which the associated liability is recognized, and the obligations to disclose information and explanations are being amended and increased. Detailed amendments are stated in Note 4 of the notes.

- The disclosures in the notes to the financial statements regarding the netting of financial assets and liabilities are expanded by the amendments to IFRS 7 "Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (issued December 2011)".
- IFRS 13 "Fair Value Measurement (issued May 2011)" defines standardized fair value measurement for all IFRS, with the exception of IAS 2, IAS 17 and IFRS 2. In compliance with the requirements of IFRS 13, the notes describe how to define fair value, perform fair value measurement and which disclosures are necessary. It is therefore explained how to measure fair value, but the scope of application of measurement at fair value is not expanded.
- Improvements to and clarifications on accounting questions relating to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34 were published in line with the "Improvements to IFRS 2009 - 2011 (issued May 2012)".

The following amendments to existing standards published by the IASB, which have already been adopted into European law by the EU, are of no relevance to Dräger:

- The amendments to IFRS 1 "First-time Adoption of IFRS (issued December 2010)" include two adaptations. The removal of fixed application dates for first-time adopters and also regulations for preparing IFRS financial statements after reporting periods during which it was impossible to prepare fully IFRS-compliant financial statements due to hyperinflation.
- The amendment to IFRS 1 "First-time adoption of IFRS (issued March 2012)" stipulates how IFRS first-time adopters must recognize a government loan, which is issued with an interest rate below the market rate, at the time of transitioning to IFRS. This amendment provides IFRS 1 with the same relief for first-time adopters as IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance".
- The amendments to IAS 12 "Income Taxes (issued December 2010)" include an exception for the recognition of deferred tax on investment properties.
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine (issued October 2012)" clarifies when production stripping costs have to be initially reported as an asset and how this asset has to be recognized at first-time application and thereafter.

Further new mandatory standards or amendments of standards to apply only to fiscal years beginning on or after January 1, 2014 and / or that have not yet been endorsed can be found in the Dräger IFRS annual report as of December 31, 2012.

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 SCOPE OF CONSOLIDATION AND CONSOLIDATION PRINCIPLES

There were no significant changes to the scope of consolidation compared to December 31, 2012 and June 30, 2012. The same consolidation principles were applied as in the 2012 group financial statements.

4 APPLICATON OF IAS 19 (2011)

Dräger must apply the amendments of IAS 19 (2011) in fiscal year 2013. The amendments affect the recognition of defined benefit plans as well as the requirements for termination benefits. The disclosures in the notes to the financial statements also have to be expanded.

Dräger's recognition of defined benefit plans is affected in that the interest expenses for the defined benefit obligations (DBO) are combined with the expected return on plan assets to form one net interest component. The DBO interest rate is applied to the net amount from DBO and plan assets when calculating the net interest component. Another amendment, which currently has no effect on Dräger's balance sheet, is the duty to immediately recognize unvested past service costs in profit or loss. It is therefore no longer possible to recognize these costs over the vesting period. The abolition of the corridor method also does not have any impact on Dräger's balance sheet.

The amendments regarding the requirements for termination benefits pertain to the definition of these requirements, on the one hand. Accordingly, termination benefits do not have to be paid for future employee performance, but exclusively in the case of termination of employment contract. This results, in particular, in the changed recognition of top-up amounts for partial retirement plans. They are now classified as other long-term employee benefits and are therefore no longer fully recognized at the time of the offer, but instead are recognized gradually over the remaining service period. On the other hand, the amendments include a clearer definition of the recognition date of the obligation. The date from which a company must pay termination benefits is defined in more detail.

Dräger applied the amendments to IAS 19 (2011) retrospectively and in compliance with IAS 8, resulting in the following adjustment of the opening balance sheet as of January 1, 2012 as well as the comparable period as of June 30, 2012 and December 31, 2012:

ADJUSTMENT OF PREVIOUS YEAR'S FIGURES (BALANCE SHEET)

in € thousand	January 1, 2012 after adjustment	Adjustment	January 1, 2012 prior to adjustment	December 31, 2012 after adjustment	Adjustment	December 31, 2012 prior to adjustment
Deferred tax assets	103,573	– 881	104,454	135,558	– 1,101	136,659
Non-current assets	**689,330**	**– 881**	**690,211**	**710,353**	**– 1,101**	**711,454**
Total assets	**2,114,308**	**– 881**	**2,115,189**	**2,100,103**	**– 1,101**	**2,101,205**
Reserves retained from earnings incl. Group result	471,732	1,968	469,763	491,891	2,460	489,429
Equity	**731,585**	**1,968**	**729,616**	**729,661**	**2,460**	**727,201**
Other non-current provisions	59,899	– 2,849	62,749	69,299	– 3,561	72,860
Non-current liabilities	**647,569**	**– 2,849**	**650,419**	**612,155**	**– 3,561**	**615,717**
Total equity and liabilities	**2,114,308**	**– 881**	**2,115,189**	**2,100,103**	**– 1,101**	**2,101,205**

ADJUSTMENT OF PREVIOUS YEAR'S FIGURES (INCOME STATEMENT)

in € thousand	June 30, 2012 after adjustment	Adjustment	June 30, 2012 prior to adjustment
EBIT	**93,719**	**0**	**93,719**
Interest result	– 17,014	160	– 17,174
Earnings before income taxes	**76,705**	**160**	**76,545**
Income taxes	– 23,494	– 49	– 23,445
Earnings after income taxes	53,211	111	53,100
Earnings after income taxes	**53,211**	**111**	**53,100**
Earnings attributable to non-controlling interests	836		836
Earnings attributable to participation certificates (excluding minimum dividend, after taxes)	2,117		2,117
Earnings attributable to shareholders	50,258	111	50,147
Undiluted earnings per share			
per preferred share (in €)	3.06		3.06
per common share (in €)	3.03		3.03
Diluted earnings per share			
per preferred share (in €)	3.00		3.00
per common share (in €)	2.97		2.97
Undiluted earnings per share on full distribution			
per preferred share (in €)	2.33		2.33
per common share (in €)	2.30		2.30
Diluted earnings per share on full distribution			
per preferred share (in €)	2.31		2.31
per common share (in €)	2.28		2.28

ADJUSTMENT OF PREVIOUS YEAR'S FIGURES (COMPREHENSIVE INCOME STATEMENT)

in € thousand	June 30, 2012 after adjustment	Adjustment	June 30, 2012 prior to adjustment
Earnings after income taxes	**53,211**	**111**	**53,100**
Items that cannot be reclassified into the income statement			
Actuarial gains / losses from defined benefit pension plans	108	– 159	267
Other comprehensive income (after taxes)	**8,405**	**– 159**	**8,563**
Total comprehensive income	**61,616**	**– 48**	**61,663**
of which earnings attributable to non-controlling interests	1,206		1,206
of which earnings attributable to participation certificates (excluding minimum dividend, after taxes)	2,117		2,117
of which earnings attributable to shareholders	58,293	– 48	58,340

If Dräger had not applied the amendments to IAS 19 (2011) as of June 30, 2013, the interest result recognized in the income statement would have been up by some EUR 600 thousand as of June 30, 2013.

5 EMPLOYEE SHARE PROGRAM

In February, the Executive Board resolved to enable Dräger employees in Germany to participate in the Company through an employee share program. This is designed to increase employees' identification with the Company and Dräger's attractiveness as an employer. One bonus share is issued for three shares bought by the employee. The shares have a two-year holding period. Employees do not have to continue their employment in the Group during the holding period. The preferred shares for the program were acquired on the capital market.

The participation period, during which employees could acquire the share parcels, started on April 2, 2013 and ended on April 19, 2013. 6,847 bonus shares resulted from the shares acquired by employees. These bonus shares were purchased in May 2013 and led to personnel expenses of EUR 674 thousand.

6 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Medical division	
		Six months 2013	Six months 2012
Order intake	**€ million**	**749.2**	**735.7**
Orders on hand [1]	**€ million**	**348.9**	**369.7**
Net sales	**€ million**	**704.4**	**685.7**
thereof intersegment net sales	€ million	0.4	0.7
thereof third party net sales	€ million	704.0	684.9
EBITDA [2]	**€ million**	**65.9**	**73.3**
Depreciation / amortization	€ million	–12.6	–12.9
EBIT [3]	**€ million**	**53.3**	**60.3**
Interest result [4]	€ million		
Income taxes [4]	€ million		
Earnings after income taxes [4]	**€ million**		
thereof profit / loss from investments in associates	€ million		
Research and development expenses	**€ million**	**70.3**	**65.0**
Cash flow from operating activities	**€ million**	**2.9**	**39.5**
Capital employed [1, 4, 5, 6]	**€ million**	**632.5**	**564.9**
Assets [1, 4, 5]	**€ million**	**1,023.5**	**985.1**
thereof investments in associates	€ million	0.0	0.0
Liabilities [1, 4, 5]	**€ million**	**393.0**	**393.4**
Net financial debt [1]	**€ million**		
Investments	**€ million**	**14.2**	**11.1**
Non-cash expenses [4, 5]	€ million	70.0	68.9
EBIT [3] **/ net sales**	**%**	**7.6**	**8.8**
EBIT [3, 7] **/ capital employed** [1, 4, 5, 6] **(ROCE)**	**%**	**28.2**	**32.3**
Net financial debt [1] **/ EBITDA** [2, 7]	**Factor**		
Gearing factor	**Factor**		
DVA [4, 5, 8]	**€ million**	**125.7**	**133.5**
Total Headcount [1]		**7,127**	**6,851**

[1] Value as of June 30
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = Earnings before net interest result and income taxes
[4] Previous year's figures were adjusted due to first-time adoption of IAS 19 (2011) in accordance with IAS 8.
[5] Previous year's figures were adjusted due to a restatement conducted in fiscal year 2012 (see note 3 in the Annual Report 2012 of the Dräger Group).
[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”

	Safety division		Drägerwerk AG & Co. KGaA / other companies		Consolidations		Dräger Group	
	Six months 2013	Six months 2012	Six months 2013	Six months 2012	Six months 2013	Six months 2012	Six months 2013	Six months 2012
	426.2	**419.5**	**7.1**	**8.2**	**–22.7**	**–24.1**	**1,159.8**	**1,139.3**
	186.2	**156.7**	**0.0**	**0.0**	**–1.5**	**–1.9**	**533.7**	**524.5**
	412.0	**402.4**	**7.1**	**8.2**	**–22.9**	**–23.6**	**1,100.6**	**1,072.7**
	16.6	15.7	5.9	7.1	–22.9	–23.6	0.0	0.0
	395.4	386.7	1.2	1.1	0.0	0.0	1,100.6	1,072.7
	53.3	**64.2**	**115.9**	**120.9**	**–122.1**	**–133.5**	**113.0**	**124.9**
	–13.1	–11.9	–8.1	–6.4	0.0	0.0	–33.7	–31.2
	40.3	**52.3**	**107.8**	**114.6**	**–122.1**	**–133.5**	**79.2**	**93.7**
							–12.6	–17.0
							–21.0	–23.5
							45.6	**53.2**
							0.3	0.2
	28.4	**27.7**	**1.3**	**1.2**	**–**	**–**	**100.0**	**93.8**
	6.6	**25.9**	**78.4**	**95.0**	**–98.9**	**–111.8**	**–11.0**	**48.7**
	234.9	**217.3**	**755.2**	**757.5**	**–625.0**	**–619.0**	**997.6**	**920.6**
	394.5	**385.5**	**829.2**	**821.8**	**–630.2**	**–631.3**	**1,617.0**	**1,561.0**
	0.0	0.0	0.3	0.2	0.0	0.0	0.3	0.2
	144.8	**150.2**	**61.0**	**58.5**	**–28.0**	**–31.2**	**570.8**	**570.8**
							130.9	**143.5**
	17.3	**16.4**	**12.0**	**6.4**	**–**	**–**	**43.5**	**33.9**
	34.2	38.1	19.5	18.7	0.0	9.3	123.7	135.0
	9.8	**13.0**					**7.2**	**8.7**
	36.3	**38.0**					**21.6**	**23.1**
							0.46	**0.52**
							0.17	**0.20**
	66.2	**64.2**					**132.9**	**133.4**
	4,972	**4,688**	**831**	**740**	**–**	**–**	**12,930**	**12,279**

The key figures from the segment report are as follows:

EBIT / EBITDA

in € thousand	Six months 2013	Six months 2012
Earnings after income taxes	45,622	53,211
+ Interest result	12,613	17,014
+ Income taxes	21,015	23,494
EBIT	**79,250**	**93,719**
+ Depreciation / amortization	33,735	31,212
EBITDA	**112,985**	**124,931**

CAPITAL EMPLOYED

in € thousand	June 30, 2013	June 30, 2012
Total assets	1,990,485	2,041,720
– Deferred tax assets	–128,818	–125,495
– Cash and cash equivalents	–197,166	–307,911
– Non-interest bearing liabilities	–666,889	–687,715
Capital Employed	**997,612**	**920,599**

ASSETS

in € thousand	June 30, 2013	June 30, 2012
Total assets	1,990,485	2,041,720
– All other financial assets	–3,455	–3,259
– Deferred tax assets	–128,818	–125,495
– Tax refund claims (current and non-current)	–44,022	–44,008
– Cash and cash equivalents	–197,166	–307,911
Assets	**1,617,024**	**1,561,047**

LIABILITIES

in € thousand	June 30, 2013	June 30, 2012
Liabilities recognized in the balance sheet	1,238,606	1,338,319
– Provisions for pensions and similar obligations	–222,170	–178,719
– Tax liabilities, tax provisions, tax accruals and deferred tax liabilities	–97,992	–118,573
– Interest-bearing liabilities	–347,636	–470,205
Liabilities	**570,808**	**570,822**

NET FINANCIAL DEBT

in € thousand	June 30, 2013	June 30, 2012
Non-current interest-bearing loans	249,183	284,868
+ Current loans and liabilities to banks	76,084	164,108
+ Finance leases	2,781	2,401
– Cash and cash equivalents	–197,166	–307,911
Net financial debt	**130,882**	**143,466**

NON-CASH EXPENSES

in € thousand	Six months 2013	Six months 2012
Write-downs on inventories	11,973	11,057
+ Losses from bad debt allowances	3,852	991
+ Allocations to provisons	107,861	122,942
Non-cash expenses	**123,686**	**134,990**

DVA

in € thousand	June 30, 2013	June 30, 2012
EBIT (of the last twelve months)	215,800	213,043
– Cost of capital (Basis: average of capital employed in the past twelve months)	–82,904	–79,648
DVA	**132,896**	**133,395**

Gearing is the ratio of net financial debt to equity.

Tax accruals and deferrals formed during the year are taken into account in the "capital employed", "assets" and "liabilities" items of the segment report.

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

7 FINANCIAL RESULT

FINANCIAL RESULT

in € thousand	Six months 2013	Six months 2012
Financial result (before interest result)	**–411**	**363**
Interest and similar income	1,532	3,169
Interest and similar expenses	–14,145	–20,183
Interest result	**–12,613**	**–17,014**

The change in interest result was primarily due to the buyback of participation certificates in the prior year and the resulting interest expense in the prior year totaling EUR 2,650 thousand.

8 INCOME TAXES

Income taxes for the first half of 2013 were calculated on the basis of an anticipated group tax rate of 31.5 percent (6 months 2012: 31.5 percent).

9 INTANGIBLE ASSETS / PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS / PROPERTY, PLANT AND EQUIPMENT

in € thousand	Carrying value January 1, 2013	Additions	Disposals / other changes	Depreciation / amortization	Carrying value June 30, 2013
Intangible assets	282,554	3,155	–164	3,769	281,776
Property, plant and equipment	278,370	40,341	–1,968	29,966	286,777

10 INVENTORIES

INVENTORIES

in € thousand	June 30, 2013	December 31, 2012
Finished goods and merchandise	213,635	194,956
Work in progress	73,450	57,585
Raw materials, consumables and supplies	111,093	109,272
Payments made	2,674	1,059
	400,852	**362,872**

11 OTHER CURRENT ASSETS

OTHER CURRENT ASSETS

in € thousand	June 30, 2013	December 31, 2012
Prepaid expenses	33,540	19,802
Other tax refund claims	26,541	18,884
Other	29,353	19,676
	89,434	**58,362**

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.

12 EQUITY

Retained earnings

Actuarial gains and losses for provisions for pensions and similar obligations have risen due to the increase in interest rates to 3.5 percent (December 31, 2012: 3.25 percent). The net amount of this increase of EUR 7,359 thousand is recognized directly in equity under other comprehensive income and retained earnings.

Own shares

As part of an employee share program, in which Dräger grants one bonus share for every three preferred shares an employee acquires, Dräger acquired 6,847 preferred shares at a total cost of EUR 674 thousand.

These own shares were passed on in full to participating employees in May 2013, leading to personnel expenses from the employee share program of EUR 674 thousand.

The acquisition of own shares to pass on to participating employees in the form of bonus shares is covered by resolution of the annual shareholders' meeting on May 4, 2012, according to which the general partner was authorized to acquire until May 3, 2017, up to 10 percent in own shares of both types (common and / or preferred shares) of the Company's capital stock as of the date of resolution or – if this value is lower – as of the date on which the authorization is exercised. Together with all other shares held by the Company or attributable to it according to Secs. 71a et seq. AktG, shares purchased under this provision may at no time equal more than 10 percent of capital stock. The authorization may not be used for the purpose of trading in treasury shares.

The authorization may be exercised in whole or in part, on one or more occasions and for one or more purposes by the Company or by dependent Group companies or enterprises in which the Company has a majority shareholding, or by third parties for its or their account. The purchase may be limited in part or in full to a single class of shares by excluding, in part or in full, shareholders' right to sell the other class of share.

The purchase may, at the discretion of the general partner, be affected via the stock exchange, or by means of a public purchase offer to all holders of the respective type of share or by means of a public invitation to all holders of the respective type of share to submit offers for sale.

The general partner is being authorized to use treasury shares acquired on the basis of this authorization for any lawful purposes.

The purchase of treasury shares by the general partner may be initiated only with the approval of the Supervisory Board.

13 PROVISIONS FÜR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations decreased by EUR 7,674 thousand in the first six months of fiscal year 2013. The underlying interest rate was increased from 3.25 percent to 3.5 percent for German pension entitlements. Once offset with plan assets, this resulted in an actuarial gain of EUR 10,562 thousand. The net amount of EUR 7,359 thousand was recognized directly in equity under other comprehensive income.

14 OTHER NON-CURRENT AND CURRENT PROVISIONS

Other non-current provisions as of June 30, 2013 mainly comprised provisions for personnel obligations of EUR 34,644 thousand (December 31, 2012: EUR 36,067 thousand).

Other current provisions as of June 30, 2013 also included monthly accruals and chiefly consisted of provisions for personnel obligations of EUR 61,468 thousand (December 31, 2012: EUR 93,266 thousand), and warranty provisions of EUR 24,135 thousand (December 31, 2012: EUR 26,097 thousand).

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

A note loan of EUR 50,000 thousand has been reclassified from non-current interest-bearing loans to current loans and liabilities to banks.

A note loan of EUR 25,000 thousand recognized in current loans and liabilities to banks was repaid in February 2013, as well another note loan of EUR 54,000 thousand in April 2013.

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments recognized at fair value were allocated to the following levels of the fair value hierarchy:

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

in € thousand	Level	June 30, 2013	December 31, 2012
Assets measured at fair value			
Derivatives with positive fair value (non-current)	Level 2	0	14
Derivatives with positive fair value (current)	Level 2	4,839	939
Securities (non-current)	Level 1	623	623
Liabilities measured at fair value			
Derivatives with negative fair value (non-current)	Level 2	2,725	3,438
Derivatives with negative fair value (current)	Level 2	1,809	499

Level 1:
Prices in the active markets are assumed for identical financial assets or liabilities.

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

The majority of Dräger's derivatives are currency forwards and futures. They are measured using the cash method, based on market prices and interest rates prevailing on the balance sheet date and obtained from external renowned sources.

Interest derivatives are measured by discounting expected future cash flows over the remaining term of the contract, using current market interest rates and yield curves.

Level 3:
Uses factors not based on observable market data for the measurement of financial assets and liabilities (unobservable input factors). Dräger Group does not hold any level 3 financial instruments.

There was no material interchange between levels 1 and 2.

The fair value of the note loans is approximately EUR 13 million up on the corresponding carrying value. The fair value of the remaining financial instruments largely corresponds with their carrying value.

17 RELATED PARTY TRANSACTIONS

Services totaling EUR 4 thousand in the first half of 2013 (6 months 2012: EUR 11 thousand) were rendered for companies related to Stefan Dräger and for the Dräger Foundation. Services rendered in 2012 totaling EUR 94 thousand (6 months 2012: EUR 18 thousand) were invoiced in the first half of 2013. As of June 30, 2013, there were receivables (June 30, 2012: EUR 1 thousand).

Claudia Dräger, Stefan Dräger's wife, is an employee of Drägerwerk AG & Co. KGaA.

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 regarding the management of Drägerwerk AG & Co. KGaA, including in particular, 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 amount to EUR 3.3 million as of June 30, 2013.

Three of the four members of the Executive Board of Drägerwerk Verwaltungs AG participated in the employee share program (see note 5). Each Executive Board member purchased nine sets of three shares at an average cost of EUR 97.99 per share using their own funds. For every three preferred shares, participants received one preferred share worth EUR 98.17 free of charge from Dräger. The holding period for these preferred shares – including those that participants acquired themselves – runs until April 30, 2015.

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

18 SUBSEQUENT EVENTS

There were no significant changes between the end of the first six month of 2013 and the time this interim financial report was prepared.

Lübeck July 29, 2013

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
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 significant opportunities and risks relating to the Group's development in the remaining fiscal year have been described.

Lübeck July 29, 2013

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Anton Schrofner

FINANCIAL CALENDAR

Report as of June 30, 2013, conference call, Lübeck, Germany	August 1, 2013
Report as of September 30, 2013, conference call, Lübeck, Germany	October 31, 2013
Annual shareholders' meeting, Lübeck, Germany	May 9, 2014

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