Dräger

Quarterly Report
January 1 to September 30, 2012
Dräger Group

Dräger. Technology for Life®

THE DRÄGER GROUP OVER THE PAST FIVE YEARS

		Nine months 2008	Nine months 2009	Nine months 2010	Nine months 2011	Nine months 2012	Change on 2011 in %
Order intake	€ million	1,398.3	1,414.5	1,568.4	1,679.7	1,768.8	+5.3
Orders on hand [1]	€ million	502.7	463.0	478.6	534.1	580.9	+8.8
Net sales	€ million	1,307.4	1,348.3	1,542.0	1,557.3	1,646.6	+5.7
EBITDA [2]	€ million	121.0	73.5	176.4	183.1	184.9	+0.9
EBIT [3]	€ million	58.6	28.4	136.7	139.7	137.4	–1.6
in % of net sales (EBIT margin)	%	4.5	2.1	8.9	9.0	8.3	–7.0
Interest result	€ million	–19.6	–21.8	–29.4	–21.5	–24.1	+12.2
Income taxes	€ million	–12.9	–1.8	–37.1	–38.9	–35.0	–10.1
Earnings after income taxes	€ million	26.0	4.8	70.2	79.3	78.3	–1.3
of which attributable to shareholders	€ million	15.1	–0.2	59.9	68.4	74.0	+8.1
Earnings per share [4]							
per preferred share	€	1.22	0.01	4.27	4.18	4.51	+7.9
per common share	€	1.17	–0.04	4.22	4.13	4.46	+8.0
Earnings per share on full distribution [5]							
per preferred share	€	0.92	0.11	2.96	2.99	3.45	+15.3
per common share	€	0.87	0.06	2.91	2.94	3.40	+15.5
Equity [1]	€ million	545.0	542.3	600.2	672.3	681.4	+1.4
Equity ratio [1]	%	33.3	31.0	32.4	34.7	32.5	
Capital employed [1,6]	€ million	948.2	864.2	911.5	881.0	906.5	+2.9
EBIT [3,7] / capital employed [1,6] (ROCE)	%	11.8	8.7	20.7	22.2	23.3	
Net financial debt [1,8]	€ million	258.4	178.4	192.7	100.2	122.5	+22.3
DVA [9]	€ million	28.2	–9.9	111.3	116.6	131.7	+12.9
Headcount [1]		10,796	10,924	11,197	11,825	12,409	+4.9

[1] Value as of September 30
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization (and non-recurring expenses in 2008)
[3] EBIT = Earnings before net interest result and income taxes
[4] On the basis of the expected dividend
[5] Based on an imputed actual full distribution of earnings attributable to shareholders
[6] Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest bearing liabilities
[7] EBIT of the last twelve months
[8] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Previous year's figures were adjusted accordingly.
[9] Dräger Value Added = EBIT of the last twelve months less cost of capital

TO OUR SHAREHOLDERS

MANAGEMENT REPORT

QUARTERLY FINANCIAL STATEMENTS OF THE DRÄGER GROUP AS OF SEPTEMBER 30, 2012

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

Letter from the Executive Board Chairman

Dear Shareholders,

The risks to the global economy have risen further. The International Monetary Fund sees a one in six chance of global growth falling below 2 percent in 2013 and pushing the industrialized nations into recession. What does that tell us?

Dräger has been simplifying its corporate structure over the past years, reducing its debt and investing a great deal into future potentials. In the first nine months of the current year alone, we spent 8.8 percent of net sales on research and development, 1.4 percent more than in the prior-year period. However, some of these investments had to be made in order to complete our homework that had been left unattended, including, in particular, the Monitoring business, where we still have some catching up to do. Despite our highly competitive environment, we are convinced that we will be able to lead this fundamental part of our business model back to its former growth path in the medium term. The number of employees in Research and Development rose by 138, more than 12 percent, in the past twelve months. In 2012, we are investing almost EUR 200 million in new and improved product projects so as to remain first choice among our customers and to gain new customers. The development and expansion of production and sales capacities in countries with high growth potential is also incurring costs at present but will further strengthen our international competitive position in the medium and long term and let us profit from geographical diversification. Investments in our employer brand are invaluable in the battle for talent. We are creating the basis for growing faster than the global economy in the future with these investments.

Although order intake and net sales performance have improved in the third quarter, it becomes apparent that we have not yet reached our goal and will have to continue working toward it relentlessly: Order intake and net sales grew by just 2.3 percent and 2.5 percent (net of currency effects) respectively. At the same time, the gross margin remains slightly below the strong prior-year figure. Our key management figure, the Dräger Value Added, came to EUR 131.7 million and exceeded the prior-year figure by EUR 15.1 million but fell EUR 1.8 million short of June's figure. Return on capital employed came to 23.3 percent, one percentage point up year-on-year. Our free cash flow developed positively in the third quarter and amounted to EUR 21 million. A rather mixed picture – we should not be satisfied with what we have already achieved. Our EBIT margin of 8.3 percent still falls a long way short of our medium-term target of 10 percent

and shows us clearly that we have a lot left to do. Our investments in research and development, the new sales structures in high-growth regions and the reorganization in Marketing and Sales aim to work toward this goal. A large order in the medium two-digit million range in Engineered Solutions has already made a contribution during the reporting period. It is an impressive indication of the value of our business models' great diversity, which we are continuing to actively implement. It is crucial that we are aware of our strength, have recognized our challenges and have drawn the correct conclusions from them. We are convinced that we are heading in the right direction.

Best regards,

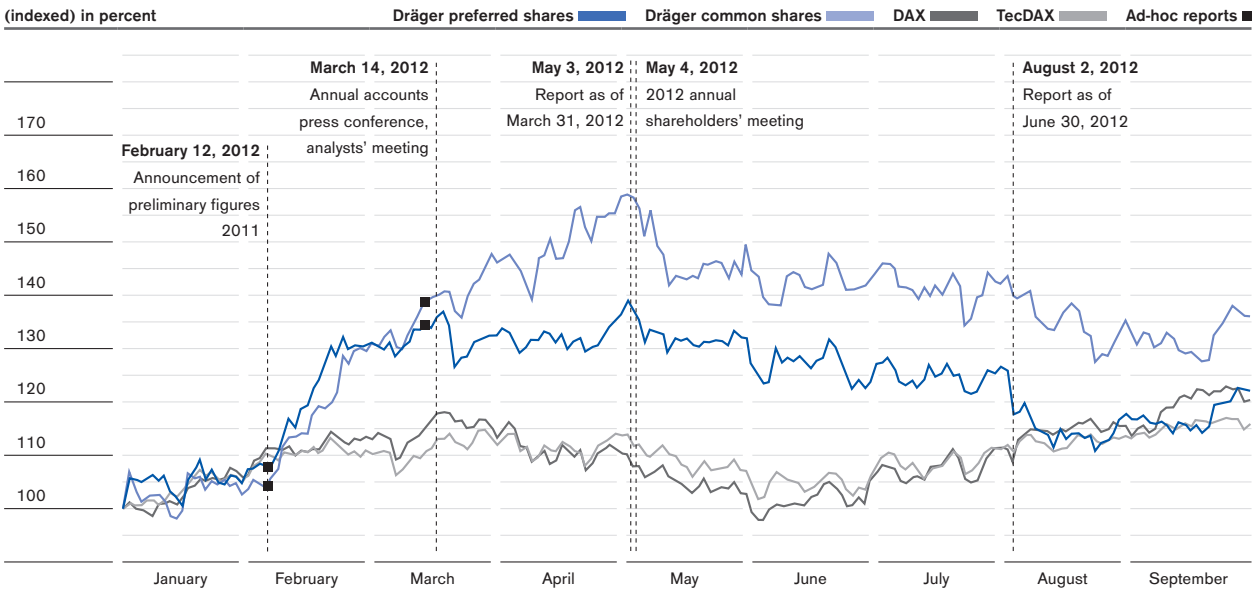
Stefan Dräger

Dräger shares

SHARE PRICE DEVELOPMENTS

The stock markets gained significantly in the first three quarters of 2012. The share indices DAX and TecDAX have risen by almost 19 percent and 16 percent respectively since the beginning of the year. Dräger shares performed excellently in this environment. Dräger common shares rose by almost 35 percent in the reporting period and preferred shares by at least 22 percent, therefore once again outperforming their benchmark indices DAX and TecDAX.

PERFORMANCE IN THE FIRST NINE MONTHS 2012



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

	Nine months 2012	Nine months 2011
Common shares		
No. of shares on the reporting date	10,160,000	10,160,000
High (in €)	77.30	69.84
Low (in €)	48.41	48.00
Share price on the reporting date (in €)	66.20	57.00
Average daily trading volume [1]	3,660	6,657
Earnings per common share		
Undiluted (in €)	4.46	4.13
Diluted (in €)	4.38	4.09
Earnings per common share on full distribution [2]		
Undiluted (in €)	3.40	2.94
Diluted (in €)	3.36	2.92
Preferred shares		
No. of shares on the reporting date	6,350,000	6,350,000
High (in €)	87.15	89.30
Low (in €)	63.14	57.05
Share price on the reporting date (in €)	77.13	72.00
Average daily trading volume [1]	31,578	26,356
Earnings per preferred share (in €)		
Undiluted (in €)	4.51	4.18
Diluted (in €)	4.43	4.14
Earnings per preferred share on full distribution [2]		
Undiluted (in €)	3.45	2.99
Diluted (in €)	3.41	2.97
Market capitalization	1,162,367,500	1,036,320,000

[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 three quarters of 2012

General economic conditions

ECONOMIC DATA REMAINS RATHER WEAK AND OUTLOOK IS UNCERTAIN

Following a dynamic start to 2012, global economic growth slowed down considerably in spring, a development partly caused by the worsening of the euro crisis. The Institute for the World Economy (IfW) found that the global gross domestic product rose by merely 2.4 percent in the second quarter – the smallest increase since the global recession in 2009. The IfW indicator, which compiles estimates from companies in 42 countries, indicates that growth in production in the third quarter will be even weaker than in the second quarter. In China, growth fell to 7.6 percent, the lowest in over three years, and the US gross domestic product (GDP) grew by just 1.3 percent in the second quarter. Germany, which had started the year with 1.5 percent growth, recorded only 0.5 percent GDP growth in the second quarter. Early warning indicators, such as the various Chinese, US and European purchasing manager indices, continue to show a mixed picture. The Ifo Business Climate Index recently fell six times in a row in Germany. According to the calculations of the ECB (European Central Bank), September's rate of inflation came to 2.7 percent in a year-on-year comparison. Energy price costs increased by 9.2 percent year-on-year in the eurozone, but the price of industrial products went up by just 0.8 percent.

CENTRAL BANKS KEEP KEY INTEREST RATES DOWN AND BUY BONDS ON THE MARKET

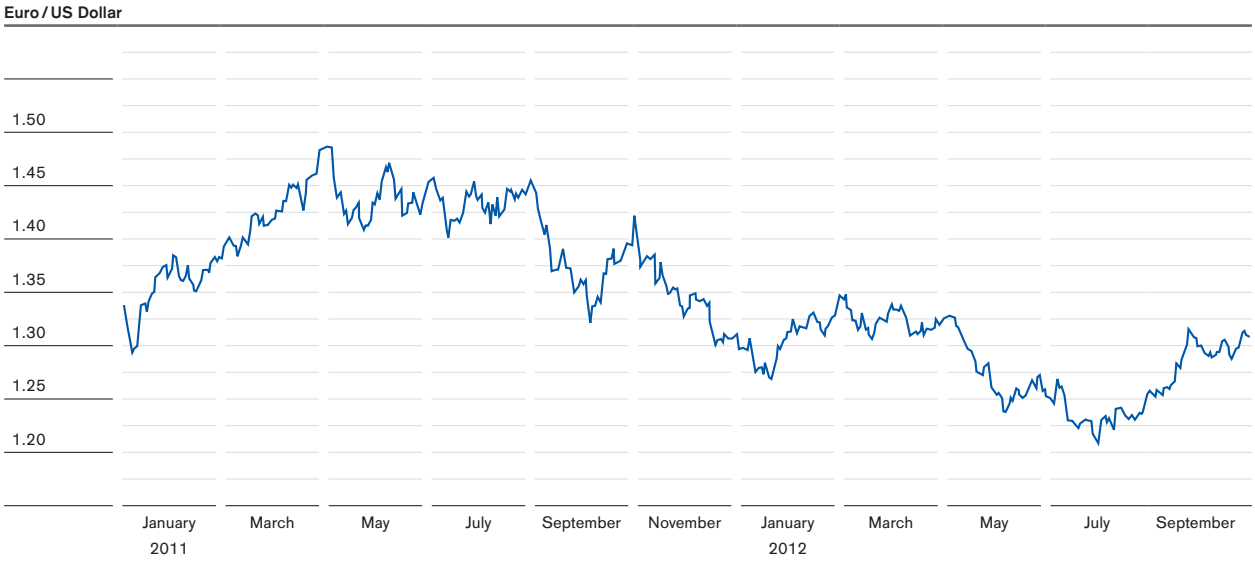
Both the ECB and the Fed (US Federal Reserve) did not change their key interest rates and kept them very low. The Fed also declared that it will not increase interest rates until mid-2015. The ECB and the Fed both plan to intervene in the market to gain additional influence over long-term interest rates. The Fed announced in mid-September that it would start buying mortgage backed securities (MBS) to the value of USD 40 billion every month starting immediately. This measure aims, in particular, to support the US real estate market. The Fed plans to keep this up until the situation in the US labor market has improved considerably. The president of the ECB had announced as far back as the end of July that he would do everything necessary to ensure the survival of the euro. In mid-September, the ECB decided to buy an unlimited number of one- to three-year bonds of member states provided that these countries apply to the ESM (European Stability Mechanism) and place themselves under the control of the euro bailout fund. The German Federal Constitutional Court (Bundesverfassungsgericht) rejected a chal-

lenge to the permanent establishment of the ESM bailout fund on September 12, after which the ESM was able to commence its activities at the beginning of October.

FINANCIAL MARKETS ARE RELAXING

Even the mere signal that the ECB planned to support the eurozone was enough to cause yields on South European government bonds to drop. Italy and Spain were able to issue bonds with lower interest rates. When the ECB announced that it would buy bonds, the yields on South European government bonds continued decreasing, while the yields on German bonds increased from its record low in July. The euro appreciated considerably during August and September, temporarily exceeding USD 1.30 (see chart). At the beginning of October, the nominal effective exchange rate of the euro – measured by the currencies of 20 of the most important trading partners in the eurozone – was 0.4 percent up on the level at the end of June 2012 and 5.6 percent below its average value in the prior year.

EXCHANGE RATE DEVELOPMENTS



Source: VWD (Vereinigte Wirtschaftsdienste)

MARKET AND INDUSTRY PERFORMANCE

Buyers in the medical technology markets were rather subdued in the third quarter of 2012. In Germany and Central Europe, demand remained slightly positive and in North Europe, in Sweden, for instance, demand was quite positive on account of large investments. In the South European countries, the financial crisis and the public consolidation efforts continued to negatively impact investment activities in the third quarter. The North American medical technology market was subdued, while South America continued investing in developing and expanding its healthcare infrastructure. In the Asia / Pacific region, China and India, in particular, recorded the highest demand for medical technology products. Purchasing volumes in other countries in the region such as Taiwan and Korea were also high. The expansion of the healthcare infrastructure in the Middle East and Russia also led to positive demand overall in these regions.

Demand for safety technology products was largely stable in the third quarter. Demand from the mainly export-oriented German industrial sector showed slightly positive development despite the global economy cooling down. Demand dropped in South Europe in line with this region's economy. Developments in the Americas were mixed. US industrial demand rose slightly, whereas demand in Brazil, for instance, dropped slightly during the year. Demand in Asia grew, although expansion in India and China slowed down overall. Saudi Arabia's massive efforts to expand its refineries, petrochemical sector and downstream industries as well as Libya's reconstruction measures are providing the markets in the Middle East and Africa with positive demand.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Third quarter			Nine months		
		Third quarter 2012	Third quarter 2011	Change in %	Nine months 2012	Nine months 2011	Change in %
Order intake	**€ million**	**629.5**	**570.7**	**+10.3**	**1,768.8**	**1,679.7**	**+5.3**
Orders on hand [1]	**€ million**	**580.9**	**534.1**	**+8.8**	**580.9**	**534.1**	**+8.8**
Net sales	**€ million**	**573.9**	**524.0**	**+9.5**	**1,646.6**	**1,557.3**	**+5.7**
EBITDA [2,6]	**€ million**	**59.9**	**59.9**	**+0.1**	**184.9**	**183.1**	**+0.9**
Depreciation / amortization [6]	€ million	–16.3	–14.7	+11.0	–47.5	–43.5	+9.2
EBIT [3]	**€ million**	**43.6**	**45.2**	**–3.5**	**137.4**	**139.7**	**–1.6**
Interest result	€ million	–6.9	–7.3	–5.7	–24.1	–21.5	+12.2
Income taxes	€ million	–11.5	–12.2	–5.9	–35.0	–38.9	–10.1
Earnings after income taxes	**€ million**	**25.2**	**25.6**	**–1.7**	**78.3**	**79.3**	**–1.3**
Earnings per share [4]							
per preferred share	€	1.46	1.36	+7.4	4.51	4.18	+7.9
per common share	€	1.44	1.34	+7.5	4.46	4.13	+8.0
Earnings per share on full distribution [5]							
per preferred share	€	1.11	0.96	+15.6	3.45	2.99	+15.4
per common share	€	1.09	0.94	+16.0	3.40	2.94	+15.6
R&D costs	€ million	51.1	38.8	+31.9	145.0	115.2	+25.8
Equity ratio [1]	%	32.5	34.7		32.5	34.7	
Cash flow from operating activities [6]	€ million	40.3	69.2	–41.8	89.0	84.0	+6.0
Net financial debt [1]	€ million	122.5	100.2	+22.3	122.5	100.2	+22.3
Investments [6]	€ million	20.9	17.9	+16.6	54.9	51.0	+7.6
Capital employed [1,7]	€ million	906.5	881.0	+2.9	906.5	881.0	+2.9
Net working capital [1,8]	€ million	401.9	365.5	+9.9	401.9	365.5	+9.9
EBIT [3] / net sales	%	7.6	8.6		8.3	9.0	
EBIT [3,9] / capital employed [1,7] (ROCE)	%	23.3	22.2		23.3	22.2	
Net financial debt [1] / EBITDA [2,6,10]	Factor	0.44	0.40		0.44	0.40	
Gearing [11]	Factor	0.18	0.15		0.18	0.15	
DVA [12]	€ million	131.7	116.6	+12.9	131.7	116.6	+12.9
Headcount [1]		12,409	11,825	+4.9	12,409	11,825	+4.9

1 Value as of September 30
2 EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
3 EBIT = Earnings before net interest result and income taxes
4 On the basis of the expected dividend
5 Based on an imputed actual full distribution of earnings attributable to shareholders
6 Equipment leased out is recognized in property, plant and equipment. The prior year figures were adjusted accordingly.
7 Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest bearing liabilities
8 Net working capital = Current, non-interest bearing assets less current, non-interest bearing debt
9 EBIT of the last twelve months
10 EBITDA of the last twelve months
11 Gearing = Net financial debt / equity
12 Dräger Value Added = EBIT of the last twelve months less cost of capital

Business performance of the Dräger Group

ORDER INTAKE

				Third quarter				Nine months
in € million	Third quarter 2012	Third quarter 2011	Change in %	Net of currency effects in %	Nine months 2012	Nine months 2011	Change in %	Net of currency effects in %
Germany	159.5	109.3	+46.0	+46.0	390.7	336.9	+16.0	+15.9
Rest of Europe	197.0	208.3	–5.4	–7.0	599.1	620.2	–3.4	–4.3
Americas	115.3	107.4	+7.3	+0.1	333.4	331.0	+0.7	–4.9
Asia / Pacific	109.5	97.2	+12.6	+2.6	310.5	263.9	+17.7	+7.8
Other	48.2	48.6	–0.8	–2.6	135.1	127.9	+5.7	+4.5
Total	**629.5**	**570.7**	**+10.3**	**+6.5**	**1,768.8**	**1,679.7**	**+5.3**	**+2.3**

Our order intake in the third quarter rose steeply by 6.5 percent (net of currency effects) year-on-year. This figure includes a large order with the safety division for interchangeable special units for tunnel rescue trains from Deutsche Bahn AG. Without this order, the last quarter's order volume would have dropped by around 2 percent. Order intake went up by 2.3 percent (net of currency effects) in the first nine months of fiscal year 2012. Orders would have been slightly down without the above-mentioned large project.

When looking at the individual regions, demand grew steepest in Germany on account of the already mentioned large order. Order intake in the Rest of Europe region dropped sharply (net of currency effects), both in the medical and safety divisions. In the Asia / Pacific region, order intake increased by 2.6 percent (net of currency effects), which is still less than the strong growth rates in past quarters. We recorded excellent growth in this region in the medical division but a drop in order intake (net of currency effects) in the safety division. Demand in the Americas region was on par with the prior year (net of currency effects). A rise in the safety division was compensated by a drop in the medical division.

ORDERS ON HAND

in € million	September 30, 2012	September 30, 2011	Change in %	Net of currency effects in %
Germany	138.4	87.7	+57.7	+57.7
Rest of Europe	178.1	194.3	–8.4	–10.2
Americas	105.3	104.3	+1.0	–3.4
Asia / Pacific	104.0	93.0	+11.8	+5.9
Other	55.2	55.0	+0.3	–0.7
Total	**580.9**	**534.1**	**+8.8**	**+6.1**

On September 30, 2012, orders on hand were EUR 580.9 million, up 6.1 percent (net of currency effects) on the prior year's figure of EUR 534.1 million. Orders on hand in Germany went up steeply on account of the previously mentioned large order.

Equipment orders on hand, excluding the contract with Deutsche Bahn that extends to 2016, covered a 2.7 month period (September 30, 2011: 3.1 months). This key figure is based on the average net sales over the past twelve months.

NET SALES

	Third quarter				Nine months			
in € million	Third quarter 2012	Third quarter 2011	Change in %	Net of currency effects in %	Nine months 2012	Nine months 2011	Change in %	Net of currency effects in %
Germany	105.3	103.9	+1.4	+1.4	318.9	319.6	–0.2	–0.2
Rest of Europe	204.8	198.6	+3.1	+1.7	580.3	569.2	+1.9	+1.0
Americas	116.7	106.9	+9.2	+1.9	324.9	321.6	+1.0	–5.0
Asia / Pacific	98.9	80.0	+23.5	+12.5	290.7	242.9	+19.7	+9.3
Other	48.2	34.7	+39.1	+36.9	131.9	103.9	+26.9	+26.0
Total	**573.9**	**524.0**	**+9.5**	**+5.6**	**1,646.6**	**1,557.3**	**+5.7**	**+2.5**

Net sales increased by 5.6 percent (net of currency effects) in the third quarter. The medical division was a much larger growth driver in the past quarter than the safety division. Net sales grew by 2.5 percent (net of currency effects) in the first nine months. Growth therefore fell short of the global economic growth rate expected by the International Monetary Fund for 2012 (IMF forecast, October 9, 2012: 3.3 percent) but was on par with the global growth rate determined by the IfW for the first half of the year (2.4 percent).

We grew in all regions in the third quarter (net of currency effects). However, net sales increased only slightly in the regions Germany, Rest of Europe and the Americas. In the Asia / Pacific region, on the other hand, the trend of above-average growth continued with net sales growing by 12.5 percent (net of currency effects). However, developments in this region are also mixed. Net sales in the Asia / Pacific region grew significantly in the medical division but dropped (net of currency effects) in the safety division.

Net sales in the Other Countries region grew considerably during the third quarter with the main contributor being the medical division.

EARNINGS

In the first nine months of 2012, gross profit went up by 5.1 percent to EUR 815.8 million, slightly below average compared to net sales (+5.7 percent). The gross margin was 49.5 percent, 0.3 percentage points down on the prior year. While the margin rose in the safety division, due to factors such as the product mix shifting to higher-margin products, the margin in the medical division fell slightly. The drop in this division was mainly due to low-margin large projects as well as non-recurring write-downs on inventories in the lower one-digit million range in the third quarter.

Functional costs rose by 6.7 percent year-on-year as of September 2012, the main reason being the 25.8 percent increase in research and development (R&D) expenses. We invested in developing new products, the compliance of our existing portfolio with RoHS [1] and defending our market position in the monitoring sector. The research and development ratio therefore went up to 8.8 percent of net sales (9 months 2011: 7.4 percent). We also invested in our sales structure in growth markets. Administrative expenses sank due to a lower variable management remunueration, which was accrued on the actual result. Personnel expenses went up considerably by 8.0 percent not only for headcount increases, but also due to pay rises in accordance with wage agreements. The changes in exchange rates compared to the euro also had a negative effect on functional costs.

EBIT went down by EUR 1.6 million to EUR 43.6 million in the third quarter. The margin decreased to 7.6 percent (third quarter 2011: 8.6 percent). The positive effect from the increase in net sales compensated for the negative effect from the drop in gross margin by 1.6 percentage points and the 7.8 percent rise in functional costs. The increased research and development expenses (+31.9 percent), in particular, impacted functional costs. The medical division was the main contributor to the drop in gross margin, whereas the safety division was on par with the third quarter of 2011.

[1] Restrictions of the use of certain hazardous substances in electrical and electronic equipment

The other financial result decreased earnings by EUR 0.7 million (9 months 2011: EUR –1.2 million). Overall, we generated Group earnings before interest and taxes (EBIT) of EUR 137.4 million (September 2011: EUR 139.7 million). The EBIT margin fell from 9.0 percent in the prior year to 8.3 percent.

The interest result decreased by EUR 2.6 million to EUR 24.1 million year-on-year. This change was caused by expenses for buying back the participation certificates in the first quarter of this year. Compared to the prior year, the effective tax rate decreased to 30.9 percent (9 months 2011: 32.9 percent). Especially the above-average earnings growth in Germany had a positive impact on the Group tax rate.

Earnings after income taxes amounted to EUR 78.3 million, down 1.3 percent on the prior year (9 months 2011: EUR 79.3 million).

INVESTMENTS

As of September 2012, we invested EUR 5.8 million (9 months 2011: EUR 4.5 million) in intangible assets and EUR 49.1 million in property, plant and equipment (9 months 2011: EUR 46.5 million). These investments mainly pertained to replacements, equipment for rental and the modernization of the IT infrastructure. Depreciation and amortization came to EUR 47.5 million in the first nine months of 2012 (9 months 2011: EUR 43.5 million) and covered 116 percent of investments, meaning that non-current assets rose by EUR 7.4 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 nine months of 2012, we generated cash inflow from operating activities of EUR 89.0 million compared to EUR 84.0 million in the prior-year period. The reduction in trade receivables of EUR 73.4 million, which was much greater than in the prior-year period (9 months 2011: EUR 47.7 million), was the main contributor to this development. In addition, other liabilities went down by EUR 2.3 million, a smaller drop than in the prior-year period, when they decreased by EUR 20.1 million. The rise of inventories to the amount of EUR 60.6 million (9 months 2011: EUR 31.8 million) had an offsetting effect. In addition, earnings after income taxes, adjusted for write-downs, changes to cash neutral provisions as well as other non-cash earnings / expenses, decreased by EUR 3.5 million to EUR 140.2 million.

Cash outflow from investing activities of EUR 47.7 million (9 months 2011: EUR 46.7 million) increased slightly, despite the fact that last year's investment volume included EUR 5.1 million for the new production and logistics building for the Infrastructure Projects business in Lübeck, which was under construction at the time.

The buyback of 581,474 participation certificates in March 2012 resulted in cash outflow of EUR 122.1 million (EUR 122.5 million including incidental purchase costs), EUR 15.7 million of which pertained to the debt component and EUR 106.4 million to the equity component of the bought back participation certificates.

Cash inflow from operating activities includes EUR 26.2 million in income taxes paid (9 months 2011: EUR 35.4 million), EUR 3.9 million in interest received (9 months 2011: EUR 3.3 million) and EUR 18.6 million in interest paid (9 months 2011: EUR 20.1 million).

Cash and cash equivalents as of September 30, 2012 exclusively comprised cash, of which EUR 13.4 million (September 30, 2011: EUR 12.7 million) was subject to restrictions.

BORROWING

Compared to the financing measures described in the Annual Report 2011 on page 82, the buyback of the participation certificates improved the capital structure. Dräger focuses on preferred and common shares as equity instruments. In total, we bought back around 41 percent of the participation certificates for EUR 122.1 million. The buyback of the participation certificates increased earnings per share year-on-year, based on the financial statements for the third quarter of 2012.

NET ASSETS

Equity fell by EUR 48.2 million to EUR 681.4 million in the first nine months of 2012. This drop is due, among other factors, to the buyback of the participation certificates in March, which decreased equity by EUR 87.5 million. Retained profits offset the majority of this effect in the first half of the year. Due to the sustained drop in interest on non-current assets a re-evaluation of the actuarial interest rate for pension provisions was required in the third quarter. Equity dropped by around EUR 43.8 million as a result. The equity ratio went down to 32.5 percent as of September 30, 2012 (December 31, 2011: 34.5 percent).

Total assets decreased by EUR 19.7 million to EUR 2,095.5 million in the first nine months of 2012. Cash and cash equivalents dropped by EUR 86.7 million and trade

receivables by EUR 67.4 million. This was only partially offset by inventories rising by EUR 59.9 million, deferred tax assets by EUR 40.8 million, other current assets by EUR 27.8 million and current tax receivables by EUR 14.5 million. On the liabilities side, trade payables, in particular, went down (EUR –32.9 million) as well as equity (EUR –48.2 million), whereas pension provisions went up (EUR +47.7 million).

As of September 30, 2012, Dräger Value Added (DVA) came to EUR 131.7 million (September 30, 2011: EUR 116.6 million), corresponding to a rise of 12.9 percent year-on-year. Cost of capital increased slightly by 0.8 percent year-on-year as the average capital invested rose to EUR 886.7 million. The main impulse for the rise in DVA was the improved EBIT in the fourth quarter of 2011.

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Third quarter			Nine months		
		Third quarter 2012	Third quarter 2011	Change in %	Nine months 2012	Nine months 2011	Change in %
Order intake	**€ million**	**389.8**	**383.6**	**+1.6**	**1,125.5**	**1,097.5**	**+2.6**
Orders on hand [1]	**€ million**	**380.6**	**375.9**	**+1.3**	**380.6**	**375.9**	**+1.3**
Net sales	**€ million**	**377.6**	**335.2**	**+12.6**	**1,063.3**	**998.2**	**+6.5**
EBITDA [2,4]	**€ million**	**45.5**	**43.9**	**+3.7**	**118.8**	**126.0**	**–5.7**
Depreciation / amortization [4]	€ million	–6.6	–6.0	+10.3	–19.5	–18.1	+7.7
EBIT [3]	**€ million**	**38.9**	**37.9**	**+2.6**	**99.2**	**107.8**	**–8.0**
R&D costs	€ million	35.7	27.8	+28.7	100.7	79.8	+26.1
Cash flow from operating activities [4]	€ million	21.2	47.7	–55.6	60.7	80.9	–24.9
Investments [4]	€ million	6.2	8.1	–23.3	17.4	25.7	–32.4
Capital employed [1,5]	€ million	544.8	531.1	+2.6	544.8	531.1	+2.6
Net working capital [1,6]	€ million	285.9	262.3	+9.0	285.9	262.3	+9.0
EBIT [3] / net sales	%	10.3	11.3		9.3	10.8	
EBIT [3,7] / capital employed [1,5] (ROCE)	%	33.6	31.3		33.6	31.3	
DVA [8]	€ million	134.0	118.3	+13.3	134.0	118.3	+13.3
Headcount [1]		6,913	6,671	+3.6	6,913	6,671	+3.6

[1] Value as of September 30
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = earnings before net interest result and income taxes
[4] Equipment leased out is recognized in property, plant and equipment. The prior year figures were adjusted accordingly.
[5] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[6] Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt
[7] EBIT of the last twelve months
[8] Dräger Value Added = EBIT of the last twelve months less cost of capital

Business performance of the medical division

ORDER INTAKE

				Third quarter				Nine months
in € million	Third quarter 2012	Third quarter 2011	Change in %	Net of currency effects in %	Nine months 2012	Nine months 2011	Change in %	Net of currency effects in %
Germany	72.4	75.4	–4.0	–4.0	226.8	233.2	–2.8	–2.8
Rest of Europe	123.0	133.1	–7.6	–9.0	361.2	378.8	–4.6	–5.2
Americas	78.6	76.6	+2.5	–4.5	231.6	237.5	–2.5	–7.8
Asia / Pacific	78.2	67.1	+16.5	+6.8	200.8	164.3	+22.2	+12.1
Other	37.7	31.4	+20.0	+17.8	105.2	83.7	+25.7	+23.8
Total	**389.8**	**383.6**	**+1.6**	**–2.2**	**1,125.5**	**1,097.5**	**+2.6**	**–0.4**

Order intake in the medical division decreased by 2.2 percent (net of currency effects) in the third quarter. The number of orders received in the past quarter grew, particularly in emerging markets, which was, however, not enough to offset the drop in some established markets. We recorded a slight decrease of 0.4 percent (net of currency effects) in the first nine months of 2012.

In terms of products, order intake grew in Lifecycle Solutions and Anesthesia as well as the Infrastructure Projects business in the third quarter. We recorded lower order volumes in the Ventilation and Neonatal Care business as well as, in particular, in Monitoring, Systems and IT in the past quarter.

In Germany, order intake went down by a total of 4.0 percent. Growth in Anesthesia did not fully compensate for the drop in the other businesses. Demand fell year-on-year in Monitoring, Systems and IT, in particular, as did the order volume in Infrastructure Projects.

Demand fell steepest in the Rest of Europe region, where we recorded a drop of 9.0 percent (net of currency effects). Especially the South European countries ordered less. On the other hand, the order volume in Russia was high again, particularly in the Anesthesia and Neonatal Care business.

Order volume in the Americas region also fell by 4.5 percent (net of currency effects).

However, we had received a larger order in Venezuela in the year before. In the US, orders for Monitoring, Systems and IT products, in particular, decreased. We managed to win a large order in Infrastructure Projects in Mexico.

In the Asia / Pacific region, order intake once again rose steeply by 6.8 percent (net of currency effects) on account of orders from India and also China, Singapore and Thailand. The order situation in Japan recovered again after the drop in the prior year.

In the third quarter, the Other Countries region continued the prior quarters' positive growth, the main contributor being large orders from Saudi Arabia.

ORDERS ON HAND

in € million	September 30, 2012	September 30, 2011	Change in %	Net of currency effects in %
Germany	52.6	55.6	–5.5	–5.5
Rest of Europe	121.0	135.2	–10.5	–12.2
Americas	90.1	87.9	+2.5	–2.2
Asia / Pacific	74.0	64.8	+14.3	+9.0
Other	43.0	32.4	+32.5	+30.9
Total	**380.6**	**375.9**	**+1.3**	**–1.5**

On September 30, 2012, orders on hand in the medical division were EUR 380.6 million, down 1.5 percent (net of currency effects) on the prior year's figure of EUR 375.9 million.

Equipment orders on hand covered a 3.1 month period (September 30, 2011: 3.5 months). This key figure is based on the average net sales over the past twelve months.

NET SALES

				Third quarter				Nine months
in € million	Third quarter 2012	Third quarter 2011	Change in %	Net of currency effects in %	Nine months 2012	Nine months 2011	Change in %	Net of currency effects in %
Germany	69.2	72.4	–4.4	–4.4	215.1	224.0	–4.0	–4.0
Rest of Europe	122.6	113.7	+7.8	+6.6	336.7	325.4	+3.5	+2.7
Americas	81.4	75.6	+7.7	+0.6	224.3	223.6	+0.3	–5.7
Asia / Pacific	66.7	49.3	+35.2	+23.8	188.2	151.3	+24.4	+13.7
Other	37.7	24.2	+56.1	+53.7	98.9	73.8	+33.9	+32.7
Total	**377.6**	**335.2**	**+12.6**	**+8.8**	**1,063.3**	**998.2**	**+6.5**	**+3.2**

Net sales in the medical division increased by 8.8 percent (net of currency effects) in the third quarter of 2012. Deliveries went up in all regions, except Germany, with the Asia / Pacific and Other Countries regions, in particular, once again contributing an above-average share to this growth. Net sales therefore rose by 3.2 percent (net of currency effects) in the first nine months of fiscal year 2012.

Apart from Anesthesia, all product areas contributed to growth in the past quarter. Net sales grew particularly positively in Ventilation, but Infrastructure Projects and Neonatal Care also recorded a considerable year-on-year increase. Net sales performance was stable in Monitoring, Systems and IT in the third quarter.

Net sales decreased by 4.4 percent in Germany in the past quarter. However, we recorded growth in the replacement part and service business. A delay occurred in invoicing some large infrastructure projects originally planned for the third quarter due to project-related matters. We expect to still realize these net sales this year, especially in the Gas Management Systems business. Deliveries in Monitoring, Systems and IT dropped in the past quarter.

Deliveries went up by 6.6 percent (net of currency effects) in the Rest of Europe region. Our business in Russia continued growing disproportionately in the third quarter on account of the modernization program in this country. Net sales from Turkish customers also contributed to our growth. In South Europe, on the other hand, we recorded another drop.

Net sales in the Americas region was largely stable (net of currency effects). We generated growth in Brazil, primarily in Anesthesia and Monitoring, Systems and IT. Our

newly-established company in Peru also contributed to the rise in deliveries. In the US, the drop in Monitoring, Systems and IT as well as in Anesthesia almost fully offset the rise in Ventilation. In Canada and Ecuador, we were unable to generate the same very high figures than in the prior-year quarter and recorded a decrease.

We once again achieved significant growth in the Asia / Pacific region with net sales increasing by 23.8 percent (net of currency effects) in the third quarter. The main contributor to this development was our business in China where we recorded a rise in ventilation products and infrastructure projects, in particular, in the past quarter. Business in Japan continued to recover following the natural and nuclear disaster last year. The delivery of a large order had a positive effect on net sales development in Vietnam.

In the Other Countries region, deliveries soared by 53.7 percent (net of currency effects). Especially Saudi Arabian customers again contributed to net sales growth in the third quarter. We delivered part of a large order within the scope of a development aid project in Ghana.

EARNINGS

The gross margin of the medical division was down on the prior year in the first nine months of 2012 (–1.1 percentage points). Margins were down on account of low-margin large projects and a change in product mix. A non-recurring write-down in the lower one-digit million range reduced the margin further in the third quarter. This adjustment pertained to the market-related measurement of acquired software licenses, among other things, and project-related individual risks. Currency effects had very little impact on the gross margin as a whole. Due to the increased volume, however, total gross profit was up year-on-year, both in the first nine months and in the third quarter.

Research and development (R&D) expenses, which went up year-on-year, especially increased functional costs and narrowed the earnings margin further. To provide targeted support for future growth, research and development expenses rose by 26.1 percent (net of currency effects: 22.0 percent) to EUR 100.7 million compared to the first nine months of 2011. Expenses for the future product portfolio went up, in particular. We also continued to invest so as to adapt the current product range to the RoHS EU guideline. The euro was weaker compared to the currencies of many subsidiaries, which had a positive effect on net sales but a negative one on costs. This currency effect particularly impacted research and development as we create considerable value in this area in the US dollar region.

EBIT of the medical division went down by 8.0 percent to EUR 99.2 million in total (9 months 2011: EUR 107.8 million). The EBIT margin was therefore 9.3 percent (9 months 2011: 10.8 percent). EBIT went up slightly by EUR 1.0 million to EUR 38.9 million in the third quarter. The EBIT margin, however, dropped to 10.3 percent (third quarter of 2011: 11.3 percent) as costs rose disproportionately compared to net sales. The steep increase in research and development expenses, in particular, had a negative effect as did the above-mentioned write-downs.

INVESTMENTS

In the first nine months of 2012, the medical division invested EUR 17.4 million in property, plant and equipment and intangible assets (9 months 2011: EUR 25.7 million). We invested EUR 0.8 million in the new regional headquarters for Latin America in Panama in addition to replacements. In the same period in the prior year, we invested EUR 6.5 million in the construction of a new production and logistics building for the Infrastructure Projects business as well as EUR 1.2 million in the new Dräger Design Center in Lübeck.

Depreciation and amortization came to EUR 19.5 million in the first nine months of 2012 (9 months 2011: EUR 18.1 million) and covered 89.2 percent of investments, meaning that non-current assets fell by EUR 2.1 million net.

FINANCIAL POSITION AND NET ASSETS

As of September 30, 2012, capital employed in the medical division increased by EUR 13.7 million to EUR 544.8 million (September 30, 2011: EUR 531.1 million). The main drivers behind this development were a volume-related rise in receivables and inventories. Overall, we improved the efficiency of net current assets in the medical division: The days working capital (coverage of working capital) fell by 4.9 days to 115.9 days. Cash inflow from operating activities amounted to EUR 60.7 million in the first nine months of the year (9 months 2011: EUR 80.9 million). The lower cash inflow is caused by a slight reduction of profit as well as by a lower reduction of working capital compared to prior year.

DVA in the medical division increased year-on-year by EUR 15.7 million to EUR 134.0 million in the twelve months to September 30, 2012 (twelve months to September 30, 2011: EUR 118.3 million). This rise in DVA was mainly driven by EBIT, which went up by EUR 17.0 million (on a twelve-month rolling basis) and which was impacted by the strong result in the fourth quarter of 2011. In contrast, capital employed, which was slightly higher on average, lowered DVA by EUR 1.3 million.

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Third quarter			Nine months		
		Third quarter 2012	Third quarter 2011	Change in %	Nine months 2012	Nine months 2011	Change in %
Order intake	**€ million**	**248.6**	**194.6**	**+27.7**	**668.1**	**604.8**	**+10.5**
Orders on hand [1]	**€ million**	**202.1**	**160.0**	**+26.3**	**202.1**	**160.0**	**+26.3**
Net sales	**€ million**	**205.4**	**196.2**	**+4.7**	**607.8**	**581.3**	**+4.6**
EBITDA [2, 4]	**€ million**	**22.1**	**26.8**	**–17.4**	**86.3**	**84.1**	**+2.6**
Depreciation / amortization [4]	€ million	–6.3	–5.9	+5.7	–18.2	–17.4	+4.4
EBIT [3]	**€ million**	**15.9**	**20.9**	**–23.9**	**68.1**	**66.7**	**+2.2**
R&D costs	€ million	14.2	9.7	+47.2	41.9	32.4	+29.4
Cash flow from operating activities [4]	€ million	17.7	17.9	–1.1	43.6	26.7	+63.2
Investments [4]	€ million	9.4	7.6	+22.5	25.7	19.2	+34.2
Capital employed [1, 5]	€ million	209.0	215.2	–2.9	209.0	215.2	–2.9
Net working capital [1, 6]	€ million	136.2	138.5	–1.7	136.2	138.5	–1.7
EBIT [3] / net sales	%	7.7	10.6		11.2	11.5	
EBIT [3, 7] / capital employed [1, 5] (ROCE)	%	37.1	37.5		37.1	37.5	
DVA [8]	€ million	59.3	62.2	–4.6	59.3	62.2	–4.6
Headcount [1]		4,729	4,500	+5.1	4,729	4,500	+5.1

[1] Value as of September 30
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = earnings before net interest result and income taxes
[4] Equipment leased out is recognized in property, plant and equipment. The prior year figures were adjusted accordingly.
[5] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[6] Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt
[7] EBIT of the last twelve months
[8] Dräger Value Added = EBIT of the last twelve months less cost of capital

Business performance of the safety division

ORDER INTAKE

				Third quarter				Nine months
in € million	Third quarter 2012	Third quarter 2011	Change in %	Net of currency effects in %	Nine months 2012	Nine months 2011	Change in %	Net of currency effects in %
Germany	95.7	41.3	+131.7	+131.7	186.7	126.1	+48.1	+48.1
Rest of Europe	74.4	75.2	–1.1	–2.9	239.3	241.4	–0.9	–2.0
Americas	36.7	30.8	+19.2	+11.7	102.1	93.5	+9.2	+2.8
Asia / Pacific	31.3	30.1	+4.0	–6.6	110.1	99.6	+10.5	+0.9
Other	10.5	17.2	–39.0	–39.5	29.9	44.2	–32.4	–32.1
Total	**248.6**	**194.6**	**+27.7**	**+24.2**	**668.1**	**604.8**	**+10.5**	**+7.5**

In the third quarter, order intake in the safety division increased by 24.2 percent (net of currency effects). A large Engineered Solutions projects order in particular had a positive effect here. Without this order, order intake would have fallen slightly (net of currency effects). After nine months, demand was up by 7.5 percent (net of currency effects). Order intake was down slightly net of currency effects and when excluding the large order from Deutsche Bahn.

The firefighting sector posted mixed global developments in the third quarter. On the whole we grew slightly here. Our transactions with industrial customers also increased, supported by demand for mobile gas detectors and light respiratory protection. We saw slight drops in demand for stationary gas detections systems and alcohol testing devices, after having received larger orders in the prior year.

Dräger recorded strong growth in Germany in the third quarter. This was supported by the large order from Deutsche Bahn for interchangeable special units for a total of seven tunnel rescue trains. The order volume amounted to a mid-two-digit million euro figure and extends over four years until 2016. The maintenance and equipment rental business continued to grow strongly.

Demand continued to decline in the Rest of Europe region, with order intake dropping by 2.9 percent (net of currency effects). A significant reluctance to invest in safety technology systems and devices took effect in South Europe. Order intake in Russia was

slightly down year-on-year in the third quarter of 2011. Demand from the Netherlands was buoyant, especially in the form of a larger order to replace and expand fire alarm systems.

Order intake in the Americas region increased by 11.7 percent (net of currency effects). In Brazil, demand grew once more, and we received a larger order from the firefighting sector. In Mexico, we received a number of smaller orders for respiratory protection and gas detection devices. Demand from the US was on par with the prior year (net of currency effects).

Order intake in the Asia / Pacific region declined by 6.6 percent (net of currency effects), after having increased considerably in the prior year. Although our business in China grew slightly (net of currency effects), it was far behind the growth rates of recent years. In Australia, we did not quite match the very strong prior-year figure.

Growth in the Other Countries region in the third quarter was down considerably on the very strong prior-year quarter. In the Middle East, we received a larger order for respiratory protection devices from the firefighting sector.

ORDERS ON HAND

in € million	September 30, 2012	September 30, 2011	Change in %	Net of currency effects in %
Germany	87.0	33.7	+158.2	+158.2
Rest of Europe	57.2	59.1	–3.2	–5.2
Americas	15.6	16.4	–4.9	–7.9
Asia / Pacific	30.1	28.2	+6.7	–0.7
Other	12.2	22.6	–46.0	–46.0
Total	**202.1**	**160.0**	**+26.3**	**+23.9**

On September 30, 2012, orders on hand were EUR 202.1 million, up 23.9 percent (net of currency effects) on the prior year's figure of EUR 160.0 million. This figure contains the above-mentioned large Deutsche Bahn order. Orders on hand declined by 4.9 percent excluding the impact from large projects, such as the tunnel rescue trains and the deep sea diving systems.

Equipment orders on hand, adjusted for the large Deutsche Bahn order and currency effects, covered a 2.3 month period (September 30, 2011: 2.7 months). This key figure is based on the average net sales over the past twelve months.

NET SALES

				Third quarter				Nine months
in € million	Third quarter 2012	Third quarter 2011	Change in %	Net of currency effects in %	Nine months 2012	Nine months 2011	Change in %	Net of currency effects in %
Germany	44.4	38.8	+14.4	+14.4	126.3	117.8	+7.2	+7.2
Rest of Europe	82.9	84.9	–2.4	–4.2	245.3	243.8	+0.6	–0.6
Americas	35.3	31.3	+12.8	+5.1	100.6	98.0	+2.7	–3.5
Asia / Pacific	32.3	30.7	+5.2	–5.2	102.6	91.6	+12.0	+2.2
Other	10.5	10.5	+1.0	–1.0	33.0	30.1	+9.6	+9.6
Total	**205.4**	**196.2**	**+4.7**	**+1.0**	**607.8**	**581.3**	**+4.6**	**+1.5**

In the third quarter, net sales in the safety division increased by 1.0 percent (net of currency effects). Adjusted for the deep sea diving systems, net sales rose by 5.0 percent in the quarter. In the first nine months of 2012, net sales increased by 1.5 percent (net of currency effects). Additionally adjusted for the deep sea diving systems, net sales rose by 4.5 percent.

The growth in the Equipment business offset the drop in the Engineered Solutions project business. In the industrial customers business, demand, especially for stationary gas detection systems, continued to increase. In the firefighting sector, we recorded a moderate rise in personal protection equipment and respiratory protection devices.

The positive developments in Germany continued, allowing us to increase deliveries by 14.4 percent in the past quarter. This was mainly due to orders for respiratory protection and gas detection systems, especially from industrial customers and the firefighting sector.

Net sales in the Rest of Europe region decreased by 4.2 percent (net of currency effects). Adjusted for net sales from deep sea diving systems in the prior year, net sales rose by 5.0 percent. Growth was supported by deliveries of fire alarm systems as well as the industrial customers' mobile gas detection business in the Netherlands. Net sales in South Europe were on par with the prior year while net sales declined in Russia, after having delivered larger orders in the prior year.

Net sales rose by a considerable 5.1 percent in the Americas region. This was mainly due to deliveries of respiratory protection devices to Canada. Net sales from customers in Brazil also rose once more. In the US business, net sales (net of currency effects) were

down on the prior year, which had been influenced by a large number of deliveries to industrial customers.

Net sales in the Asia / Pacific region declined by 5.2 percent in the third quarter (net of currency effects). The number of deliveries to Australia and New Zealand was high in the prior year, a level which we managed to maintain. In China, demand in the mining industry and the firefighting sector remained low, resulting in a drop in net sales. Deliveries in the Other Countries region remained largely stable.

EARNINGS

The gross margin of the safety division was up on the prior year in the first nine months of 2012 (+1.0 percentage point). An improved product mix and a higher share of the high-margin industrial and firefighting segments positively influenced the margin. Gross profit increased disproportionately compared to net sales.

Earnings were negatively impacted compared to the prior period by increased functional costs. Research and development costs went up by 29.4 percent year-on-year to EUR 41.9 million (9 months 2011: EUR 32.4 million), so as to increase our power of innovation. Marketing and sales costs rose to enable us to expand the sales structures in growth markets.

In view of these developments, EBIT of the safety division increased to EUR 68.1 million in total (9 months 2011: EUR 66.7 million). The EBIT margin was therefore 11.2 percent (9 months 2011: 11.5 percent). In the third quarter, EBIT dropped by EUR 5.0 million to EUR 15.9 million due to an above-average rise in functional costs (+12.3 percent on the prior-year quarter). Earnings were impacted by higher investments in research and development.

INVESTMENTS

In the first nine months of 2012, we invested a total of EUR 25.7 million (9 months 2011: EUR 19.2 million) in intangible assets and property, plant and equipment. This rise is mainly due to a larger equipment rental business volume as well as investments in modernization measures at the production site in Blyth, United Kingdom.

In the first nine months of 2012, depreciation and amortization came to EUR 18.2 million and covered 141.2 percent of investments, and non-current assets rose by EUR 7.5 million net.

NET ASSETS

As of the end of the third quarter of 2012, capital employed in the safety division decreased by 2.9 percent to EUR 209.0 million (September 30, 2011: EUR 215.2 million). This decline was due in part to a rise in tax liabilities. The days working capital (coverage of working capital) amounted to 99.6 days in the safety division in the first nine months of 2012, 0.9 days up on the comparable period in 2011. Cash flow from operating activities went up year-on-year to EUR 43.6 million due to the balance sheet date as a result of an increased reduction of receivables (9 months 2011: EUR 26.7 million).

DVA in the safety division fell by EUR 2.9 million to EUR 59.3 million year-on-year as of September 30, 2012 (year-on-year as of September 30, 2011: EUR 62.2 million). This drop in DVA was mainly driven by EBIT, which fell by at least EUR 3.1 million (on a twelve-months rolling basis).

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

		Third quarter			Nine months		
		Third quarter 2012	Third quarter 2011	Change in %	Nine months 2012	Nine months 2011	Change in %
Order intake	**€ million**	**3.4**	**3.8**	**–9.8**	**11.7**	**11.7**	**–0.3**
Orders on hand [1]	**€ million**	**0.0**	**0.0**		**0.0**	**0.0**	
Net sales	**€ million**	**3.4**	**3.8**	**–9.8**	**11.7**	**11.7**	**–0.3**
EBITDA [2]	**€ million**	**52.1**	**36.2**	**+43.8**	**173.1**	**133.6**	**+29.5**
Depreciation / amortization	€ million	–3.4	–2.8	+23.7	–9.8	–7.9	+23.4
EBIT [3]	**€ million**	**48.7**	**33.5**	**+45.5**	**163.3**	**125.7**	**+29.9**
R&D costs	€ million	1.2	1.3	–12.6	2.4	3.0	–20.8
Cash flow from operating activities	€ million	31.4	39.4	–20.2	125.6	106.5	+17.9
Investments	€ million	5.3	2.2	+145.3	11.7	6.1	+92.6
Capital employed [1,4]	€ million	749.9	753.0	–0.4	749.9	753.0	–0.4
Net working capital [1,5]	€ million	–33.3	–27.4	+21.6	–33.3	–27.4	+21.6
Headcount [1]		767	654	+17.3	767	654	+17.3

[1] Value as of September 30
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = earnings before interest and 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

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.

Drägerwerk AG & Co. KGaA/ Other companies' EBIT rose in the third quarter of 2012 to EUR 48.7 million (2011: EUR 33.5 million). The increase resulted from the rise in profits for the third quarter of 2012 in the amount of EUR 60.0 million (third quarter of 2011: EUR 45.4 million) being transferred, primarily by Dräger Medical GmbH and Dräger Safety AG & Co. KGaA.

Drägerwerk AG & Co. KGaA/ Other companies' EBIT rose in the first nine months of 2012 to EUR 163.3 million (9 months 2011: EUR 125.7 million).

INVESTMENTS

In the first nine months of 2012, investments in intangible assets and property, plant and equipment came to EUR 11.7 million (9 months 2011: EUR 6.1 million). These investments were mainly made to gradually improve and modernize the IT infrastructure.

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. We aim to increase the percentage of new products in total net sales and to benefit from the resulting rise in profitability. At EUR 145.0 million, we spent considerably more on research and development in the first nine months of 2012 than in the prior-year period (9 months 2011: EUR 115.2 million). This is equivalent to 8.8 percent of net sales (9 months 2011: 7.4 percent).

We increased research and development costs in the medical division to EUR 100.7 million (9 months 2011: EUR 79.8 million). At 9.4 percent of net sales, we invested considerably more than in the prior-year period (8.0 percent). We continue to focus on optimizing and expanding the "Infinity Acute Care System." We invested more than planned to expand its functionality and increase quality. We also focused on expanding our accessories and consumables business as well as on updating different products to comply with the European Union's RoHS[2] regulation. In addition, the rise of the US dollar compared to the euro increased research and development costs even further. We

[2] Restrictions of the use of certain hazardous substances in electrical and electronic equipment

launched eight new products in the first nine months of the year. Full production of the "PulmoVista 500" started in the third quarter. Until now, only a very limited number of this product has been delivered due to start-up quality and delivery problems at a supplier. The "PulmoVista 500" is a unique product based on innovative electrical impedance tomography technology. While optimizing ventilation therapy, the device provides the user with previously unavailable information on the regional distribution of air. It is used in particular in critical care units and has aroused a great deal of interest among our customers. "PulmoVista 500" can receive and display readings from Dräger ventilators on the monitor. This system makes it even easier for users to interpret the effects of therapeutic measures on the ventilation of the lungs.

In the first nine months of 2012, we invested EUR 41.9 million in research and development in the safety division (9 months 2011: EUR 32.4 million), corresponding to 6.9 percent of net sales (9 months 2011: 5.6 percent). We launched eight new products in the first nine months of the year. In the third quarter, we launched the "DrägerSensor EC" and "DrägerSensor MEC" electro-chemical sensors. They round off the "Polytron 8000" series. For the first time ever, we are offering a product family that reflects all stationary gas detection measurement technologies. This provides customers with a wide range of combinations, all depending on the specific application and regulatory requirements. We will therefore be servicing both the American and European markets. We also launched the "PRC 7000" software. This controls the automatic switching of gas samples for the "Dräger PIR 7000" gas transmitter. For example, it can be used where continuous dryers are employed and, in light of the risk posed by solvent vapors, ensures the safe and economical operation of these systems. We added the "Dräger Merlin Software" to our "Dräger PSS Merlin Telemetry System." We therefore provide the firefighting sector with a software-based telemetric monitoring system that always gives a precise overview of all respiratory protection devices in operation. The software enables the fully-automated registration of the devices and the compilation of operational reports.

Personnel

Dräger employed a total of 12,409 people on September 30, 2012, and thus 584 (4.9 percent) more than on the same date in the prior year. This figure includes 109 former temporary employees who were taken over as part of a supplemental collective agreement.

PERSONNEL EXPENSES

	Nine months 2012	Nine months 2011
Wages and salaries	508.4	473.9
Social security contributions and related employee benefits	87.4	79.3
Pension expenses	13.6	11.4
	609.5	**564.6**

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

Personnel expenses went up by 8.0 percent to EUR 609.5 million year-on-year in the reporting period (September 30, 2011: EUR 564.6 million). This rise resulted from the increase in headcount, currency effects as well as global wage and salary increases. Another contributing factor was the pay rise in the metal and electrical industries in Germany.

WORKFORCE TREND

	September 30, 2012	December 31, 2011	September 30, 2011
Medical division	6,913	6,717	6,671
Safety division	4,729	4,531	4,500
Drägerwerk AG & Co. KGaA and other companies	767	676	654
Dräger Group total	**12,409**	**11,924**	**11,825**
Germany	5,763	5,472	5,416
Other	6,646	6,452	6,409
Turnover in % of employees (Basis: average of the past twelve months)	4.2	5.1	5.3
Sick days in % of work days (Basis: average of the past twelve months)	3.3	3.1	3.3
Temporary staff in Germany	362	426	476

On September 30, 2012, headcount in Drägerwerk AG & Co. KGaA/ Other companies was up 113 employees compared to September 30, 2011. A major reason for this change was the transfer of 42 employees in the Company's Controlling from the divisions to Drägerwerk AG & Co. KGaA for organizational reasons. In addition, 71 people were hired in administrative positions.

In the medical division, headcount rose by 242 year-on-year. The Company increased its workforce by 91 employees in Germany (adjusted for the transfer of 26 employees), particularly in Research and Development (+59). The foreign sales and service companies also hired a total of 130 employees, 95 of which in Sales. The number of employees in the foreign producing subsidiaries also went up by 47, with the main focus being on Draeger Medical Systems, Inc., USA and Shanghai Dräger Medical Instrument Co., Ltd., China.

Since September 30, 2011, we have increased the number of employees in the safety division by 229. In the German companies, Dräger increased the number of employees by 185 (adjusted for the transfer of 16 employees). At Dräger Safety AG & Co. KGaA and the logistics subsidiary Dräger Interservices GmbH, the new employees work mainly in Logistics (+51), Research and Development (+47) and Production (+46). The increase in Production and Logistics resulted primarily from the transfer of 91 temporary employees.

The safety division hired 60 employees outside of Germany, especially in Sales (+30) and Service (+23).

Since September 30, 2011, the number of temporary employees in Germany fell considerably by 114 to 362.

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 2011 on pages 66 et seq. and 109 et seq. respectively. The annual report may be downloaded on the internet at **www.draeger.com**.

There were no material changes to the 2011 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 nine months of 2012 and the time this interim financial report was prepared.

Outlook

FUTURE MARKET ENVIRONMENT

In recent months, the environment was impacted, on the one hand by rather weak economic data as well as the cautious forecasts by institutions and companies. On the other hand, the financial markets situation calmed down in the summer. However, it remains unclear whether this situation will continue and whether this will result in economic growth picking up once again for the leading economies.

In its most recent monthly report (October), Bundesbank spoke of the prospects for further economic growth continuing to be subject to a high degree of uncertainty. In its most recent forecast dated October 9, the International Monetary Fund (IMF) considerably downgraded its growth prospects. The global economic growth forecast for 2012 was cut by 0.2 percentage points to 3.3 percent, the original forecast from the beginning of the year. For 2013 the IMF now only expects growth of 3.6 percent instead of the previously predicted 3.9 percent. According to the IMF, this is due to weak growth in industrialized nations, which are suffering from the consolidation of public finances and the still-struggling banking systems. There is also a general air of uncertainty. The IMF considers an escalation or prolongation of the euro debt crisis to be the greatest risk to global financial stability.

IMF GDP GROWTH FORECAST FROM OCTOBER 2012

	2012	2013
Global economy	3.3 %	3.6 %
USA	2.2 %	2.1 %
Eurozone	–0.4 %	0.2 %
Germany	0.9 %	0.9 %
China	7.8 %	8.2 %

Source: IMF (International Monetary Fund)

FUTURE MARKET AND SECTOR DEVELOPMENTS

We expect to experience a continued period of economic uncertainty during the rest of the year. Several economic research organizations have already reduced their growth forecasts for countries with traditionally strong growth like India and Brazil and even China. The overall weaker global industrial growth will slightly slow down demand for work and system safety equipment in our opinion. Demand in the medical technology markets, on the other hand, will be less affected by short-term economic fluctuations and we expect its stable development to continue.

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 2011 (pages 118 et seq.), which describes our expectations for 2012 as well as 2013 and 2014 in detail.

DRÄGER FORECAST FOR FISCAL YEAR 2012

Fiscal year 2012	Forecast in the 2011 annual report	Current forecast
Order intake	Growth at least at the pace of global economic growth	Growth similar to the pace of global economic growth
Net sales	Growth at least at the pace of global economic growth	Growth similar to the pace of global economic growth
EBIT margin	Between 8.0 and 9.5 percent	In the mid-range of the bandwidth
Other forecast figures		
Gross margin	Slightly down year-on-year (2011: 49.1 percent)	On par with prior year
Research and development costs	EUR 185 million (2011: EUR 160.5 million)	EUR 195 million
IT expenses	EUR 110 million (2011: EUR 100.6 million)	EUR 115 million
Interest expense	On par with prior year	Confirmed
Net debt	Slight increase	Confirmed
Equity ratio	Decrease	Roughly on par with prior year
Investment volume	EUR 70 million to EUR 80 million (2011: EUR 71.5 million)	Confirmed
Operating cash flow	65 to 80 percent of EBIT (2011: 74 percent)	Confirmed
Effective tax rate	28 to 32 percent (2011: 31 percent)	Confirmed

The outlook for the european market in which we generate a high share of our net sales have deteriorated further over the course of the year. We now expect order intake and net sales growth in fiscal year 2012 to be roughly on par with the growth of the global economy (IMF forecast from October 9, 2012: +3.3 percent).

On the basis of the first nine months of 2012, we now expect a Group EBIT margin somewhere in the middle of the forecast bandwidth, between 8.0 percent and 9.5 percent, for fiscal year 2012 (2011: 9.5 percent).

We anticipate for research and development as well as IT costs, both higher than originally forecast, to be offset by a gross margin that is slightly better than originally forecasted.

The equity ratio declined in spring due to the buyback of 41.1 percent of outstanding participation certificates. In the past quarter, we adjusted the interest rate for pension provisions from 5.5 percent to 3.5 percent. This negatively impacted the equity ratio by two percentage points. As a result of the lower dividend payment and Dräger‘s business performance, we now expect the equity ratio for 2012 to be roughly on par with the prior year.

DRÄGER MANAGEMENT ESTIMATE

The economic slowdown, which was experienced by many economies over the course of the year, poses a challenge and is slowing down sales prospects. On the other hand, the financial markets situation has now calmed down. This is likely to promote confidence for economic growth with the result that growth may once again start picking up speed.

In 2012, we therefore expect to continue the growth trend of recent years and achieve the forecast values described in detail in the previous section. We expect net sales growth in 2013 to outperform global economic growth. We forecast a Group EBIT margin between 8.0 percent and 9.5 percent in the coming year.

FORWARD-LOOKING STATEMENTS

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

Lübeck, Germany, October 30, 2011

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 September 30, 2012

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

	Notes	Third quarter 2012	Third quarter 2011	Nine months 2012	Nine months 2011
		€ thousand	€ thousand	€ thousand	€ thousand
Net sales		573,931	523,992	1,646,644	1,557,336
Cost of sales		–295,797	–261,628	–830,801	–781,249
Gross profit		**278,134**	**262,364**	**815,843**	**776,087**
Research and development costs		–51,147	–38,776	–144,993	–115,241
Marketing and selling expenses		–148,651	–140,795	–438,169	–415,617
General administrative costs		–32,892	–35,435	–96,859	–100,377
Other operating income		1,507	1,481	6,089	5,298
Other operating expenses		–2,453	–3,148	–4,057	–9,544
		–233,636	**–216,673**	**–677,989**	**–635,481**
		44,498	**45,691**	**137,854**	**140,606**
Profit from investments in associates		0	0	186	212
Profit from other investments		0	0	0	0
Other financial result		–852	–482	–675	–1,156
Financial result (before interest result)	**6**	**–852**	**–482**	**–489**	**–944**
EBIT		**43,646**	**45,209**	**137,365**	**139,662**
Interest result	6	–6,923	–7,340	–24,097	–21,478
Earnings before income taxes		**36,723**	**37,869**	**113,268**	**118,184**
Income taxes	7	–11,515	–12,233	–34,960	–38,869
Earnings after income taxes		**25,208**	**25,636**	**78,308**	**79,315**
Earnings after income taxes		**25,208**	**25,636**	**78,308**	**79,315**
Non-controlling interests in net profit		343	853	1,179	2,447
Earnings attributable to participation certificates (excluding minimum dividend, after taxes) [1]		1,028	2,654	3,145	8,437
Earnings attributable to shareholders		23,837	22,129	73,984	68,431
Undiluted earnings per share [2]					
per preferred share (in €)		1.46	1.36	4.51	4.18
per common share (in €)		1.44	1.34	4.46	4.13
Diluted earnings per share [2]					
per preferred share (in €)		1.43	1.33	4.43	4.14
per common share (in €)		1.41	1.31	4.38	4.09
Undiluted earnings per share on full distribution [2]					
per preferred share (in €)		1.11	0.96	3.45	2.99
per common share (in €)		1.09	0.94	3.40	2.94
Diluted earnings per share on full distribution [2]					
per preferred share (in €)		1.10	0.94	3.41	2.97
per common share (in €)		1.08	0.92	3.36	2.92

[1] The figure is calculated by accruing a dividend for participation certificates of EUR 5.50 (September 30, 2011: EUR 9.20) based on earnings in the first nine months and in line with Dräger's actual dividend policy to distribute around 15 % (September 30, 2011: approximately 30 %) of total Group net profit (less earnings attributable to non-controlling interests).

[2] The dividend premium of EUR 0.06 on preferred shares is recognized pro rata on a quarterly basis.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

	Nine months 2012	Nine months 2011
	€ thousand	€ thousand
Earnings after income taxes	**78,308**	**79,315**
Currency translation adjustment for foreign subsidiaries	6,663	–9,305
Change in the fair value of financial instruments recognized directly in equity	–855	–1,047
Deferred taxes on changes in the fair value of financial instruments recognized directly in equity	0	324
Actuarial gains / losses from defined benefit pension plans	–62,533	–1,097
Deferred taxes on actuarial gains / losses from defined benefit pension plans	19,603	0
Other comprehensive income	**–37,122**	**–11,125**
Total comprehensive income	**41,186**	**68,190**
of which earnings attributable to non-controlling investments	1,320	1,640
of which earnings attributable to participation certificates (excluding minimum dividend, after taxes) [1]	3,145	8,437
thereof earnings attributable to shareholders	36,721	58,113

[1] The figure is calculated by accruing a dividend for participation certificates of EUR 5.50 (September 30, 2011: EUR 9.20) based on earnings in the first nine months and in line with Dräger's actual dividend policy to distribute around 15 % (September 30, 2011: approximately 30 %) of total Group net profit (less earnings attributable to non-controlling interests).

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

	Notes	September 30, 2012	December 31, 2011
		€ thousand	€ thousand
Assets			
Intangible assets	8	280,677	280,309
Property, plant and equipment [1]	8	279,514	272,225
Investments in associates		239	306
Other non-current financial assets		9,513	9,766
Deferred tax assets	9	145,219	104,454
Other non-current financial assets [1]		4,079	23,151
Non-current assets		**719,241**	**690,211**
Inventories	10	400,211	340,292
Trade receivables and receivables from construction contracts		519,065	586,488
Other current financial assets		23,119	19,883
Cash and cash equivalents		325,578	412,309
Current tax refund claims		21,996	7,531
Other current assets	11	86,247	58,475
Current assets		**1,376,216**	**1,424,978**
Total assets		**2,095,457**	**2,115,189**

[1] The equipment leased out is recognized in the property, plant and equipment. The prior year figures were adjusted accordingly.

	Notes	September 30, 2012	December 31, 2011
		€ thousand	€ thousand
Equity and liabilities			
Capital Stock		42,266	42,266
Capital reserves		158,098	158,098
Reserves retained from earnings incl. group result		436,040	469,763
Participation capital		29,497	50,405
Other comprehensive income		8,216	2,549
Non-controlling interests		7,271	6,535
Equity	**12**	**681,388**	**729,616**
Liabilities from participation certificates	13	19,018	31,164
Provisions for pensions and similar obligations	14	227,138	179,418
Non-current income tax provisions		902	562
Other non-current provisions	15	59,614	62,749
Non-current interest-bearing loans	16	284,362	365,266
Other non-current financial liabilities		9,775	8,849
Deferred tax liabilities		1,658	1,629
Other non-current liabilities		656	782
Non-current liabilities		**603,123**	**650,419**
Current income tax provisions		45,760	39,876
Other current provisions	15	255,275	228,198
Current loans and liabilities to banks	16	161,504	84,519
Trade payables		139,163	172,073
Other current financial liabilities		62,959	72,451
Current income tax liabilities		14,380	11,269
Other current liabilities		131,905	126,768
Current liabilities		**810,946**	**735,154**
Total equity and liabilities		**2,095,457**	**2,115,189**

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

		Third quarter 2012	Third quarter 2011	Nine months 2012	Nine months 2011
		€ thousand	€ thousand	€ thousand	€ thousand
Operating activitiest					
	Earnings after income taxes	25,208	25,636	78,308	79,315
+	Depreciation / amortization on non-current assets [1]	15,725	16,729	47,237	43,575
+	Increase in provisions	22,540	33,519	15,162	9,733
+ / –	Other non-cash expenses / income	1,851	–62	–502	11,083
+	Losses from the disposal of non-current assets	607	412	515	228
–	Increase in inventories	–12,913	–17,061	–60,566	–31,757
+ / –	Decrease / increase in trade receivables	–11,589	26,056	73,378	47,675
+ / –	Decrease / increase in other assets [1]	6,466	–7,721	–28,579	–24,094
– / +	Decrease / increase in trade payables	–807	3,417	–33,695	–31,706
–	Decrease in other assets	–6,772	–11,698	–2,258	–20,089
	Cash inflow from operating activities	**40,316**	**69,227**	**89,001**	**83,963**
Investing activities					
–	Cash outflow for investments in intangible assets	–2,509	–1,914	–5,977	–4,738
+	Cash inflow from the disposal of intangible assets	71	1	84	6
–	Cash outflow for investments in property, plant and equipment [1]	–17,026	–15,070	–43,206	–43,702
+	Cash inflow from disposals of property, plant and equipment	867	353	2,272	1,671
–	Cash outflow for investments in non-current financial assets	–772	–158	–1,828	–201
+	Cash inflow from the disposal of non-current financial assets	368	221	987	243
	Cash outflow from investing activities	**–19,001**	**–16,567**	**–47,668**	**–46,721**
Financing activities					
–	Distribution of dividends (including dividends for participation certificates)	0	0	–3,763	–35,310
–	Reduction in participation capital due to cash compensation	0	0	0	–5,681
–	Cash outflows from the purchase of participation capital	0	0	–122,536	0
+	Cash provided by raising loans	0	490	82	11,375
–	Cash used to redeem loans	–400	–7,945	–1,965	–35,019
– / +	Net balance of other liabilities to banks	–2,339	–1,971	–1,996	2,009
–	Net balance of finance lease liabilities repaid / incurred	–147	–137	–402	–539
–	Cash outflow from the changes in shareholdings in subsidiaries	0	–701	–700	–701
–	Profit distributed to non-controlling interests	0	0	–564	–643
	Cash outflow from financing activities	**–2,886**	**–10,264**	**–131,844**	**–64,509**
Change in cash and cash equivalents in the reporting period		**18,429**	**42,396**	**–90,512**	**–27,267**
– / +	Effect of exchange rates on cash and cash equivalents	–762	3,544	3,781	–4,539
+	Cash and cash equivalents at the beginning of the reporting period	307,911	242,291	412,309	320,037
	Cash and cash equivalents on reporting date	**325,578**	**288,231**	**325,578**	**288,231**

[1] The equipment leased out is recognized in the property, plant and equipment. The prior year figures were adjusted accordingly.

Please refer to Page 16 for details on the consolidated cash flow statement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

					Other comprehensive income					
	Capital Stock	Capital reserves	Reserves retained from earnings incl. Group result	Partici-pation capital	Currency translation differences	Derivative financial instruments	Total other compre-hensive income	Total equity of shareholder Drägerwerk AG & Co. KGaA	Non-controlling interests	Equity
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Jan. 1, 2011	**42,266**	**158,098**	**380,285**	**50,404**	**803**	**–692**	**111**	**631,164**	**5,399**	**636,563**
Earnings after income taxes			76,868				0	76,868	2,447	79,315
Other comprehensive income			–1,097		–8,498	–723	–9,221	–10,318	–807	–11,125
Total compre-hensive income			**75,771**		**–8,498**	**–723**	**–9,221**	**66,550**	**1,640**	**68,190**
Distributions			–35,310				0	–35,310	–643	–35,953
Changes in the scope of consoli-dation / other			3,636	1			0	3,637	–185	3,452
Sept. 30, 2011	**42,266**	**158,098**	**424,382**	**50,405**	**–7,695**	**–1,415**	**–9,110**	**666,041**	**6,211**	**672,252**
Jan. 1, 2012	**42,266**	**158,098**	**469,763**	**50,405**	**4,090**	**–1,541**	**2,549**	**723,081**	**6,535**	**729,616**
Earnings after income taxes			77,129				0	77,129	1,179	78,308
Other comprehensive income			–42,930		6,522	–855	5,667	–37,263	141	–37,122
Total compre-hensive income			**34,199**		**6,522**	**–855**	**5,667**	**39,866**	**1,320**	**41,186**
Distributions			–3,763				0	–3,763	–564	–4,327
Purchase of the participation capital (equity component)			–64,269	–20,908			0	–85,177		–85,177
Changes in the shares of subsidia-ries, excluding loss of control			–684				0	–684	–21	–705
Changes in the scope of consoli-dation / other			794				0	794	1	795
Sept. 30, 2012	**42,266**	**158,098**	**436,040**	**29,497**	**10,612**	**–2,396**	**8,216**	**674,117**	**7,271**	**681,388**

Notes of the Dräger Group as of September 30, 2012 (condensed)

1 BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA, Lübeck, prepared its group financial statements for fiscal year 2011 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 financial year 2012, 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 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 2011 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 2011 annual report.

A discount rate of 3.5 percent (December 31, 2011: 5.5 percent) was used as a basis for the German pension provisions reported in these interim financial statements on account of the drop in interest rates. Actuarial gains and losses, and therefore provisions for pensions and similar obligations rose as a result.

The 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 financial year-end.

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

The following amendment to an existing standard published by the IASB, which has already been adopted in EU law, will be applied for the first time in fiscal year 2012:

In line with the amendment to IFRS 7 “Disclosures – Transfers of Financial Assets (revised 2010)”, additional disclosures for the transfer of financial assets must be made for financial assets in which the transferring entity retains a continuing interest, if an unusually large amount is transferred by the end of a reporting period.

The following amendments to standards were published within the past nine months until September 30, 2012 by the IASB but have not yet been adopted in EU law. These amendments are of no relevance for Dräger Group and have not been applied:

The amendment to IFRS 1 “Government Loans (issued March 2012)” stipulates how IFRS first-time adopters must recognize a public loan, which is issued with an interest rate below the market rate, at the time of transitioning to IFRS. This amendment pro-

vides IFRS 1 with the same relief for first-time adopters as IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance".

In June 2012, amendments to IFRS 10, IFRS 11 and IFRS 12, which had been published in May 2011 but not yet adopted in EU law, came into effect. They clearly stipulate the transitioning rules in IFRS 10 and the requirement to adapt comparative information pursuant to IFRS 10, IFRS 11 and IFRS 12 to the most recent comparable period. In addition, comparative information on unconsolidated structured units in periods prior to the first-time application of IFRS 12 does not need to be provided.

The following amendments to existing standards already published in June 2011 were endorsed within the past nine months until September 30, 2012:

Due to amendments to IAS 1 "Presentation of Items of Other Comprehensive Income (rev. 2011)", the individual other comprehensive income items are to be divided into amounts that can be reclassified to the income statement and those that do not require reclassification in the future. Income taxes pertaining to these items are also to be divided correspondingly. These changes must be applied for fiscal years starting on or after July 1, 2012. Earlier application is permitted. Dräger will apply them starting with fiscal year 2013.

The amendments to IAS 19 "Employee Benefits (revised 2011)" pertain to the abolition of the corridor approach and consequently the statutory recognition of actuarial gains and losses in other comprehensive income. In addition, the expected return on plan assets and the interest expense on pension obligations are replaced by a standardized net interest component. In the future, total past service costs will have to be recognized in the period of the related plan amendment. Furthermore, the requirements for termination benefits are being amended, and the obligations to disclose information and explanations are being amended and increased. These changes must be applied for fiscal years starting on or after January 1, 2013. Earlier application is permitted. Dräger will apply these changes starting with fiscal year 2013. These changes may increase interest income from plan assets in the Group financial statements 2013.

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, 2011 and September 30, 2011. The same consolidation principles were applied as in the 2011 group financial statements.

4 BUYBACK OF DRÄGER PARTICIPATION CERTIFICATES

On February 15, 2012, Drägerwerk AG & Co. KGaA published an ad hoc report in accordance with Sec. 15 of the German Securities Trading Act (WpHG) in which it made a legally non-binding request to the holders of series A, K and D participation certificates to submit offers to Drägerwerk AG & Co. KGaA for the sale of their participation certificates at a price of EUR 210.00 each. The offer period started on February 20, 2012 and ended on March 19, 2012.

At the end of the offer period, Drägerwerk AG & Co. KGaA had received offers for 581,474 participation certificates. These offered participation certificates were bought back on March 22, 2012 at a volume of EUR 122,109 thousand (plus EUR 427 thousand in incidental buyback costs). 41.1 percent of the participation certificates were bought back. This percentage is divided between the individual participation certificate series as follows:

RATE OF REDEMPTION OF PARTICIPATION CERTIFICATES

	Series A	Series D	Series K	Total
Number of participation certificates before redemption	315,600	992,620	105,205	1,413,425
Number of redeemed participation certificates	120,355	425,801	35,318	581,474
Rate of redemption	**38.1 %**	**42.9 %**	**33.6 %**	**41.1 %**

The EUR 88,344 thousand difference between the buyback value of EUR 122,109 thousand and the carrying value of the debt and equity components of the bought back participation certificates is divided between the two components. In accordance with IAS 32, the EUR 2,853 thousand share of the difference relating to the debt component has to be recognized in the income statement and the remainder of EUR 85,491 thousand pertaining to the equity component directly in equity in retained earnings.

On April 16, 2012, Drägerwerk AG & Co. KGaA redeemed the acquired participation certificates.

5 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Medical division	
		Nine months 2012	Nine months 2011
Order intake		**1,125.5**	**1,097.5**
Orders on hand [1]	**€ million**	**380.6**	**375.9**
Net sales	**€ million**	**1,063.3**	**998.2**
thereof intersegment	€ million	0.9	0.7
thereof third party	€ million	1,062.4	997.5
EBITDA [2, 4]	**€ million**	**118.8**	**126.0**
Depreciation / amortization [4]	€ million	–19.5	–18.1
EBIT [3]	**€ million**	**99.2**	**107.8**
Interest result	€ million		
Income taxes	€ million		
Earnings after income taxes	**€ million**		
thereof profit / loss from investments in associates	€ million		
Research and development expenses	**€ million**	**100.7**	**79.8**
Cash flow from operating activities [4]	**€ million**	**60.7**	**80.9**
Capital employed [1, 5]	**€ million**	**544.8**	**531.1**
Assets [1]	**€ million**	**979.4**	**925.3**
thereof investments in associates	€ million	–	–
Liabilities [1]	**€ million**	**397.1**	**372.9**
Net financial debt [1]	**€ million**		
Investments [4]	**€ million**	**17.4**	**25.7**
Non-cash expenses	€ million	111.0	90.3
EBIT [3] **/ net sales**	**%**	**9.3**	**10.8**
EBIT [3, 6] **/ capital employed** [1, 5] **(ROCE)**	**%**	**33.6**	**31.3**
Net financial debt [1] **/ EBITDA** [2, 4, 7]	**Factor**		
Gearing	**Factor**		
DVA [8]	**€ million**	**134.0**	**118.3**
Headcount [1]		**6,913**	**6,671**

[1] Value as of September 30
[2] EBITDA = earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = earnings before net interest result and income taxes
[4] Equipment leased out is recognized in property, plant and equipment. The prior year figures were adjusted accordingly.
[5] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[6] EBIT of the last twelve months
[7] EBITDA 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	
	Nine months 2012	Nine months 2011	Nine months 2012	Nine months 2011	Nine months 2012	Nine months 2011	Nine months 2012	Nine months 2011
	668.1	**604.8**	**11.7**	**11.7**	**–36.5**	**–34.2**	**1,768.8**	**1,679.7**
	202.1	**160.0**	**0.0**	**0.0**	**–1.8**	**–1.7**	**580.9**	**534.1**
	607.8	**581.3**	**11.7**	**11.7**	**–36.1**	**–33.9**	**1,646.6**	**1,557.3**
	25.1	23.2	10.1	10.0	–36.1	–33.9	–	–
	582.7	558.1	1.6	1.7	–	–	1,646.6	1,557.3
	86.3	**84.1**	**173.1**	**133.6**	**–193.3**	**–160.6**	**184.9**	**183.1**
	–18.2	–17.4	–9.8	–7.9	–	–	–47.5	–43.5
	68.1	**66.7**	**163.3**	**125.7**	**–193.3**	**–160.6**	**137.4**	**139.7**
							–24.1	–21.5
							–35.0	–38.9
							78.3	**79.3**
							0.2	0.2
	41.9	**32.4**	**2.4**	**3.0**	**–**	**–**	**145.0**	**115.2**
	43.6	**26.7**	**167.4**	**106.5**	**–182.7**	**–130.1**	**89.0**	**84.0**
	209.0	**215.2**	**749.9**	**753.0**	**–597.2**	**–618.2**	**906.5**	**881.0**
	389.2	**373.6**	**817.3**	**810.5**	**–613.1**	**–616.9**	**1,572.8**	**1,492.6**
	–	0.6	0.2	0.3	–	–	0.2	0.9
	159.7	**146.1**	**63.8**	**56.2**	**–25.5**	**–19.2**	**595.0**	**556.0**
							122.5	**100.2**
	25.7	**19.2**	**11.7**	**6.1**	**–**	**–**	**54.9**	**51.0**
	58.8	46.1	19.0	19.7	–	11.4	188.8	167.5
	11.2	**11.5**					**8.3**	**9.0**
	37.1	**37.5**					**23.3**	**22.2**
							0.44	**0.40**
							0.18	**0.15**
	59.3	**62.2**					**131.7**	**116.6**
	4,729	**4,500**	**767**	**654**	**–**	**–**	**12,409**	**11,825**

The key figures from the segment report are as follows:

EBIT / EBITDA

	Nine months 2012	Nine months 2011
Earnings after income taxes	78,308	79,315
+ Interest result	24,097	21,478
+ Income taxes	34,960	38,869
EBIT	**137,365**	**139,662**
+ Depreciation / amortization	47,491	43,471
EBITDA	**184,856**	**183,133**

CAPITAL EMPLOYED

	September 30, 2012	September 30, 2011
Total assets	2,095,457	1,936,287
– Deferred tax assets	–145,219	–107,771
– Cash and cash equivalents	–325,578	–288,231
– Non-interest bearing liabilities	–718,142	–659,334
Capital Employed	**906,518**	**880,951**

ASSETS

	September 30, 2012	September 30, 2011
Total assets	2,095,457	1,936,287
– All other financial assets	–3,201	–3,822
– Deferred tax assets	–145,219	–107,771
– Tax refund claims (current and non-current)	–48,665	–43,860
– Cash and cash equivalents	–325,578	–288,231
Assets	**1,572,794**	**1,492,603**

LIABILITIES

	September 30, 2012	September 30, 2011
Liabilities recognized in the balance sheet	1,414,069	1,264,035
– Provisions for pensions and similar obligations	–227,138	–182,895
– Tax liabilities, tax provisions, tax accruals and deferred tax liabilities	–124,773	–105,899
– Interest-bearing liabilities	–467,130	–419,261
Liabilities	**595,028**	**555,980**

NET FINANCIAL DEBT

	September 30, 2012	September 30, 2011
Non-current interest-bearing loans	284,362	324,954
+ Current loans and liabilities to banks	161,504	61,122
+ Non-current and current liabilities from finance lease	2,247	2,335
– Cash and cash equivalents	–325,578	–288,231
Net financial debt	**122,535**	**100,180**

NON-CASH EXPENSES

	Nine months 2012	Nine months 2011
Write-downs on inventories	16,774	14,030
+ Losses from bad debt allowances	2,983	8,124
+ Allocations to provisions	169,073	145,351
Non-cash expenses	**188,830**	**167,505**

DVA

	September 30, 2012	September 30, 2011
EBIT (of the last twelve months)	211,479	195,785
– Cost of capital (Basis: average of capital employed in the past twelve months)	–79,801	–79,166
DVA	**131,678**	**116,619**

Gearing is the ratio of net financial debt to equity.

Tax accruals and deferrals 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.

6 FINANCIAL RESULT

FINANCIAL RESULT

	Nine months 2012	Nine months 2011
Financial result (before interest result)	**–489**	**–944**
Interest and similar income	3,912	3,291
Interest and similar expenses	–28,009	–24,769
Interest result	**–24,097**	**–21,478**

The financial result changed year-on-year, mainly due to the buyback of participation certificates and the resulting interest expense of EUR 2,853 thousand (see also Note 4).

7 INCOME TAXES

Income taxes for the first nine months of 2012 were calculated on the basis of an anticipated group tax rate of 31.5 percent (9 months 2011: 33 percent).

8 INTANGIBLE ASSETS / PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS / PROPERTY, PLANT AND EQUIPMENT

	Carrying value January 1, 2012	Additions	Disposals / other changes	Depreciation / amortization	Carrying value September 30, 2012
Intangible assets	280,309	5,804	–153	5,283	280,677
Property, plant and equipment	272,225	49,053	444	42,208	279,514

9 DEFERRED TAX ASSETS

EUR 19,612 thousand of the rise in deferred tax assets resulted from the change in German pension provisions on account of the drop in interest rates and EUR 22,050 thousand from the buyback of participation certificates (see also Notes 2, 4 and 12).

10 INVENTORIES

INVENTORIES

	September 30, 2012	December 31, 2011
Finished goods and merchandise	217,340	179,174
Work in progress	69,827	59,351
Raw materials, consumables and supplies	111,273	100,467
Payments made	1,771	1,300
	400,211	**340,292**

11 OTHER CURRENT ASSETS

OTHER CURRENT ASSETS

	September 30, 2012	December 31, 2011
Prepaid expenses	25,488	23,732
Other tax refund claims	26,670	19,809
Other	34,089	14,934
	86,247	**58,475**

The increase in prepaid expenses is largely attributable to deferred expenses in the current year. Other tax refund claims primarily included VAT claims. All other current assets increased due to the balance sheet date.

12 EQUITY

On February 15, 2012, Drägerwerk AG & Co. KGaA published an ad hoc report in accordance with Sec. 15 of the German Securities Trading Act (WpHG) in which it made a legally non-binding request to the holders of series A, K and D participation certificates to submit offers to Drägerwerk AG & Co. KGaA for the sale of their participation certificates at a price of EUR 210.00 each (see also Note 4).

Participation capital

The buyback of the offered participation certificates decreased the share of participation capital in equity by EUR 20,908 thousand, from EUR 50,405 thousand to EUR 29,497 thousand.

By resolution dated April 16, 2012, Drägerwerk AG & Co. KGaA redeemed the acquired participation certificates.

Retained earnings

The drop in retained earnings is due to two major factors.

Firstly, actuarial gains and losses for provisions for pensions and similar obligations have risen due to the drop in interest rates. The net amount of this increase of EUR 43,817 thousand is recognized directly in equity under other comprehensive income and and retained earnings (see also note 14).

Secondly, the EUR 88,344 thousand difference between the buyback value of EUR 122,109 thousand and the carrying value of the debt and equity components of the bought back participation certificates is divided between the two components. The EUR 85,491 thousand share pertaining to the equity component was recognized directly in equity in retained earnings. Reserves retained from earnings, including Group result, therefore changed as follows:

RESERVES RETAINED FROM EARNINGS, INCL. GROUP RESULT AS OF SEPTEMBER 30, 2012

Reserves retained from earnings, incl. group result as of January 1, 2012	469,763
Effect from the sale of participation certificates (recognized in equity)	–64,269
Total comprehensive income (excluding non-controlling interests)	34,199
Other effects	–3,653
Reserves retained from earnings, incl. group result as of September 30, 2012	**436,040**

EFFECT FROM THE SALE OF PARTICIPATION CERTIFICATES (RECOGNIZED IN EQUITY)

Share of purchased participation certificate equity components of the difference	85,491
Tax effect (recognized in equity)	–21,222
Effect from the sale of participation certificates (recognized in equity)	**64,269**

13 LIABILITIES FROM PARTICIPATION CERTIFICATES

The EUR 12,146 thousand drop in liabilities from participation certificates from EUR 31,164 thousand to EUR 19,018 thousand was primarily due to the buyback of the 581,474 participation certificates (see also Note 4).

14 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations increased by EUR 47,720 thousand in the first nine months of fiscal year 2012. The underlying interest rate was reduced from 5.5 percent to 3.5 percent for German pension entitlements, due to a re-evaluation of the actuarial intrest rate. This resulted in an actuarial loss of EUR 63,429 thousand that, after having been offset against fund assets, caused pension obligations to rise by EUR 41,417 thousand. The net amount of EUR 43,817 thousand was recognized directly in equity under other comprehensive income.

15 OTHER NON-CURRENT AND CURRENT PROVISIONS

Other non-current provisions as of September 30, 2012 mainly comprised provisions for personnel obligations of EUR 31,425 thousand (December 31, 2011: EUR 32,290 thousand).

Other current provisions as of September 30, 2012 also included monthly accruals and chiefly consisted of provisions for personnel obligations of EUR 79,079 thousand (December 31, 2011: EUR 95,854 thousand), and warranty provisions of EUR 30,867 thousand (December 31, 2011: EUR 30,644 thousand).

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

Note loans of EUR 79,000 thousand have been reclassified from non-current interest-bearing loans to current loans and liabilities to banks. EUR 25,000 thousand will be repaid in February 2013 and EUR 54,000 thousand in April 2013.

17 RELATED PARTY TRANSACTIONS

Services were rendered for companies related to Stefan Dräger and for the Dräger Foundation totaling EUR 13 thousand in the first nine months of fiscal year 2012 (9 months 2011: EUR 22 thousand). Receivables came to EUR 3 thousand as of September 30, 2012. Claudia Dräger, Stefan Dräger's wife, is an employee of Drägerwerk AG & Co. KGaA.

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

Lübeck, Germany, October 30, 2011

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 September 30, 2012, conference call, Lübeck	November 1, 2012
Annual accounts press conference, Hamburg	March 12, 2013
Analysts' meeting, Frankfurt/Main	March 12, 2013
Report as of March 31, 2013, conference call, Lübeck	May 2, 2013
Annual shareholders' meeting, Lübeck	May 3, 2013
Report as of June 30, 2013, conference call, Lübeck	August 1, 2013
Report as of September 30, 2013, conference call, Lübeck	October 31, 2013

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