Dräger

# Quarterly Report
January 1 to September 30, 2011
Dräger Group

Dräger. Technology for Life®

## THE DRÄGER GROUP OVER THE PAST FIVE YEARS

| | | Nine months 2007 | Nine months 2008 | Nine months 2009 | Nine months 2010 | Nine months 2011 | Change on 2010 in % |
|---|---|---|---|---|---|---|---|
| Order intake | € million | 1,410.1 | 1,398.3 | 1,414.5 | 1,568.4 | 1,679.7 | +7.1 |
| Orders on hand [1] | € million | 448.4 | 502.7 | 463.0 | 478.6 | 534.1 | +11.6 |
| Net sales | € million | 1,253.5 | 1,307.4 | 1,348.3 | 1,542.0 | 1,557.3 | +1.0 |
| | | | | | | | |
| EBITDA [2] | € million | 109.3 | 121.0 | 73.5 | 176.4 | 179.4 | +1.7 |
| EBIT [3] | € million | 70.3 | 58.6 | 28.4 | 136.7 | 139.7 | +2.2 |
| in % of net sales (EBIT margin) | % | 5.6 | 4.5 | 2.1 | 8.9 | 9.0 | |
| | | | | | | | |
| Interest result | € million | –25.4 | –19.6 | –21.8 | –29.4 | –21.5 | –26.9 |
| Income taxes | € million | –17.0 | –12.9 | –1.8 | –37.1 | –38.9 | +4.9 |
| Earnings after income taxes | € million | 30.7 | 26.0 | 4.8 | 70.2 | 79.3 | +13.0 |
| Earnings per share | | | | | | | |
| per preferred share [4] | € | 1.66 | 1.22 | 0.01 | 4.27 | 4.18 | –2.1 |
| per common share [4] | € | 1.61 | 1.17 | –0.04 | 4.22 | 4.13 | –2.1 |
| | | | | | | | |
| Equity [1] | € million | 500.9 | 545.0 | 542.3 | 600.2 | 672.3 | +12.0 |
| Equity ratio [1] | % | 30.7 | 33.3 | 31.0 | 32.4 | 34.7 | |
| Capital employed [1,5] | € million | 952.4 | 948.2 | 864.2 | 911.5 | 881.0 | –3.3 |
| EBIT [3,7] / capital employed [1,5] (ROCE) | % | 15.1 | 11.8 | 8.7 | 20.7 | 22.2 | |
| Net financial debt [1,6] | € million | 282.4 | 258.4 | 178.4 | 192.7 | 100.2 | –48.0 |
| DVA [8] | € million | 59.0 | 28.2 | –9.9 | 111.3 | 116.6 | +4.8 |
| | | | | | | | |
| Headcount [1] | | 10,248 | 10,796 | 10,924 | 11,197 | 11,825 | +5.6 |

[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 interest and taxes
[4] Conversion to a partnership limited by shares on December 14, 2007
[5] Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[6] Since the end of financial year 2009, finance lease liabilities are recognized in net financial debt. Previous years‘ figures were adjusted accordingly.
[7] EBIT of the last twelve months
[8] Dräger Value Added = EBIT of the last twelve months less cost of capital

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

Dear Shareholders,

The global economy and the political sector are facing a tough challenge. It now appears possible that the economy may collapse. It is almost impossible to say how the global financial system will look in the future. Both are factors outside of our control. So what can we do?

As a company, we have to ask ourselves the question if we are prepared to face crises and if our active and passive controll systems are up to their job. And we also have to ensure that we have sufficiently invested in our offensive abilities so that we are quick enough to outperform our competition in all markets.

First of all, we closed our third quarter with positive figures and by doing so, we have laid the foundation for performing better than expected in 2011. Net sales rose slightly and our profitability is likely to come in at the upper range of the bandwidth that we had promised you in July 2011 – in other words, we will probably achieve an EBIT margin between 8.0 percent and 9.5 percent. Our performance indicator, the “Dräger Value Added” shows that we have already generated at least EUR 116 million. Everything appears perfect at first glance.

But a closer look shows clearly that one reason for our earnings being higher than our original plan figures is that the safety division’s gross margin exceeded our expectations due to a steeply risen volume in high-margin business with industrial customers on account of factors such as industrial investments having to catch up – an unsustainable effect. The medical division, on the other hand, will probably not be able to outperform the previous year’s high volume in 2011. However, our order intake as well as product pipeline provide us with a positive outlook. At the same time, we have spent less on marketing and sales up to now than originally anticipated for 2011. This sounds positive, but in fact it isn’t, because it is taking us longer than initially expected to adjust our marketing and sales structure to market potentials. But preparations are almost coming to an end by now and we will start utilizing the generated economies of scope in the safety and medical divisions’ sales on a global scale. We will catch up with those investments necessary for implementing the new structure that were originally planned for 2011 in 2012. But the positive effect of this delay on our 2011 figures will also have a negative effect in 2012. The good news is that in the medium term, the new structure will create significant positive effects for us and tap into additional growth prospects.

We made preparations for positive as well as crisis scenarios in the past fiscal year by investing in a more flexible production and providing a solid basis for our company finance. This enables us to focus on our long-term development. We will improve our marketing and sales structure, even when there are storm clouds on the horizon. And we will also invest in research and development, processes and IT, even in a frosty economic environment. Especially the rise in research and development expenses has helped significantly to place us once again in an offensive position in our markets – combined with attractive margins this enables us to become more attractive than our competitors. We aim to keep up this pace and pressure, and our solid company finance makes this possible. On the one hand, we can invest in our future, and on the other, we don't have to reduce our high level of security. This is a comfortable situation, but it must not lead to lethargy. We are well equipped with an equity ratio of now approximately 35 percent, low net debt, extensive free credit lines, an improved risk early warning system and greater flexibility. As you can see, we are able to actively shape our future regardless of the overall economic environment, and as entrepreneurs this is exactly what we have to do.

Best regards,

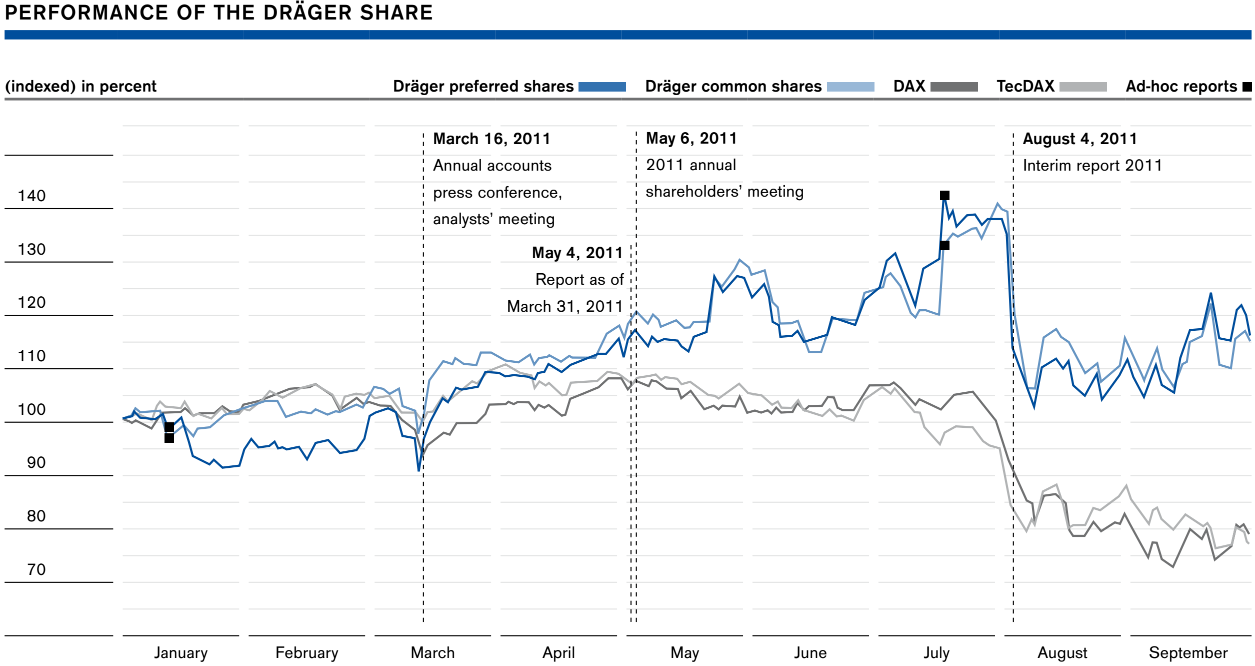
Stefan Dräger

# Dräger shares

## SHARE PRICE DEVELOPMENTS

The ongoing euro crisis, various rating downgrades like in the US and Italy by the rating agencies Standard & Poor's and Moody's and rising concerns about a global recession shaped developments in the capital markets in the third quarter of 2011. Despite this, both Dräger common and preferred shares had risen by around 14 percent each above their prices at the beginning of the year by September 30, 2011, outperforming their benchmark indices DAX (–21 percent) and TecDAX (–23 percent).

### PERFORMANCE OF THE DRÄGER SHARE



## 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 2011 | Nine months 2010 |
|---|---|---|
| **Common shares [1]** | | |
| No. of shares on the reporting date | 10,160,000 | 10,160,000 |
| High (in €) | 69.84 | 55.29 |
| Low (in €) | 48.00 | 40.40 |
| Share price on the reporting date (in €) | 57.00 | 52.25 |
| Average daily trading volume | 7,800 | 33,488 |
| Earnings per common share (in €) | | |
| Undiluted (in €) | 4.13 | 4.22 |
| Diluted (in €) | 4.09 | – |
| | | |
| **Preferred share** | | |
| No. of shares on the reporting date | 6,350,000 | 6,350,000 |
| High (in €) | 89.30 | 67.58 |
| Low (in €) | 57.05 | 31.35 |
| Share price on the reporting date (in €) | 72.00 | 67.01 |
| Average daily trading volume [2] | 30,342 | 52,460 |
| Earnings per preferred share (in €) | | |
| Undiluted (in €) | 4.18 | 4.27 |
| Diluted (in €) | 4.14 | – |
| | | |
| Market capitalization | 1,036,320,000 | 956,373,500 |

[1] Initial listing at Frankfurt Stock Exchange on June 21, 2010.
[2] All German stock exchanges (Source: designated sponsor).

# Management report of the Dräger Group for the first three quarters of 2011

## General economic conditions

### GLOBAL ECONOMY

The global economy continued to cool down in the first two months of the second half of 2011. According to the OECD[1], the real gross domestic product (GDP) of the 34 leading economies in the world grew by just 1.7 percent year-on-year in the second quarter of 2011, a drop compared to the previous quarter (+2.4 percent). In addition, the global trading volume fell again for the first time since mid-2009 in the second quarter of 2011. The main causes of this slow economic development are temporary factors such as the consequences of the natural and nuclear disaster in Japan and the negative impact of increased commodity prices on disposable income. But structural problems such as in particular the imperative government budget cuts and continuing poor performance of the labor and residential real estate markets also took their effect on economic developments as did the new tension in the international financial markets.

In August 2011, the escalating debt crisis in the eurozone led to a reversal of sentiment and rising uncertainty in the financial markets. This had a negative impact on companies' and customers' confidence and consequently economic growth. The economy of most emerging countries like China, India and Brazil continued to grow strongly in the second quarter of 2011, driven by high domestic demand. The disruptions to the value added chains caused by the events in Japan slightly slowed down the pace. The US GDP rose by 1.3 percent year-on-year in the second quarter of 2011, compared to +0.4 percent in the first quarter of the year. Private spending, which had been a major growth driver in 2010, lost momentum. The industrial sector, on the other hand, developed robustly. Japan's economic performance dropped for the third time in a row; by 0.5 percent in the second quarter of 2011.

Together with the cooldown of factors that had still acted as economic drivers at the beginning of the year as well as rising commodity prices, this slowed down growth in the eurozone in the second quarter of 2011. According to Eurostat[2], GDP went up by 1.6 percent compared to 2.4 percent in the strong first quarter of the year. Polls like the Purchase Manager Index (PMI) for the eurozone indicate that growth lost a lot of momentum in the first months of the third quarter. Destatis[3] reports that Germany's

[1] Organisation for Economic Co-operation and Development
[2] Statistical Office of the European Union
[3] German Federal Statistical Office

economic performance cooled down significantly in the second quarter of the year, rising by just 2.8 percent compared to 5.0 percent in the previous quarter. Despite exports creating new positive momentum, imports went up due to factors such as rising electricity imports, meaning that external contributions slowed down GDP growth. Investments in construction projects dropped slightly. For the first time since the crisis in 2009, private spending also fell again on account of the increased energy prices and one-off effects such as uncertainties cause by the debt crisis.

## INFLATION

The situation in the crude oil markets relaxed a little with oil prices dropping in September and at the beginning of October 2011, one of the reasons being the announcement of the International Energy Agency (IEA) that it was going to place 60 million barrels of oil in the market at the beginning of June 2011. The escalating euro crisis in August 2011 gave market participants the impression that the global economy and therefore demand for crude oil would fall, pushing down share prices even further. High energy prices however remain the main drivers behind the rate of inflation. According to Eurostat, prices in the eurozone went up by 2.7 percent in June; in both July and August, this figure came to 2.5 percent. Eurostat reported in an initial estimate that rate of inflation climbed to a surprising 3.0 percent in September 2011. In Germany, prices rose by 2.3 percent in June according to Destatis. At 2.4 percent, the rate of inflation clearly exceeded the two-percent-mark again in both July and August 2011. Prices went up by 2.6 percent in September 2011 – the steepest rise in three years. In view of the economic slowdown and the escalating euro crisis, the European Central Bank (ECB) kept its key interest rate at 1.5 percent. The bank expects that the rate of inflation will remain above the two-percent-mark in the coming months, after which it will drop again. It had raised the key interest rate for the second and so far last time this year at the beginning of July 2011. The US Federal Reserve (Fed) also refrained from implementing even more restrictive monetary policies in view of economic developments. China's central bank did not change its key interest rate until the beginning of October after raising it for the third time this year to 3.5 percent in July 2011 due to inflationary pressure.

## EXCHANGE RATE

The debt crisis in the eurozone, developing differences in yields and the impending economic downturn all had an increasingly negative impact on the performance of the euro. Between June 30, 2011 and October 5, 2011, the euro fell 7.7 percent compared to the US dollar, 12.0 percent compared to the Japanese yen and 9.0 percent compared to the Chinese renminbi. The euro's nominal effective exchange rate went down in relation to the 20 key trading partners in the eurozone and was also subject to strong fluctuations. By October 5, 2011, the euro had dropped 3.7 percent below its level at the end of June 2011 and 1.9 percent below its average value in 2010.

### MEDICAL DIVISION – INDUSTRY PERFORMANCE

Demand in the medical division developed very differently in individual regions in the third quarter of 2011. South Europe, particularly Spain, Italy and Portugal, still felt the effects of the financial crisis. At the same time, demand in Germany and North Europe was lively, especially in Sweden, which has planned or is already implementing numerous construction and renovation projects for new and existing hospitals. The American markets also developed extremely positively as a whole, with demand in the US being constant and roughly at the same level than in the previous year. Except for Japan, demand in Asia and the Middle East has also been extremely positive. Ongoing investments in medical supplies and modernization to lower costs in the public health sector were the driver behind global growth momentum.

### SAFETY DIVISION – INDUSTRY PERFORMANCE

In the third quarter of 2011, demand from the industrial sector for work and plant safety equipment was unfalteringly high. Interest in Dräger products was lively in all segments of the European processing industry. Demand in North America, on the other hand, lagged behind global performance at a low level, while demand in South America, especially in Brazil, remained upbeat. Steel industry production rose, particularly in the emerging countries like China, India and Turkey, resulting in larger demand for personal safety equipment – albeit for less sophisticated solutions than in the industrialized nations. At the same time, demand for safety technology increased in the Asian chemical and petrochemical as well as mining industries.

### DRÄGER MANAGEMENT ESTIMATE

Although economic risks increased in the third quarter of 2011, this has not yet had any effect on order intake in the view of the Dräger management (see Outlook, p. 36).

## BUSINESS PERFORMANCE OF THE DRÄGER GROUP

| | | | | Third quarter | | | Nine months |
|---|---|---|---|---|---|---|---|
| | | Third quarter 2011 | Third quarter 2010 | Change in % | Nine months 2011 | Nine months 2010 | Change in % |
| **Order intake** | **€ million** | **570.7** | **519.5** | **+9.9** | **1,679.7** | **1,568.4** | **+7.1** |
| **Orders on hand** [1] | **€ million** | **534.1** | **478.6** | **+11.6** | **534.1** | **478.6** | **+11.6** |
| **Net sales** | **€ million** | **524.0** | **525.3** | **– 0.2** | **1,557.3** | **1,542.0** | **+1.0** |
| **EBITDA** [2] | **€ million** | **58.6** | **47.6** | **+23.2** | **179.4** | **176.4** | **+1.7** |
| Depreciation / amortization | € million | –13.4 | –13.5 | – 1.1 | –39.7 | –39.7 | – 0.0 |
| **EBIT** [3] | **€ million** | **45.2** | **34.1** | **+32.4** | **139.7** | **136.7** | **+2.2** |
| Interest result | € million | –7.3 | –11.6 | – 36.6 | –21.5 | –29.4 | – 26.9 |
| Income taxes | € million | –12.2 | –8.1 | +50.7 | –38.9 | –37.1 | +4.9 |
| **Earnings after income taxes** | **€ million** | **25.6** | **14.3** | **+79.9** | **79.3** | **70.2** | **+13.0** |
| **Earnings per share** | | | | | | | |
| per preferred share | € | 1.36 | 0.75 | +81.3 | 4.18 | 4.27 | – 2.1 |
| per common share | € | 1.34 | 0.73 | +83.6 | 4.13 | 4.22 | – 2.1 |
| Research and development costs | € million | 38.8 | 37.0 | +4.9 | 115.2 | 105.1 | +9.6 |
| Equity ratio [1] | % | 34.7 | 32.4 | +7.3 | 34.7 | 32.4 | +7.3 |
| Cash flow from operating activities | € million | 68.8 | 73.3 | – 6.2 | 82.6 | 98.4 | – 16.1 |
| Net financial debt [1] | € million | 100.2 | 192.7 | – 48.0 | 100.2 | 192.7 | – 48.0 |
| Investments | € million | 15.9 | 12.6 | +26.6 | 46.6 | 33.9 | +37.3 |
| Capital employed [1,4] | € million | 881.0 | 911.5 | – 3.3 | 881.0 | 911.5 | – 3.3 |
| Net working capital [1,5] | € million | 365.5 | 398.7 | – 8.3 | 365.5 | 398.7 | – 8.3 |
| EBIT [3] / net sales | % | 8.6 | 6.5 | | 9.0 | 8.9 | |
| EBIT [3,7] / capital employed [1,4] (ROCE) | % | 22.2 | 20.7 | | 22.2 | 20.7 | |
| Net financial debt [1] / EBITDA [9] | Factor | 0.4 | 0.8 | | 0.4 | 0.8 | |
| Gearing [6] | Factor | 0.1 | 0.3 | | 0.1 | 0.3 | |
| DVA [8] | € million | 116.6 | 111.3 | +4.8 | 116.6 | 111.3 | +4.8 |
| Headcount [1] | | 11,825 | 11,197 | +5.6 | 11,825 | 11,197 | +5.6 |

[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
[6] Gearing = net financial debt / equity
[7] EBIT of the last twelve months
[8] Dräger Value Added = EBIT of the last twelve months less cost of capital
[9] EBITDA of the last twelve months

## Business performance of the Dräger Group

### ORDER INTAKE

| | Third quarter | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| in € million | Third quarter 2011 | Third quarter 2010 | Change in % | Net of currency effects in % | Nine months 2011 | Nine months 2010 | Change in % | Net of currency effects in % |
| Germany | 109.3 | 107.0 | +2.1 | +2.1 | 336.9 | 325.3 | +3.6 | +3.6 |
| Rest of Europe | 208.3 | 191.4 | +8.8 | +8.6 | 620.2 | 560.9 | +10.6 | +10.0 |
| Americas | 107.4 | 108.1 | –0.6 | +5.3 | 331.0 | 356.5 | –7.2 | –2.6 |
| Asia / Pacific | 97.2 | 78.6 | +23.7 | +22.8 | 263.9 | 228.7 | +15.4 | +14.2 |
| Other | 48.6 | 34.4 | +41.3 | +43.9 | 127.9 | 97.0 | +31.9 | +33.2 |
| **Total** | **570.7** | **519.5** | **+9.9** | **+11.1** | **1,679.7** | **1,568.4** | **+7.1** | **+7.8** |

After rising steeply by 11.1 percent (net of currency effects) in the third quarter of 2011, order intake in the first nine months of 2011 was 7.8 percent (net of currency effects) up year-on-year. Order intake in the third quarter of 2011 was higher than in the previous year in all regions, with the Asia / Pacific and other countries regions making a disproportionately high contribution to growth. The Americas region was able to further increase order intake in the third quarter of 2011 despite high comparative figures in the previous year, particularly on account of large orders from Brazil and the US. The medical division recorded increased demand, in particularly from China, as well as an unexpectedly high order volume from the US and Europe. Order intake in the safety division also recorded significant growth in the third quarter of 2011, primarily driven by large demand from the industrial sector. In absolute terms, the Asia / Pacific and Europe regions in particular recorded above-average growth

### ORDERS ON HAND

| in € million | September 30, 2011 | September 30, 2010 | Change in % | Net of currency effects in % |
|---|---|---|---|---|
| Germany | 87.7 | 95.2 | –7.9 | –7.9 |
| Rest of Europe | 194.3 | 166.9 | +16.4 | +17.8 |
| Americas | 104.3 | 109.9 | –5.1 | –4.3 |
| Asia / Pacific | 93.0 | 71.6 | +29.8 | +25.1 |
| Other | 55.0 | 35.0 | +57.3 | +57.4 |
| **Total** | **534.1** | **478.6** | **+11.6** | **+11.6** |

Equipment orders on hand covered a 3.1 month period on September 30, 2011 (September 30, 2010: 2.9 months). On December 31, 2010, they covered a period of 2.4 months.

## NET SALES

| | Third quarter | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| in € million | Third quarter 2011 | Third quarter 2010 | Change in % | Net of currency effects in % | Nine months 2011 | Nine months 2010 | Change in % | Net of currency effects in % |
| Germany | 103.9 | 106.8 | –2.7 | –2.8 | 319.6 | 307.7 | +3.9 | +3.9 |
| Rest of Europe | 198.6 | 191.5 | +3.7 | +3.3 | 569.2 | 581.9 | –2.2 | –2.7 |
| Americas | 106.9 | 119.4 | –10.5 | –5.8 | 321.6 | 325.9 | –1.3 | +3.6 |
| Asia / Pacific | 80.0 | 72.1 | +11.0 | +10.1 | 242.9 | 221.2 | +9.9 | +8.8 |
| Other | 34.6 | 35.4 | –2.3 | +0.4 | 103.9 | 105.3 | –1.3 | +0.0 |
| **Total** | **524.0** | **525.3** | **–0.2** | **+0.7** | **1,557.3** | **1,542.0** | **+1.0** | **+1.8** |

After slight net sales growth of 0.7 percent (net of currency effects) in the third quarter of 2011, Dräger Group's net sales were 1.8 percent (net of currency effects) up on the previous year in the first nine months of 2011. Net sales developed differently in both divisions. The safety division primarily profited from rising investments in the industrial sector in the wake of positive global economic developments. Especially Europe – Spain, Italy and Russia, for instance – and the Asia / Pacific region were able to increase net sales considerably in the third quarter of 2011. Despite net sales dropping in the Americas region due to the delivery of a deep sea diving component in the US in the previous year's quarter, net sales in the safety division went up by 11.0 percent (net of currency effects) in the third quarter of 2011. Net sales in the medical division, on the other hand, went down by 3.3 percent (net of currency effects) in the third quarter of 2011, the main reasons being a large order from Brazil that had been received in the previous year's quarter, which could not be fully compensated, as well as dropping net sales, primarily in South Europe as a consequence of the governments' difficult financial situation.

### EARNINGS

Dräger increased its gross earnings by EUR 27.1 million to EUR 776.1 million in the first nine months of 2011. The main contributors were the increase in net sales and particularly the 1.2 percentage point rise in gross margin, which was mainly due to an improved product mix in both divisions in favor of high-margin products and a positive earnings contribution from deep sea diving projects in the safety division.

Functional costs went up by around 6 percent year-on-year during the reporting period, mainly on account of higher expenses for additional sales activities and increased customer care as well as a scheduled rise in investments in Service, Research and Development and IT. In the first nine months of 2011, Dräger invested approximately 9.6 percent more into Research and Development (R&D) than in the previous year. R&D expenses went up to 7.4 percent of net sales compared to 6.8 percent in the first nine months of 2010. The ongoing optimization of the IT infrastructure as well as the global implementation of CRM software to support sales also led to an increase in expenses. Personnel expenses rose by 7.0 percent due to headcount being increased to account for the Company's growth as well as 1.9 percent pay rises in accordance with collective wage agreements negotiated for the German company. It also has to be taken into consideration that the figures for the same period in the previous year included one-time income from the sale of software codes and that in 2011 a one-time increase in expenses in South America had a negative impact. The changes in exchange rates compared to the euro relieved the pressure on functional costs in the first nine months of 2011.

The other financial result went up by EUR 12.7 million year-on-year. In the previous year, the cash settled option, which had been issued as part of the buyback of the 25 percent Siemens share in the medical division, decreased earnings by EUR 11.8 million.

In the first nine months of 2011, Dräger achieved total Group EBIT of EUR 139.7 million (9 months 2010: EUR 136.7 million). The EBIT margin was therefore 9.0 percent (9 months 2010: 8.9 percent).

The interest result went up by EUR 7.9 million to EUR -21.5 million year-on-year as a result of the Siemens vendor note being repaid in the third quarter of 2010 and the repayment of two note loans in December 2010 and April 2011. The cessation of loan commitment fees for the loan agreement which was concluded with the Kreditanstalt für Wiederaufbau (KfW) in September 2009 as well as the syndicated loan concluded at the beginning of 2010 also improved the interest result.

Income taxes (excluding income taxes for previous years) were calculated on the basis of earnings before income taxes and anticipated group tax rate of 33 percent.

Earnings after income taxes amounted to EUR 79.3 million, 13 percent up on the prior-year period (9 months 2010: EUR 70.2 million).

Earnings attributable to participation certificates (excluding minimum dividend, after taxes) were calculated on the basis of current dividend policies and earnings in the first nine months of 2011. The dividend for the first nine months of the year came to EUR 0.87 per common share and EUR 0.92 per preferred share.

## INVESTMENTS

In the first nine months of 2011, Dräger invested EUR 4.5 million (9 months 2010: EUR 3.0 million) in intangible assets and EUR 42.1 million in property, plant and equipment (9 months 2010: EUR 30.9 million). Investments included EUR 6.5 million for a new a production and logistics building for the medical division. These investments totaling approximately EUR 14 million were largely completed in the first quarter of 2011. Depreciation and amortization in the first nine months of 2011 amounted to EUR 39.7 million and covered 85 percent of investments. In the same period in 2010, EUR 39.7 million in depreciation and amortization covered investments in full.

## CASH FLOW STATEMENT

In the first nine months of 2011, Dräger Group's cash inflow from operating activities amounted to EUR 82.6 million compared to cash inflow of EUR 98.4 million in the prior-year period. EUR 24.3 million of this development was the result of the fall in net profit (net of depreciation and amortization, changes in provisions recognized directly in equity and other non-cash income) Trade payables fell by a total of EUR 42.2 million (9 months 2010: EUR 17.5 million). This was mainly counteracted by the EUR 31.8 million increase in inventories (9 months 2010: EUR 58.1 million).

EUR 6.4 million of the cash outflow from investing activities of EUR 45.3 million (9 months 2010: EUR 29.8 million) were for investments in the new production and logistics building for the infrastructure projects business at the Lübeck site.

In addition to dividend payments of EUR 35.3 million and the paid cash compensation for participation certificate holders of net EUR 5.7 million, the repaying of a note loan of EUR 24.5 million and a bank loan of EUR 5.8 million were mainly responsible for the cash outflow from financing activities of EUR 64.5 million (9 months 2010: EUR 158.0 million). However, the Company took out a bank loan of EUR 10.8 million to finance the construction of a new production and logistics building for the Infrastructure Projects business in Lübeck. The cash outflow in the prior-year period was marked by the EUR 235.9 million part-payment to Siemens in April 2010 (total purchase price: EUR 250.6 million) for the acquisition of the 25 percent share in the medical division, which was offset by a capital increase of EUR 100.6 million in June 2010.

Cash inflow from operating activities included EUR 35.4 million (9 months 2010: EUR 28.8 million) in income taxes paid, EUR 3.3 million (9 months 2010: EUR 1.7 million) in interest received, and EUR 20.1 million (9 months 2010: EUR 25.9 million) in interest paid.

Cash and cash equivalents on September 30, 2011 exclusively comprises cash, of which EUR 12.7 million were subject to restrictions (September 30, 2010: EUR 9.5 million).

Changes in the balance sheet items recognized in the cash flow statement are translated into euros net of currency effects and therefore cannot be reconciled with the published balance sheet figures.

## Financial management

### BORROWING

Compared to the financing measures described in the 2010 Annual Report, there was only one major change relating to the contractual repayment of a note loan of EUR 24.5 million in April 2011 during the first nine months of the current fiscal year. The 2010 Annual Report may be downloaded on the internet at **www.draeger.com**.

### NET ASSETS

Dräger Group's equity rose by EUR 35.7 million to EUR 672.3 million in the first nine months of 2011. This was due to the balance from the net profit for the period of EUR 79.3 million in the first nine months of 2011, the dividend payment of EUR –35.3 million and the negative differences arising from currency translations at the foreign subsidiaries of EUR –8.5 million. The equity ratio went up to 34.7 percent (December 31, 2010: 32.2 percent).

Total assets decreased by EUR 40.6 million to EUR 1,936.3 million in the first nine months of 2011. Whereas inventories rose by EUR 27.0 million and other current assets by EUR 21.8 million, trade receivables dropped by EUR 55.3 million and cash and cash equivalents by EUR 31.8 million. On the liabilities side, trade payables in particular fell by EUR 32.0 million, current liabilities to banks by EUR 28.4 million and other current financial liabilities by EUR 14.5 million.

## BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

| | | Third quarter | | | Nine months | | |
|---|---|---|---|---|---|---|---|
| | | Third quarter 2011 | Third quarter 2010 | Change in % | Nine months 2011 | Nine months 2010 | Change in % |
| **Order intake** | **€ million** | **383.6** | **357.5** | **+7.3** | **1,097.5** | **1,056.3** | **+3.9** |
| **Orders on hand** [1] | **€ million** | **375.9** | **336.4** | **+11.7** | **375.9** | **336.4** | **+11.7** |
| **Net sales** | **€ million** | **335.2** | **351.7** | **–4.7** | **998.2** | **1,028.9** | **–3.0** |
| **EBITDA** [2] | **€ million** | **43.5** | **41.2** | **+5.5** | **124.9** | **145.0** | **–13.8** |
| Depreciation / amortization | € million | –5.6 | –6.0 | –6.1 | –17.1 | –16.8 | +1.4 |
| **EBIT** [3] | **€ million** | **37.9** | **35.2** | **+7.8** | **107.8** | **128.2** | **–15.9** |
| Research and development costs | € million | 27.8 | 25.8 | +7.7 | 79.8 | 73.1 | +9.2 |
| Cash flow from operating activities | € million | 47.6 | 37.8 | +26.2 | 80.7 | 86.6 | –6.8 |
| Investments | € million | 7.5 | 7.0 | +6.5 | 24.2 | 17.7 | +37.0 |
| Capital employed [1,4] | € million | 531.1 | 569.0 | –6.7 | 531.1 | 569.0 | –6.7 |
| Net working capital [1,5] | € million | 262.3 | 307.1 | –14.6 | 262.3 | 307.1 | –14.6 |
| EBIT [3] / net sales | % | 11.3 | 10.0 | | 10.8 | 12.5 | |
| EBIT [3,6] / capital employed [1,4] (ROCE) | % | 31.9 | 31.3 | | 31.9 | 31.3 | |
| DVA [7] | € million | 118.3 | 134.5 | –12.1 | 118.3 | 134.5 | –12.1 |
| Headcount [1] | | 6,671 | 6,339 | +5.2 | 6,671 | 6,339 | +5.2 |

[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
[6] EBIT of the last twelve months
[7] 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 2011 | Third quarter 2010 | Change in % | Net of currency effects in % | Nine months 2011 | Nine months 2010 | Change in % | Net of currency effects in % |
| Germany | 75.4 | 73.1 | +3.1 | +3.1 | 233.2 | 228.0 | +2.3 | +2.3 |
| Rest of Europe | 133.1 | 127.1 | +4.7 | +5.5 | 378.8 | 355.3 | +6.6 | +6.3 |
| Americas | 76.6 | 76.8 | –0.2 | +5.8 | 237.5 | 251.5 | –5.6 | –0.9 |
| Asia / Pacific | 67.1 | 54.2 | +23.8 | +23.7 | 164.3 | 151.8 | +8.3 | +8.4 |
| Other | 31.4 | 26.3 | +19.4 | +21.3 | 83.7 | 69.7 | +20.1 | +21.5 |
| **Total** | **383.6** | **357.5** | **+7.3** | **+9.0** | **1,097.5** | **1,056.3** | **+3.9** | **+5.0** |

Order intake in the medical division increased by as much as 9.0 percent (net of currency effects) year-on-year in the third quarter of 2011, particularly on account of a large number of orders received from China and the unexpectedly positive demand from the US and Europe. Total order intake in the division went up by 5.0 percent (net of currency effects) in the first nine months of 2011.

In terms of products, order intake in the medical division grew in all business fields in the third quarter of 2011, with Lifecycle Solutions performing strongly, as expected, and Neonatal Medicine and Anesthesia even better than expected.

Order intake in Germany was slightly up year-on-year in the third quarter of 2011, the main reason being service and accessories orders in Lifecycle Solutions.

In the rest of Europe region, order volume continued to grow in the third quarter of 2011. In addition to recording a positive order situation in the Netherlands and France – particularly in Infrastructure Projects – Dräger developed positively in South Europe despite the difficult market situation there. Strong rising order intake in Spain, Greece and Portugal was offset by falling order intake in Italy.

In the third quarter of 2011, order intake in the Americas region remained at the same level as in the previous year. Order growth in the US, which at 23.9 percent (net of currency effects) was comparatively excellent, particularly in Anesthesia, was offset by the especially high order intake from Brazil in the previous year.

Order intake in the Asia / Pacific region was considerably higher than in the previous year, the main reason for this development being local dealers placing their end-of-year orders early on account of the long fall vacations in China.

Order intake in the other countries region was also significantly up year-on-year in the third quarter of 2011, primarily due to a large warming therapy order from Iraq.

## ORDERS ON HAND

| in € million | September 30, 2011 | September 30, 2010 | Change in % | Net of currency effects in % |
|---|---|---|---|---|
| Germany | 55.6 | 66.4 | –16.3 | –16.3 |
| Rest of Europe | 135.2 | 112.0 | +20.7 | +22.4 |
| Americas | 87.9 | 82.0 | +7.2 | +8.0 |
| Asia / Pacific | 64.8 | 51.3 | +26.1 | +20.9 |
| Other | 32.4 | 24.7 | +31.4 | +30.7 |
| **Total** | **375.9** | **336.4** | **+11.7** | **+11.6** |

On September 30, 2011, orders on hand in the medical division were EUR 375.9 million, up 11.6 percent (net of currency effects) on the previous year's figure (September 30, 2010: EUR 336.4 million). The drop in orders on hand in Germany was mainly due to the delivery of orders placed last year, leading to sales growth in 2011. The increase in the rest of Europe region was amongst other things caused by two large projects in Poland in the second quarter of 2011 as well as infrastructure projects in the Netherlands and Spain in the third quarter of 2011. In the Americas region, rising order volume in the US fully compensated for a drop in Brazil. The comparatively high volume of orders on hand in the Asia / Pacific region was driven by the above-mentioned orders from China. Orders on hand in the other countries region went up, mainly on account of orders from the Arab region, including a warming therapy order from Iraq. Equipment orders on hand covered a 3.5 month period (30 September 2010: 3.2 months).

## NET SALES

| | Third quarter | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| in € million | Third quarter 2011 | Third quarter 2010 | Change in % | Net of currency effects in % | Nine months 2011 | Nine months 2010 | Change in % | Net of currency effects in % |
| Germany | 72.4 | 73.3 | –1.2 | –1.2 | 224.0 | 213.3 | +5.0 | +5.0 |
| Rest of Europe | 113.7 | 121.5 | –6.4 | –6.2 | 325.4 | 359.6 | –9.5 | –9.8 |
| Americas | 75.6 | 83.5 | –9.5 | –4.7 | 223.6 | 236.4 | –5.4 | –0.6 |
| Asia / Pacific | 49.3 | 48.7 | +1.3 | +1.2 | 151.3 | 146.0 | +3.7 | +3.9 |
| Other | 24.2 | 24.7 | –1.8 | +0.6 | 73.8 | 73.6 | +0.4 | +1.8 |
| **Total** | **335.2** | **351.7** | **–4.7** | **–3.3** | **998.2** | **1,028.9** | **–3.0** | **–1.8** |

The medical division recorded a 3.3 percent (net of currency effects) decline in sales in the third quarter of 2011, 1.8 percent (net of currency effects) down year-on-year in the first nine months of 2011. Similar to the second quarter of 2011, the decline is mainly due to the large prior-year order from Brazil.

Net sales in Germany in the third quarter of 2011 were slightly behind those of the previous year. This was due to a small decrease in the equipment business, which could not be completely offset by the unexpectedly positive development in Service.

The decline in net sales in the rest of Europe region in the third quarter of 2011 was primarily due to the market-driven weaker performance of some Southern European countries, such as Italy and Spain, as well as United Kingdom. However, sales in the Scandinavian countries developed well.

As the higher sales in other Latin American countries were unable to offset a significant prior-year order from Brazil, Dräger recorded a drop in sales in the Americas region in the third quarter of 2011. Net sales in the US, however, were on par with the previous year with a 0.3 percent (net of currency effects) decrease.

In the Asia / Pacific region, Dräger slightly increased net sales in the third quarter against the same period in the previous year, as growth in China, Indonesia and India offset the declines in Australia and Japan.

Net sales growth in the Central Asian countries such as Kazakhstan and Azerbaijan offset a fall in net sales in North Africa, with net sales (net of currency effects) remaining stable overall in the other countries region in the third quarter of 2011.

## EARNINGS

In the first nine months of 2011, gross profit of the medical division was down slightly on the previous year. As a result of the favorable product mix, high capacity utilization in the Anesthesia and Neonatal Care business as well as positive exchange rate development, the gross margin was up slightly on the prior-year level. However, these positive effects were not enough to offset the comparatively low sales.

Higher research and development (R&D) and IT expenses in particular impacted earnings. Income from the sale of software codes of EUR 4.4 million reduced functional costs in 2010.

Research and development expenses rose by 9.2 percent (12.0 percent net of currency effects) year-on-year to EUR 79.8 million. The euro, which was relatively stronger compared to the currencies of many subsidiaries, had a positive effect on research and development costs as well as on selling costs.

However, EBIT of the medical division decreased by 15.9 percent to EUR 107.8 million in total (9 months 2010: EUR 128.2 million). The EBIT margin was therefore 10.8 percent (9 months 2010: 12.5 percent).

## INVESTMENTS

In the first nine months of 2011, the medical division invested EUR 24.2 million in property, plant and equipment and intangible assets (9 months 2010: EUR 17.7 million). EUR 6.5 million was invested in buildings and equipment for the construction of a new production and logistics building for the Infrastructure Projects business in the first nine months of 2011 (9 months 2010: EUR 2.5 million). Project investments totaling approximately EUR 14 million were largely completed in the first quarter of 2011. Dräger also capitalized EUR 1.2 million for investments in the new Dräger Design Center with headquarters in Lübeck. From here, Dräger will be able to present medical division products to its customers in a realistic environment and configure the equipped work stations according to customer requirements. Depreciation and amortization in the first nine months of 2011 amounted to EUR 17.1 million and covered 70 percent of investments. In the same period in 2010, EUR 16.8 million in depreciation and amortization covered 95 percent of investments.

## FINANCIAL POSITION AND NET ASSETS

As of September 30, 2011, capital employed in the medical division decreased by EUR 37.9 million to EUR 531.1 million (September 30, 2010: EUR 569.0 million). Although the building for the Infrastructure Projects business field contributed to a slight rise in non-current assets, this effect was more than offset by lower receivables as well as higher prepayments and trade payables. The medical division improved its days working capital (coverage of receivables, liabilities and inventories) by 2.3 days to 120.8 days. Cash inflow from operating activities amounted to EUR 80,7 million in the first nine months of 2011 (9 months 2010: EUR 86.6 million).

## BUSINESS PERFORMANCE OF THE SAFETY DIVISION

| | | Third quarter | | | Nine months | | |
|---|---|---|---|---|---|---|---|
| | | Third quarter 2011 | Third quarter 2010 | Change in % | Nine months 2011 | Nine months 2010 | Change in % |
| **Order intake** | **€ million** | **194.6** | **167.7** | **+16.1** | **604.8** | **532.8** | **+13.5** |
| **Orders on hand** [1] | **€ million** | **160.0** | **143.9** | **+11.2** | **160.0** | **143.9** | **+11.2** |
| **Net sales** | **€ million** | **196.2** | **178.6** | **+9.8** | **581.3** | **531.6** | **+9.4** |
| **EBITDA** [2] | **€ million** | **25.8** | **23.0** | **+12.5** | **81.4** | **62.8** | **+29.7** |
| Depreciation / amortization | € million | –5.0 | –5.2 | – 4.3 | –14.7 | –15.7 | – 6.3 |
| **EBIT** [3] | **€ million** | **20.9** | **17.8** | **+17.5** | **66.7** | **47.1** | **+41.5** |
| Research and development costs | € million | 9.7 | 10.8 | – 10.2 | 32.4 | 30.4 | +6.6 |
| Cash flow from operating activities | € million | 18.0 | 19.7 | – 8.4 | 24.7 | 40.0 | – 38.2 |
| Investments | € million | 6.3 | 4.9 | +27.8 | 16.3 | 13.7 | +19.2 |
| Capital Employed [1,4] | € million | 215.2 | 198.9 | +8.2 | 215.2 | 198.9 | +8.2 |
| Net working capital [1,5] | € million | 138.5 | 123.8 | +11.9 | 138.5 | 123.8 | +11.9 |
| EBIT [3] / net sales | % | 10.6 | 10.0 | | 11.5 | 8.9 | |
| EBIT [3,6] / capital employed [1,4] (ROCE) | % | 37.5 | 24.7 | | 37.5 | 24.7 | |
| DVA [7] | € million | 62.2 | 31.0 | +100.3 | 62.2 | 31.0 | +100.3 |
| Headcount [1] | | 4,500 | 4,385 | +2.6 | 4,500 | 4,385 | +2.6 |

[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
[6] EBIT of the last twelve months
[7] 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 2011** | **Third quarter 2010** | **Change in %** | **Net of currency effects in %** | **Nine months 2011** | **Nine months 2010** | **Change in %** | **Net of currency effects in %** |
| Germany | 41.3 | 39.4 | +4.8 | +4.8 | 126.1 | 117.8 | +7.0 | +7.0 |
| Rest of Europe | 75.2 | 64.5 | +16.6 | +17.2 | 241.4 | 205.8 | +17.3 | +17.1 |
| Americas | 30.8 | 31.3 | –1.6 | +4.2 | 93.5 | 105.0 | –11.0 | –6.6 |
| Asia / Pacific | 30.1 | 24.4 | +23.4 | +20.9 | 99.6 | 76.9 | +29.5 | +25.6 |
| Other | 17.2 | 8.1 | +112.3 | +117.3 | 44.2 | 27.3 | +61.9 | +63.0 |
| **Total** | **194.6** | **167.7** | **+16.1** | **+17.2** | **604.8** | **532.8** | **+13.5** | **+13.8** |

Following growth of 17.2 percent (net of currency effects) in the third quarter of 2011, the safety division's order intake in the first nine months of 2011 was up 13.8 percent (net of currency effects) year-on-year. In addition to the positive development of all business areas, the industrial customers segment experienced a catch-up effect for investment activities for safety systems and equipment. The safety division also experienced particularly strong demand for stationary gas detection system, alcohol detection technology and personal protection equipment products in the third quarter of 2011.

Despite the indicated economic slowdown, order intake in Germany once again exceeded that in the previous year. This was mainly due to the industry, specialist technical retailers and firefighting services. The focus here was mainly on respiratory protection and mobile gas detection products and services as well as the maintenance and rental business with major oil refining industry customers.

Dräger again grew strongly in the rest of Europe region in the third quarter of 2011. Growth in alcohol testing devices was particularly noteworthy thanks to larger orders from Sweden, Finland, Spain and France. The mobile gas detection business also did well. Here, the safety division, for instance, won a large order for the mining industry in the Czech Republic.

Order intake in the Americas region in the first quarter of 2011 rose by 4.2 percent (net of currency effects). Dräger asserted itself in the US and increased order intake by 0.8 percent year-on-year (net of currency effects) despite looming economic difficulties.

Order intake in Canada developed particularly positively. This was due to high demand for Dräger breathing apparatus as well as a large order from the mining industry for refuge chambers.

Dräger continued to record strong growth in the Asia / Pacific region. The main driver behind this was the ongoing high demand for breathing apparatus and alcohol testing devices from Australia and New Zealand. The Japanese market was the only one to perform negatively as a result of the negative impact from the natural and nuclear disaster on industrial demand. But overall, all business areas reported significant double-digit growth.

As a result of a number of large orders from the Arab world, order intake in the other countries region more than doubled year-on-year in the third quarter of 2011. These orders include ones for stationary gas detection systems for oil and gas industry customers as well as diving apparatus and the associated respiratory gas system equipment.

### ORDERS ON HAND

| in € million | September 30, 2011 | September 30, 2010 | Change in % | Net of currency effects in % |
|---|---|---|---|---|
| Germany | 33.7 | 30.5 | +10.5 | +10.5 |
| Rest of Europe | 59.1 | 54.9 | +7.7 | +8.6 |
| Americas | 16.4 | 27.9 | –41.2 | –40.5 |
| Asia / Pacific | 28.2 | 20.3 | +38.9 | +35.5 |
| Other | 22.6 | 10.3 | +119.4 | +121.4 |
| **Total** | **160.0** | **143.9** | **+11.2** | **+11.3** |

The safety division's orders on hand at the end of the first nine months of 2011 followed the strong order intake growth. Major changes occurred in the other countries region as a result of the longer time required to complete project orders received in the third quarter of 2011. In contrast, the Americas region received a large amount of orders for deep sea diving system components. Adjusted for this large order, the region's orders on hand rose by 11.4 percent (net of currency effects). Orders on hand covered a 2.7 month period (September 30, 2010: 2.4 months).

## NET SALES

| | Third quarter | | | | Nine months | | | |
|---|---|---|---|---|---|---|---|---|
| **in Mio. €** | **Third quarter 2011** | **Third quarter 2010** | **Change in %** | **Net of currency effects in %** | **Nine months 2011** | **Nine months 2010** | **Change in %** | **Net of currency effects in %** |
| Germany | 38.8 | 38.4 | +1.0 | +1.0 | 117.8 | 112.8 | +4.4 | +4.4 |
| Rest of Europe | 84.9 | 70.1 | +21.1 | +22.1 | 243.8 | 222.4 | +9.6 | +9.6 |
| Americas | 31.3 | 35.9 | –12.8 | –8.4 | 98.0 | 89.5 | +9.5 | +14.6 |
| Asia / Pacific | 30.7 | 23.4 | +31.2 | +28.6 | 91.6 | 75.2 | +21.8 | +18.2 |
| Other | 10.5 | 10.8 | –3.7 | +0.0 | 30.1 | 31.7 | –5.0 | –4.1 |
| **Total** | **196.2** | **178.6** | **+9.8** | **+11.0** | **581.3** | **531.6** | **+9.4** | **+9.7** |

Net sales in the safety division were up 9.7 percent year-on-year (net of currency effects) following the first nine months of 2011 with significant sales growth of 11.0 percent (net of currency effects) in the third quarter of 2011. The safety division profited from a global rise in investing activities by industrial customers, which made up for postponed investments, as well as the completion of small and medium-sized orders from all product areas.

Net sales in Germany in the third quarter of 2011 were only up slightly on the previous year due to a basis effect: a large fire exercise container order for Leipzig-Halle Airport had been delivered in 2010.

Dräger generated significant net sales growth in all product areas in the rest of Europe region. Double-digit net sales growth was achieved despite the critical situation facing governments in South Europe, such as in Spain and Italy. The safety division delivered a number of “Dräger Alcotest” and “Dräger Interlock XT” alcohol detection devices orders in Finland. Business in Russia also did well: Here, Dräger delivered a number of large mobile gas detection, alcohol testing devices and breathing apparatus product orders in the third quarter of 2011.

As a significant portion of a large order for deep sea diving system components in the US had been delivered in the third quarter of 2010, sales in the Americas region were down on the previous year. Adjusted for this order and net of currency effects, sales in the Americas region grew by 4.8 percent in the third quarter of 2011. Solid growth was seen in all safety division product areas in both North and Latin America. The US also saw a catch-up effect in demand for breathing apparatus and mobile gas detectors from industrial customers. The new “Dräger X-Zone 5000”, an area monitoring mobile gas detector for industrial applications, was particularly well received here. Adjusted for the large deep sea diving order, growth in the US amounted to 4.2 percent (net of currency effects) in the third quarter of 2011.

The greatest rise was in net sales in the Asia / Pacific region. In the third quarter of 2011, sales here increased by 28 percent (net of currency effects), accumulated in the first nine months to more than 18 percent (net of currency effects). The main drivers for this growth were again Australia and New Zealand followed by the Southeast Asia region – the so-called ASEAN states – and China.

Despite the political unrest in many Middle Eastern countries, net sales in the other countries region remained on par with the level seen in the previous year in the third quarter of 2011 as a result of many small and medium-sized projects.

### EARNINGS

The product mix shifted towards more profitable products, which significantly improved the gross margin in the safety division. There was also a positive earnings contribution in the low to mid single-digit million range from deep sea diving projects. As planned, research and development costs rose 6.6 percent to EUR 32.4 million year-on-year (9 months 2010: EUR 30.4 million). Marketing, sales and administration costs were also up on the previous year as planned, some of the reasons being increased personnel and IT expenses. Due to the extraordinarily high net sales volume and increased gross margin, EBIT in the safety division rose by 41.5 percent to EUR 66.7 million in the first nine months of 2011 (9 months 2010: EUR 47.1 million). The EBIT margin therefore rose to 11.5 percent (9 months 2010: 8.9 percent).

### INVESTMENTS

In the first nine months of 2011, the safety division invested EUR 0.5 million (9 months 2010: EUR 0.5 million) in intangible assets and EUR 15.8 million in property, plant and equipment (9 months 2010: EUR 13.2 million). Depreciation and amortization in the first nine months of 2011 amounted to EUR 14.7 million and covered 90 percent of investments. In the same period in 2010, EUR 15.7 million in depreciation and amortization covered investments in full.

### FINANCIAL POSITION AND NET ASSETS

As expected, capital employed rose by 8.2 percent due to an increase in receivables and inventories, amounting to EUR 215.2 million at the end of the first nine months of 2011 (September 30, 2010: EUR 198.9 million). The safety division increased its days working capital (coverage of receivables, liabilities and inventories) by 2.9 days to 98.7 days. Cash inflow from operating activities amounted to EUR 24.7 million in the first nine months of 2011 and was therefore down year-on-year due to growth (9 months 2010: EUR 40.0 million).

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

| | | Third quarter | | | Nine months | | |
|---|---|---|---|---|---|---|---|
| | | Third quarter 2011 | Third quarter 2010 | Change in % | Nine months 2011 | Nine months 2010 | Change in % |
| **Order intake** | **€ million** | **3.8** | **3.6** | **+7.2** | **11.7** | **11.1** | **+5.5** |
| **Orders on hand** [1] | **€ million** | **0.0** | **0.0** | | **0.0** | **0.0** | |
| **Net sales** | **€ million** | **3.8** | **3.6** | **+7.2** | **11.7** | **11.1** | **+5.5** |
| **EBITDA** [2] | **€ million** | **36.2** | **150.6** | **– 75.9** | **133.6** | **158.5** | **– 15.7** |
| Depreciation / amortization | € million | –2.8 | –2.5 | +9.4 | –7.9 | –7.4 | +7.5 |
| **EBIT** [3] | **€ million** | **33.5** | **148.1** | **– 77.4** | **125.7** | **151.1** | **– 16.8** |
| Research and development costs | € million | 1.3 | 0.5 | +159.5 | 3.0 | 1.6 | +93.0 |
| Cash flow from operating activities | € million | 39.4 | 138.6 | – 71.6 | 106.5 | 121.1 | – 12.0 |
| Investments | € million | 2.2 | 0.9 | +141.1 | 6.1 | 2.6 | +133.3 |
| Capital Employed [1,4] | € million | 753.0 | 755.5 | – 0.3 | 753.0 | 755.5 | – 0.3 |
| Net working capital [1,5] | € million | –27.4 | –30.1 | – 8.8 | –27.4 | –30.1 | – 8.8 |
| Headcount [1] | | 654 | 473 | +38.3 | 654 | 473 | +38.3 |

[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 provides services to the divisions and their subsidiaries and continued to expand its central function by pooling the financial accounting functions of the medical and safety divisions in the third quarter of 2011.

EBIT in this area decreased to EUR 125.7 million year-on-year in the first nine months of 2011 (9 months 2010: EUR 151.1 million).This fall was mainly due to the final distribution of EUR 70.4 million by Dräger Medical AG & Co. KG to Dräger Medical Holding GmbH for fiscal year 2009. As Dräger Medical AG & Co. KG was integrated in Dräger Medical Holding GmbH, which then was renamed to Dräger Medical GmbH, the control and profit transfer agreement made with Drägerwerk AG & Co. KGaA was transferred to Dräger Medical GmbH in the third quarter of 2011.

In the first nine months of 2011, Dräger Medical GmbH therefore transferred earnings of EUR 114.8 million to Drägerwerk AG & Co. KG (9 months 2010: EUR 88.2 million). The profit of EUR 43.9 million transferred by Dräger Safety AG & Co. KGaA was around EUR 11.9 million higher than in the previous year (9 months 2010: EUR 32.0 million). The option component of the purchase price for the 25 percent Siemens share in Dräger Medical AG & Co. KG also reduced earnings by EUR 11.8 million in the first nine months of 2010.

### INVESTMENTS

In the first nine months of 2011, Drägerwerk AG & Co. KGaA increased its investments in IT infrastructure as well as in the repair and renovation of buildings. Investments in intangible assets and property, plant and equipment amounted to EUR 6.1 million (9 months 2010: EUR 2.6 million).

## Research and development

In the first nine months of 2011, research and development (R&D) costs at Dräger Group came to EUR 115.2 million, a planned, EUR 10.1 million up on the previous year's value of EUR 105.1 million. This is equivalent to 7.4 percent of net sales (9 months 2010: 6.8 percent).

Research and development costs in the medical division rose to EUR 79.8 million in the first nine months of 2011 (9 months 2010: EUR 73.1 million), amounting to 8.0 percent

of net sales (9 months 2010: 7.1 percent). This was mainly due to a rise in the number of development projects as well as increased expenses for product maintenance.
Dräger launched the “Vista 120” patient monitor in the third quarter of 2011, which has been designed with customer requirements in the fast-growing emerging markets in mind. Dräger also launched a new version of the “Innovian Solution Suite” clinical information system in the third quarter of 2011. The new version of this concept of an electronic medical record in acute care has improved documentation quality thanks to automatic plausibility checks and better supports hospital employees in making sound decisions on the next therapeutic steps.

Research and development costs in the safety division rose to EUR 32.4 million in the first nine months of 2011 (9 months 2010: EUR 30.4 million), amounting to 5.6 percent of net sales (9 months 2010: 5.7 percent). In the third quarter of 2011, the safety division officially opened the research and development center in Beijing, China, which will locally develop product modifications and enhancements for the growing Asian market. In terms of products, Dräger successfully launched stationary gas detection system products in the third quarter of 2011 such as the gas monitoring systems “Polytron 5000” to detect toxic gasses, “Polytron 5200” to detect flammable gasses with the aid of a catalytic sensor as well as “Polytron 5300” which recognizes flammable gasses with the help of an infrared sensor.

## Purchasing

Overall purchasing prices of raw materials rose by a lower single-digit percentage figure on average in the first nine months of 2011. The fall in directly and indirectly purchased raw materials in the third quarter of 2011 was unable to completely offset the steep price increases in key goods groups from the first half of 2011. As a result, Dräger recorded overall price increases in the first nine months of 2011. Average copper prices for directly purchased goods rose by approximately 29 percent in the first nine months of 2011, while average prices for platinum, one of the few directly purchased precious metals, only rose by some 1 percent in the first nine months of 2011. Copper and aluminum are the most important indirectly purchased raw materials for Dräger. Average aluminum prices rose by 10 percent in the reporting period, while copper prices rose by 17 percent. The availability of electronic components, which are used to assemble circuit boards, improved considerably as against 2010. To be better prepared for future price developments, Purchasing and Research and Development have further intensified their cooperation and come up with a design to cost schedule for the coming years. The focus here is mainly on product revision, mainly to optimally respond to the challenges of the commodities markets. Purchasing results for non-production materials and IT were positive in the first nine months of 2011. Savings were once again made in the purchasing of materials and services.

## Personnel

The total number of Dräger Group employees rose by 628 to 11,825 year-on-year as of September 30, 2011 and personnel expenses went up by 7.0 percent to EUR 564.6 million. This was mainly due to the rise in employees, Dräger's future collective agreement ("Zukunftstarifvertrag") as well as the current German collective agreement.

### PERSONNEL EXPENSES

| | Nine months 2011 | Nine months 2010 |
|---|---|---|
| Wages and salaries | 473,886 | 443,002 |
| Social security contributions and related employee benefits | 79,264 | 73,876 |
| Pension expenses | 11,408 | 10,805 |
| | **564,558** | **527,683** |

Compared to the previous year's quarter, the number of Drägerwerk AG & Co. KGaA/ other companies employees rose by 181. The rise in the number of employees at Drägerwerk AG & Co. KGaA (+180) is chiefly due to transfers under the merger of functions. Since October 1, 2010, a total of 103 employees from the Purchasing, Human Resources and Financial Accounting functions of the medical and safety divisions have been transferred to the Shared Services of Drägerwerk AG & Co. KGaA. An additional 78 people were employed in order to expand, among others, IT (+31), Human Resources (+21) as well as Purchasing and Logistics (+12) as planned.

In the medical division, headcount as of the end of the first nine months of 2011 rose by 332 year-on-year. The majority of the new employees were hired in Germany (133). Production recorded the single largest rise in headcount by hiring 79 temporary employees, with Research and Development taking on a further 44 people. The foreign sales and service companies hired a total of 154 additional employees, with the focuses here being on Europe (+47), Latin America (+36) and Asia / Pacific (+34). Headcount in the producing subsidiaries increased by 26 in the US and 24 in China, while the number of employees at a company discontinued in the 2010 fiscal year in the Netherlands fell by 4.

**WORKFORCE TREND**

| | September 30, 2011 | December 31, 2010 | September 30, 2010 |
|---|---|---|---|
| Medical division | 6,671 | 6,386 | 6,339 |
| Safety division | 4,500 | 4,409 | 4,385 |
| Drägerwerk AG & Co. KGaA and other companies | 654 | 496 | 473 |
| **Dräger Group total** | **11,825** | **11,291** | **11,197** |
| Germany | 5,416 | 5,085 | 5,013 |
| Other | 6,409 | 6,206 | 6,184 |
| Turnover in % of employees (Basis: average of the past twelve months) | 5.3 | 5.3 | 5.1 |
| Sick days in % of work days (Basis: average of the past twelve months) | 3.3 | 3.2 | 3.2 |
| Temporary staff in Germany | 476 | 584 | 612 |

From the 115 additional people employed at the safety division as of September 30, 2011, 90 work at the German companies Dräger Safety AG & Co. KGaA, Lübeck and the logistics subsidiary Dräger Interservices GmbH, Lübeck, mainly in Logistics (+38), Production (+25) and Research and Development (+23).

The number of temporary employees fell by 136 year on year. Based on the stipulations of the future agreement, Dräger took over a total of 99 temporary staff on permanent employment during the course of the third quarter of 2011. Temporary production employee capacity also fell in the same period as a result of product mix shifting.

## Risks to future development

The structure of our risk management system and significant risks to our net assets, financial position and results of operations are outlined in the annual report for fiscal year 2010. This annual report may be downloaded on the internet at **www.draeger.com**.

## Changed conditions after the close of the interim reporting period

### CHANGE IN THE EXECUTIVE BOARD OF DRÄGERWERK VERWALTUNGS AG

Dr. Carla Kriwet, Dräger's Executive Board member for Sales and Marketing, will leave the Company at the end of the year by mutual agreement. It has been agreed not to comment on why Dr. Kriwet is leaving.

# Outlook

### FUTURE MARKET ENVIRONMENT

The International Monetary Fund (IMF) sees the global economy as being in a dangerous period. Compared to its June prediction, it reduced its global economic growth forecasts for the current year by 0.3 percentage points to 4.0 percent and by 0.5 percentage points also to 4.0 percent for 2012. The IMF pointed out that the forecasts were made under the assumption that European politicians will be able to contain the crisis in the peripheral countries of the eurozone, that US politicians will find a balance between boosting the economy and medium-term budgetary consolidation, that global financial market volatility will not escalate and that expansive monetary policies will come to an end. The IMF has lowered its real GDP growth forecasts for the industrialized nations to 1.6 percent for 2011 (June 2011: 2.2 percent) and 1.9 percent for the coming year (June 2011: 2.6 percent). These cuts are significantly greater than those for the emerging countries, which are expected to grow by 6.4 percent in 2011 (June 2011: 6.6 percent) and 6.1 percent in 2012 (June 2011: 6.4 percent).

The European Central Bank (ECB) expects very moderate growth for the eurozone in the second half of the year. This is due to the slow growth of global demand, losses in company's and consumer's confidence as well as the ongoing tensions regarding some government bonds in the eurozone. The IMF has significantly reduced its economic growth forecasts for the eurozone, by 0.4 percentage points to 1.6 percent for the current year and 0.6 percent to 1.1 percent for 2012. Germany's leading economic research institutes have increased their GDP growth forecasts from 2.8 percent to 2.9 percent given the strong start to the year. However, the diminishing impulses from foreign trade and the more cautious corporate and private consumer demand caused by the debt and confidence crisis in the eurozone will put the brake on economic growth over the rest of the year. According to the institutes, the significant drops in value and massive fluctuations on the financial markets as well as the substantial worsening of central sentiment indicators since August 2011, all as a result of the euro crisis, even point toward a stagnation of overall economic production in winter 2011/2012. The economy is expected to pick up in the second quarter of 2012 with a fall of uncertainty in the eurozone. However, the institutes have significantly reduced their economic forecasts from +2.0 percent to +0.8 percent due to the unfavorable global environment and uncertainty given the government debt crisis in the eurozone.

### DRÄGER MANAGEMENT ESTIMATES ON THE OVERALL ECONOMIC ENVIRONMENT

The overall economic environment has worsened significantly. On the one hand, economic growth for key Dräger markets has already weakened substantially. Slump risks have also increased, especially as a result of the considerable rise in uncertainty relating to the euro debt crisis since August 2011. However, this is not reflected in Dräger's order development. But nevertheless, Dräger's management expects slightly positive order intake trends from the more economic development-dependent part of the industrial business in the safety division. The safety division's gas and oil industry business, which follows long-term investment cycles, is unlikely to be affected. Although the safety division's business with the police or fire fighting service as well as the medical division's hospital customer groups are less dependent on the economy, orders could still be impacted by government consolidation programs. Given this, Dräger's management does not expect any additional positive momentum from government investment programs; rather it sees a trend toward a higher risk of cuts to already planned investments during the rest of the year.

A forecasted strong slowdown in economic growth in the coming year is likely to impact Dräger's order intake during the course of 2012, despite some of the Company's well-balanced portfolios' economic dependency.

The risk of individual countries having their debts written off has increased significantly. Given Dräger's outstanding receivables, management can see no material burdens facing the Company. However, Dräger's management cannot, at this time, predict the effects a failure to contain the crisis in the eurozone in the coming year in particular would have on the Company. The slight relaxation in the commodities markets has had a positive effect for Dräger. Management estimates that the risk of a steep rise in commodity prices will be low for the rest of this and next year given the global economic slowdown and the associated drop in demand. However, the political uncertainty in oil production markets continues to be a risk factor. Interest rates are more likely to be increased if inflation remains significantly higher than the target range set by the ECB. As a result, Dräger does not expect interest rates to rise anytime soon as the ECB forecasts prices to fall and as the risks of such cuts are likely to be greater on the refinancing markets.

During the reporting period the relatively weak Euro, compared to the currencies of important trading partners, had a favorable impact on Dräger in total. However, the increased value of the US-Dollar compared to the common currency lead to a negative effect on earnings as the company has more costs than revenues in the US-currency, partially due to the Research and Development and manufacturing activities in the USA. It is difficult to forecast the euro exchange rate to key currencies given the highly uncertain situation. Dräger's management therefore predicts very volatile exchange rates. However, management does not believe that the downgrading of some countries and the drastic rise in pressure on governments to consolidate their budgets can be offset by the advantages of a weaker euro exchange rate.

## FUTURE SITUATION OF THE COMPANY

Dräger continues to anticipate that order intake will grow at least as fast as total global economic growth in fiscal year 2011. Developments in the third quarter of 2011 confirm the Executive Board's estimate. Given the IMF's adjusted global economic growth forecast in September 2011 (+4.0 percent), Dräger expects order intake growth in this region for 2011. As announced, net sales growth in the Group in 2011 is expected to be one to two percentage points down on order intake growth as net sales in 2010 benefited from above-average order intake in the fourth quarter of 2009. While the safety division is likely to see high single-digit order intake growth given high industrial demand and net sales growth that is likely to outstrip the global economy, the medical division is expected to outperform the strong previous year's figures in 2011 in terms of order intake but remain on par in terms of net sales.

Dräger expects to have a stable to slightly rising gross margin for full year 2011. While newly launched products of both divisions in previous years as well as increased net sales from transactions with industrial customers in the safety division will generally improve the margin, the medical division's gross margin for 2011may only stay on par with the previous year. The margin from new products, among other factors, was able to compensate for the above-average margins from one-off transactions in the prior year such as the unusually strong, high-margin sale of ventilators in connection with the H1N1 virus. Dräger expects to achieve the upper end of the Group EBIT margin forecast in July of between 8.0 percent and 9.5 percent for fiscal year 2011 with planned increases in product development investments and improvements to the Group-wide IT infrastructure.

Dräger expects to grow at least as fast as the global economy again in 2012. However, sales, research and development and IT costs will probably rise more steeply than net sales in 2012. The Executive Board of Drägerwerk Verwaltungs AG resolved to pool the sales of the medical and safety divisions in all regions under one operating manager each as from 2012 to further increase the Company's profitability. This step is intended to optimize Dräger's sales organization, make more efficient use of resources and reduce double structures. The Company has postponed implementing the measures originally planned for 2011 needed to develop the new sales structure until 2012 and those required for the new marketing structure until 2013. Dräger will further increase its investments in product development to secure its competitive position in the long term. In addition, the EU Regulations RoHS [4] and REACH [5], which limit the usage of certain materials from 2014 onwards, require the Company to carry out additional research and development investments. Dräger will also continue renewing its IT infrastructure. The Company forecasts the Group EBIT margin to amount to between 8.0 percent and 9.5 percent again in fiscal year 2012, based on stable market developments and despite the costs for Sales, Research and Development and IT described above. This also applies to the Executive Board's assumption of increased exchange rate volatility.

The new structure is expected to significantly reduce sales costs and tap additional growth potential in the medium term. Overall, Dräger forecasts that it will generate savings of at least one percentage point for the relevant marketing and sales costs. The Company still plans to grow faster than the market and achieve a sustainable minimum EBIT margin of 10 percent in the medium term.

These estimates are still based on the assumption of a stabilizing economy in Europe, continued economic recovery in North America, sustained market growth in developing countries and stable exchange rates.

### 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. The future developments and results are dependent on a number of factors; they entail various risks and contingencies and are based on assumptions which could prove to be incorrect. Dräger does not assume any responsibility for updating the forward-looking statements made in this report.

[4] EU Guideline "Restriction of the use of certain hazardous substances in electrical and electronic equipment"
[5] EU Directive "Registration, Evaluation and Restriction of Chemicals"

# Interim financial statements of the Dräger Group as of September 30, 2011

## CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

| | Notes | Third quarter 2011 | Third quarter 2010 | Nine months 2011 | Nine months 2010 |
|---|---|---|---|---|---|
| | | € thousand | € thousand | € thousand | € thousand |
| Net sales | | 523,992 | 525,250 | 1,557,336 | 1,542,000 |
| Cost of sales | | –261,628 | –265,332 | –781,249 | –793,032 |
| **Gross profit** | | **262,364** | **259,918** | **776,087** | **748,968** |
| Research and development costs | | –38,776 | –37,066 | –115,241 | –105,130 |
| Marketing and selling expenses | | –140,795 | –148,825 | –415,617 | –411,373 |
| General administrative costs | | –35,435 | –29,159 | –100,377 | –85,767 |
| Other operating income | | 1,481 | 1,254 | 5,298 | 8,549 |
| Other operating expenses | | –3,148 | –1,923 | –9,544 | –5,263 |
| | | **–216,673** | **–215,719** | **–635,481** | **–598,984** |
| | | **45,691** | **44,199** | **140,606** | **149,984** |
| Profit from investments in associates | | 0 | 0 | 212 | 271 |
| Profit from other investments | | 0 | 143 | 0 | 286 |
| Other financial result | | –482 | –10,295 | –1,156 | –13,880 |
| **Financial result (before interest result)** | **6** | **–482** | **–10,152** | **–944** | **–13,323** |
| **EBIT** | | **45,209** | **34,047** | **139,662** | **136,661** |
| Interest result | 6 | –7,340 | –11,577 | –21,478 | –29,401 |
| **Earnings before income taxes** | | **37,869** | **22,470** | **118,184** | **107,260** |
| Income taxes | 7 | –12,233 | –8,116 | –38,869 | –37,053 |
| **Earnings after income taxes** | | **25,636** | **14,354** | **79,315** | **70,207** |
| **Earnings after income taxes** | | **25,636** | **14,354** | **79,315** | **70,207** |
| Earnings attributable to non-controlling interests | | 853 | 1,037 | 2,447 | 2,165 |
| Earnings attributable to participation certificates (excluding minimum dividend, after taxes) [1] | | 2,654 | 817 | 8,437 | 8,133 |
| Earnings attributable to shareholders | | 22,129 | 12,500 | 68,431 | 59,909 |
| **Undiluted earnings per share** [2] | | | | | |
| per preferred share (in €) | | 1.36 | 0.75 | 4.18 | 4.27 |
| per common share (in €) | | 1.34 | 0.73 | 4.13 | 4.22 |
| **Diluted earnings per share** [2, 3] | | | | | |
| per preferred share (in €) | | 1.33 | – | 4.14 | – |
| per common share (in €) | | 1.31 | – | 4.09 | – |

[1] The figure is calculated by accruing a dividend for participation certificates of EUR 9.20 based on earnings in the first 9 months of 2011 and in line with Dräger's dividend policy to distribute around 30 percent of total Group net profit (less the earnings attributable to non-controlling interests). In the previous year, the figure was calculated by accruing a dividend for participation certificates of EUR 3.00 on the basis of the pro-rata dividend for participation certificates of the previous year 2009 to the amount of EUR 4.00.

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

[3] The option rights exercised by Siemens have a dilutive effect since April 2011 and were included in the calculation in accordance with IAS 33 „Earnings per share".

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

| | Nine months 2011 | Nine months 2010 |
|---|---|---|
| | € thousand | € thousand |
| **Earnings after income taxes** | **79,315** | **70,207** |
| | | |
| Currency translation adjustment for foreign subsidiaries | –9,305 | 24,960 |
| Change in the fair value of financial instruments recognized directly in equity | –1,047 | –1,605 |
| Deferred taxes on changes in the fair value of financial instruments recognized directly in equity | 324 | 313 |
| Actuarial gains / losses from defined benefit pension plans | –1,097 | –3 |
| Deferred taxes on actuarial gains / losses from defined benefit pension plans | 0 | 0 |
| **Other earnings (after taxes)** | **–11,125** | **23,665** |
| | | |
| **Total comprehensive income** | **68,190** | **93,872** |
| thereof earnings attributable to non-controlling interests | 1,640 | 2,199 |
| thereof earnings attributable to participation certificates (excluding minimum dividend, after taxes) [1] | 8,437 | 8,133 |
| thereof earnings attributable to shareholders | 58,113 | 83,540 |

[1] The figure is calculated by accruing a dividend for participation certificates of EUR 9.20 based on earnings in the 9 months of 2011 and in line with Dräger's dividend policy to distribute around 30 percent of total Group net profit (less the earnings attributable to non-controlling interests). In the previous year, the figure was calculated by accruing a dividend for participation certificates of EUR 3.00 on the basis of the pro-rata dividend for participation certificates of the previous year 2009 to the amount of EUR 4.00.

## CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

| | Notes | September 30, 2011 | December 31, 2010 |
|---|---|---|---|
| | | € thousand | € thousand |
| **Assets** | | | |
| Intangible assets | 8 | 276,182 | 277,351 |
| Property, plant and equipment | 8 | 258,265 | 253,715 |
| Investments in associates | | 904 | 904 |
| Other non-current financial assets | | 9,983 | 11,403 |
| Deferred tax assets | | 107,771 | 109,502 |
| Other non-current assets | | 23,302 | 28,160 |
| **Non-current assets** | | **676,407** | **681,035** |
| Inventories | 9 | 383,683 | 356,666 |
| Trade receivables and receivables from construction contracts | | 477,898 | 533,163 |
| Other current financial assets | | 20,153 | 22,514 |
| Cash and cash equivalents | | 288,231 | 320,037 |
| Current tax refund claims | | 17,620 | 13,027 |
| Other current assets | 10 | 72,295 | 50,465 |
| **Current assets** | | **1,259,880** | **1,295,872** |
| **Total assets** | | **1,936,287** | **1,976,907** |

| | Notes | September 30, 2011 | December 31, 2010 |
|---|---|---|---|
| | | € thousand | € thousand |
| **Equity and liabilities** | | | |
| Capital stock | | 42,266 | 42,266 |
| Capital reserves | | 158,098 | 158,098 |
| Reserves retained from earnings, incl. group result | | 424,382 | 380,285 |
| Participation capital | | 50,405 | 50,404 |
| Other comprehensive income | | −9,110 | 111 |
| Non-controlling interests | | 6,211 | 5,399 |
| **Equity** | | **672,252** | **636,563** |
| Liabilities from participation certificates | | 30,851 | 29,916 |
| Provisions for pensions and similar obligations | | 182,895 | 183,448 |
| Other non-current provisions | 11 | 45,695 | 44,973 |
| Non-current interest-bearing loans | 12 | 324,954 | 318,042 |
| Other non-current financial liabilities | | 7,942 | 6,893 |
| Deferred tax liabilities | | 2,544 | 2,581 |
| Other non-current liabilities | | 1,219 | 715 |
| **Non-current liabilities** | | **596,100** | **586,568** |
| Current income tax provisions | | 56,798 | 41,584 |
| Other current provisions | 11 | 211,297 | 226,026 |
| Current loans and liabilities to banks | 12 | 61,122 | 89,496 |
| Trade payables | 13 | 139,263 | 171,301 |
| Other current financial liabilities | | 54,026 | 68,499 |
| Current income tax liabilities | | 10,423 | 18,552 |
| Other current liabilities | | 135,006 | 138,318 |
| **Current liabilities** | | **667,935** | **753,776** |
| **Total equity and liabilities** | | **1,936,287** | **1,976,907** |

## CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

| | | Third quarter 2011 | Third quarter 2010 | Nine months 2011 | Nine months 2010 |
|---|---|---|---|---|---|
| | | € thousand | € thousand | € thousand | € thousand |
| **Operating activities** | | | | | |
| | Earnings after income taxes | 25,636 | 14,354 | 79,315 | 70,207 |
| + | Write-down of non-current assets | 13,444 | 13,494 | 39,857 | 39,723 |
| + | Increase in provisions | 33,519 | 38,855 | 9,733 | 55,966 |
| –/+ | Other non-cash income/expenses | –62 | 23,009 | 11,083 | –1,582 |
| +/– | Loss/gain from the disposal of non-current assets | 412 | 125 | 228 | –287 |
| – | Increase in inventories | –17,061 | –9,231 | –31,757 | –58,096 |
| + | Decrease in trade receivables | 26,056 | 28,206 | 47,675 | 44,430 |
| –/+ | Increase/decrease in other assets | –4,892 | 11,126 | –21,786 | –21,742 |
| – | Decrease in trade payables | –7,120 | –24,144 | –42,243 | –17,541 |
| – | Decrease in other liabilities | –1,161 | –22,534 | –9,552 | –12,713 |
| | **Net cash provided by/used in operating activities** | **68,771** | **73,260** | **82,553** | **98,365** |
| **Investing activities** | | | | | |
| – | Cash outflow for investments in intangible assets | –1,914 | –813 [1] | –4,738 | –3,400 [1] |
| + | Cash inflow from the disposal of intangible assets | 1 | 2 | 6 | 7 |
| – | Cash outflow for investments in property, plant and equipment | –14,614 | –12,521 | –42,292 | –31,393 |
| + | Cash inflow from disposals of property, plant and equipment | 353 | 692 | 1,671 | 2,977 |
| – | Cash outflow for investments in non-current financial assets | –158 | –174 | –201 | –122 |
| + | Cash inflow afrom the disposal of non-current financial assets | 221 | 355 | 243 | 2,095 |
| | **Net cash used in investing activities** | **–16,111** | **–12,459** [1] | **–45,311** | **–29,836** [1] |
| **Financing activities** | | | | | |
| – | Distribution of dividends (including dividends for participation certificates) | 0 | 0 | –35,310 | –9,806 |
| – | Reduction in participation capital due to cash compensation | 0 | 0 | –5,681 | 0 |
| + | Cash provided by raising loans | 490 | 0 | 11,375 | 0 |
| – | Cash used to redeem loans | –7,945 | –1,176 | –35,019 | –3,034 |
| –/+ | Net balance of other liabilities to banks | –1,971 | –20,485 | 2,009 | –9,458 |
| – | Net balance of finance lease liabilities repaid/incurred | –137 | –114 | –539 | –129 |
| –/+ | Cash outflow/inflows from capital increases | –701 | 90,880 | –701 | 100,634 |
| – | Cash outflows from the purchase of the 25 percent share in Dräger Medical AG & Co. KG (now: Dräger Medical GmbH) | 0 | –60,872 [1] | 0 | –235,872 [1] |
| – | Profit distributed to non-controlling interests | 0 | –372 | –643 | –374 |
| | **Net cash used in/provided by financing activities** | **–10,264** | **7,861** [1] | **–64,509** | **–158,039** [1] |
| **Change in cash and cash equivalents in the fiscal year** | | **42,396** | **68,662** | **–27,267** | **–89,510** |
| +/– | Effect of exchange rates on cash and cash equivalents | 3,544 | –14,131 | –4,539 | 12,478 |
| + | Cash and cash equivalents at the beginning of the reporting period | 242,291 | 212,488 | 320,037 | 344,051 |
| | **Cash and cash equivalents as per reporting date** | **288,231** | **267,019** | **288,231** | **267,019** |

[1] Cash outflows from transactions between providers of equity capital (without change control) are entirely due to the cash outflow from financing activities. The prior year figures were adjusted accordingly.

For notes to the cash flow statement, please see page 16f.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

| | | | | | Other comprehensive income | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock | Capital reserves | Reserves retained from earnings incl. Group result | Participation capital | Actuarial gains and losses recognized directly in equity | Currency translation differences | Derivative financial instruments | Total other comprehensive income | Total equity of shareholder Drägerwerk AG & Co. KGaA | Non-controlling interests | Equity |
| | **€ thousand** | **€ thousand** | **€ thousand** | **€ thousand** | **€ thousand** | **€ thousand** | **€ thousand** | **€ thousand** | **€ thousand** | **€ thousand** | **€ thousand** |
| **Jan. 1, 2010** | **32,512** | **39,449** | **303,326** | **56,086** | **-10,725** | **-30,928** | **-390** | **-42,043** | **389,330** | **4,490** | **393,820** |
| Reclassification of actuarial gains / losses recognized directly in equity | | | –10,725 | | 10,725 | | | 10,725 | 0 | | 0 |
| Capital increase incl. cash compensation to participation certificate holders | 9,754 | 117,421 | | –5,682 | | | | 0 | 121,493 | | 121,493 |
| Total income and expenses recognized directly in equity | | | 68,039 | | | 24,926 | –1,292 | 23,634 | 91,673 | 2,199 | 93,872 |
| Distribution | | | –9,806 | | | | | 0 | –9,806 | –373 | –10,179 |
| Changes in the scope of consolidation / other | | | 1,209 | | | | | 0 | 1,209 | 11 | 1,220 |
| **Sept. 30, 2010** | **42,266** | **156,870** | **352,043** | **50,404** | **0** | **–6,002** | **–1,682** | **–7,684** | **593,899** | **6,327** | **600,226** |
| **Jan. 1, 2011** | **42,266** | **158,098** | **380,285** | **50,404** | **0** | **803** | **–692** | **111** | **631,164** | **5,399** | **636,563** |
| Total income and expenses regognized directly in equity | | | 75,771 | | | –8,498 | –723 | –9,221 | 66,550 | 1,640 | 68,190 |
| Distribution | | | –35,310 | | | | | 0 | –35,310 | –643 | –35,953 |
| Changes in the scope of consolidation / other | | | 3,636 | 1 | | | | 0 | 3,637 | –185 | 3,452 |
| **Sept. 30, 2010** | **42,266** | **158,098** | **424,382** | **50,405** | **0** | **–7,695** | **–1,415** | **–9,110** | **666,041** | **6,211** | **672,252** |

# Notes of the Dräger Group as of September 30, 2011 (condensed)

## 1 BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA, Lübeck, prepared its group financial statements for financial year 2010 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 2011, 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

The Group applied the same accounting principles as in the 2010 group financial statements 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 2010 annual report. 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 new standards and amendments to existing standards published by the IASB, which have already been approved, were applied for the first time in this interim report, if applicable:

- Amendment to IAS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (issued January 2010)”
- IAS 24 “Related Party Disclosures (revised November 2009)”
- Amendment to IAS 32 “Classification of Rights Issues (issued October 2009)”
- Amendment to IFRIC 14 “Prepayments of a Minimum Funding Requirements (issued November 2009)”
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments (issued November 2009)”
- Improvements to IFRS (2010).

The first-time application of these new and 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, 2010 and September 30, 2010. The same consolidation principles were applied as in the 2010 group financial statements.

## 4 DRÄGER MEDICAL AG & CO. KG BECAME DRÄGER MEDICAL GMBH

The restructuring of Dräger Medical AG & Co. KG resolved by Drägerwerk AG & Co. KGaA on August 31, 2010, became effective on September 20, 2010 (effective date). The legal successor of Dräger Medical AG & Co. KG is the former Dräger Medical Holding GmbH, now trading as Dräger Medical GmbH since the effective date. Dräger Medical GmbH is a wholly-owned subsidiary of Drägerwerk AG & Co. KGaA. The aim was to simplify the shareholder structure within the scope of the buyback of Siemens' 25 percent share in the medical division. Some of the previous year's figures were adjusted accordingly and explained to improve comparability.

## 5 SEGMENT REPORT

### BUSINESS PERFORMANCE OF THE SEGMENTS

| | | Medical division | |
|---|---|---|---|
| | | Nine months 2011 | Nine months 2010 |
| **Order intake** | **€ million** | **1,097.5** | **1,056.3** |
| **Orders on hand** [1] | **€ million** | **375.9** | **336.4** |
| **Net sales** | **€ million** | **998.2** | **1,028.9** |
| thereof intersegment net sales | € million | 0.7 | 1.3 |
| thereof third party net sales | € million | 997.5 | 1,027.7 |
| | | | |
| **EBITDA** | **€ million** | **124.9** | **145.0** |
| Depreciation / amortization | € million | –17.1 | –16.8 |
| | | | |
| **EBIT** | **€ million** | **107.8** | **128.2** |
| Interest result | € million | | |
| Income taxes | € million | | |
| **Earnings after income taxes** | **€ million** | | |
| thereof profit/loss from investments in associates | € million | | |
| | | | |
| **Research and development costs** | **€ million** | **79.8** | **73.1** |
| **Cash flow from operating activities** | **€ million** | **80.7** | **86.6** |
| **Capital employed** [1] | **€ million** | **531.1** | **569.0** |
| **Assets** [1] | **€ million** | **925.3** | **926.8** |
| thereof investments in associates | € million | – | – |
| **Liabilities** [1] | **€ million** | **372.9** | **344.8** |
| **Net financial debt** [1] | **€ million** | | |
| **Investments** | **€ million** | **24.2** | **17.7** |
| Non-cash expenses | € million | 90.3 | 113.0 |
| | | | |
| **EBIT / net sales** | **%** | **10.8** | **12.5** |
| **EBIT** [2] **/ Capital employed** [1] **(ROCE)** | **%** | **31.9** | **31.3** |
| **Net financial debt** [1] **/ EBITDA** [3] | **factor** | | |
| **Gearing** | **factor** | | |
| **DVA** | **€ million** | **118.3** | **134.5** |
| | | | |
| **Headcount** [1] | | **6,671** | **6,339** |

[1] Value as of September 30
[2] EBIT of the last twelve months
[3] EBITDA of the last twelve months

| Safety division | | Drägerwerk AG & Co. KGaA / other companies | | Consolidations | | Dräger Group | |
|---|---|---|---|---|---|---|---|
| Nine months 2011 | Nine months 2010 | Nine months 2011 | Nine months 2010 | Nine months 2011 | Nine months 2010 | Nine months 2011 | Nine months 2010 |
| 604.8 | 532.8 | 11.7 | 11.1 | –34.2 | –31.8 | 1,679.7 | 1,568.4 |
| 160.0 | 143.9 | 0.0 | 0.0 | –1.7 | –1.7 | 534.1 | 478.6 |
| 581.3 | 531.6 | 11.7 | 11.1 | –33.9 | –29.6 | 1,557.3 | 1,542.0 |
| 23.2 | 21.2 | 10.0 | 7.2 | –33.9 | –29.7 | – | – |
| 558.1 | 510.4 | 1.7 | 4.0 | 0.0 | 0.0 | 1,557.3 | 1,542.0 |
| | | | | | | | |
| 81.4 | 62.8 | 133.6 | 158.5 | –160.6 | –189.9 | 179.4 | 176.4 |
| –14.7 | –15.7 | –7.9 | –7.4 | 0.0 | 0.2 | –39.7 | –39.7 |
| | | | | | | | |
| 66.7 | 47.1 | 125.7 | 151.1 | –160.6 | –189.7 | 139.7 | 136.7 |
| | | | | | | –21.5 | –29.4 |
| | | | | | | –38.9 | –37.1 |
| | | | | | | 79.3 | 70.2 |
| | | | | | | 0.2 | 0.3 |
| | | | | | | | |
| 32.4 | 30.4 | 3.0 | 1.6 | 0.0 | 0.0 | 115.2 | 105.1 |
| 24.7 | 40.0 | 106.5 | 121.1 | –129.5 | –149.3 | 82.6 | 98.4 |
| 215.2 | 198.9 | 753.0 | 755.5 | –618.3 | –611.9 | 881.0 | 911.5 |
| 373.6 | 347.0 | 836.1 | 844.1 | –642.4 | –643.7 | 1,492.6 | 1,474.2 |
| 0.6 | 0.5 | 0.3 | 0.2 | 0.0 | 0.0 | 0.9 | 0.7 |
| 146.1 | 145.6 | 57.6 | 60.9 | –20.5 | –28.0 | 556.0 | 523.3 |
| | | | | | | 100.2 | 192.7 |
| 16.3 | 13.7 | 6.1 | 2.6 | 0.0 | –0.1 | 46.6 | 33.9 |
| 46.1 | 40.9 | 19.7 | 21.5 | 11.4 | –2.8 | 167.5 | 172.6 |
| | | | | | | | |
| 11.5 | 8.9 | | | | | 9.0 | 8.9 |
| 37.5 | 24.7 | | | | | 22.2 | 20.7 |
| | | | | | | 0.4 | 0.8 |
| | | | | | | 0.1 | 0.3 |
| 62.2 | 31.0 | | | | | 116.6 | 111.3 |
| | | | | | | | |
| 4,500 | 4,385 | 654 | 473 | 0.0 | 0.0 | 11,825 | 11,197 |

The integration of Dräger Medical AG & Co. KG, the parent company of the medical division, in Dräger Medical Holding GmbH and the subsequent change to Dräger Medical GmbH resulted in Dräger Medical Holding, which had previously been reported in the segment Drägerwerk AG & Co. KGaA/other companies, now being recognized in the medical division. This led to an adjustment between the medical division and Drägerwerk AG & Co. KGaA/other companies and also changes to the amounts stated in the consolidation column. The previous year's figures were adjusted accordingly to improve comparability.

The key figures from the segment report are as follows:

### EBIT / EBITDA

| | Nine months 2011 | Nine months 2010 |
|---|---|---|
| Earnings after income taxes | 79,315 | 70,207 |
| + Interest result | 21,478 | 29,401 |
| + Income taxes | 38,869 | 37,053 |
| **EBIT** | **139,662** | **136,661** |
| + Impairment losses | 39,733 | 39,738 |
| **EBITDA** | **179,395** | **176,399** |

### CAPITAL EMPLOYED

| | September 30, 2011 | September 30, 2010 |
|---|---|---|
| Total assets | 1,936,287 | 1,854,937 |
| – Deferred tax assets | –107,771 | –82,607 |
| – Cash and cash equivalents | –288,231 | –267,018 |
| – Non-interest bearing liabilities | –659,334 | –593,842 |
| **Capital employed** | **880,951** | **911,470** |

### ASSETS

| | September 30, 2011 | September 30, 2010 |
|---|---|---|
| Total assets | 1,936,287 | 1,854,937 |
| – All other financial assets | –3,822 | –4,175 |
| – Deferred tax assets | –107,771 | –82,607 |
| – Tax refund claims (current and non-current) | –43,860 | –26,930 |
| – Cash and cash equivalents | –288,231 | –267,018 |
| **Assets** | **1,492,603** | **1,474,207** |

## LIABILITIES

| | September 30, 2011 | September 30, 2010 |
|---|---|---|
| Liabilities recognized in the balance sheet | 1,264,035 | 1,254,711 |
| – Provisions for pensions and similar obligations | –182,895 | –169,075 |
| – Tax liabilities, tax provisions, tax accruals and deferred tax liabilities | –105,899 | –73,087 |
| – Interest-bearing liabilities | –419,261 | –489,274 |
| **Liabilities** | **555,980** | **523,275** |

## NET FINANCIAL DEBT

| | September 30, 2011 | September 30, 2010 |
|---|---|---|
| Non-current interest-bearing loans | 324,954 | 354,764 |
| + Current loans and liabilities to banks | 61,122 | 102,088 |
| + Non-current and current finance lease liabilities | 2,335 | 2,822 |
| – Cash and cash equivalents | –288,231 | –267,018 |
| **Net financial debt** | **100,180** | **192,656** |

## NON-CASH EXPENSES

| | Nine months 2011 | Nine months 2010 |
|---|---|---|
| Write-downs on inventories | 14,030 | 15,639 |
| + Losses from bad debt allowances | 8,124 | 3,802 |
| + Allocations to provisions | 145,351 | 153,201 |
| **Non-cash expenses** | **167,505** | **172,642** |

## DVA

| | September 30, 2011 | September 30, 2010 |
|---|---|---|
| EBIT (of the last twelve months) | 195,785 | 188,395 |
| – Cost of capital (Basis: average of capital employed in the past twelve months) | –79,166 | –77,107 |
| **DVA** | **116,619** | **111,288** |

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 this management report on the interim financial statements. Services rendered between the divisions are accounted for using the arm's length principle.

## 6 FINANCIAL RESULT

### FINANCIAL RESULT

| | Nine months 2011 | Nine months 2010 |
|---|---|---|
| **Financial result (before interest result)** | **–944** | **–13,323** |
| | | |
| Interest and similar income | 3,291 | 1,838 |
| Interest and similar expenses | –24,769 | –31,239 |
| **Interest result** | **–21,478** | **–29,401** |

The financial result changed mainly due to the valuation of the option component of the purchase price of the 25 percent share in Dräger Medical AG & Co. KG in the previous year. In the first nine months of 2010, a total of EUR 11,824 thousand was recognized as expenses under “Other financial result” to cover this.

## 7 INCOME TAXES

Income taxes for the first nine months of 2011 were calculated on the basis of an anticipated group tax rate of 33 percent (9 months 2010: 36 percent).

## 8 NON-CURRENT ASSETS (SELECTED ITEMS)

### NON-CURRENT ASSETS (SELECTED ITEMS)

| | Carrying value January 1, 2011 | Additions | Disposals / other changes | Impairment losses | Carrying value30. September 30, 2011 |
|---|---|---|---|---|---|
| Intangible assets | 277,351 | 4,490 | –221 | 5,438 | 276,182 |
| Property, plant and equipment | 253,715 | 42,091 | –3,246 | 34,295 | 258,265 |

Additions included EUR 5,730 thousand (net of an allowance for investment costs of EUR 741 thousand) for the completion of the new production and logistics building for the Infrastructure Projects business of the medical division in Lübeck.

## 9 INVENTORIES

### INVENTORIES

| | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Finished goods and merchandise | 205,208 | 170,488 |
| Work in progress | 77,367 | 60,318 |
| Raw materials, consumables and supplies | 98,045 | 98,872 |
| Payments made | 3,063 | 26,988 |
| | **383,683** | **356,666** |

Dräger Group's inventories increased by EUR 27,017 thousand in the first nine months of 2011, mainly due to the high volume of orders on hand. Compared to September 30, 2010, inventories rose by EUR 15,965 thousand.

## 10 OTHER CURRENT ASSETS

### OTHER CURRENT ASSETS

| | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Prepaid expenses | 22,401 | 21,118 |
| Other tax refund claims | 26,240 | 16,865 |
| Other current assets | 23,654 | 12,482 |
| | **72,295** | **50,465** |

The increase in prepaid expenses is largely attributable to deferred expenses in the current year. The rise in other tax refund claims primarily resulted from sales taxes. All other current assets increased due to the balance sheet date.

## 11 OTHER NON-CURRENT AND CURRENT PROVISIONS

Other non-current provisions as of September 30, 2011 mainly comprised provisions for personnel obligations of EUR 25,500 thousand (December 31, 2010: EUR 23,913 thousand).

Other current provisions as of September 30, 2011 also included monthly accruals and chiefly consisted of provisions for personnel obligations of EUR 77,034 thousand (December 31, 2010: EUR 83,710 thousand), and warranty provisions of EUR 36,492 thousand (December 31, 2010: EUR 40,130 thousand).

## 12 NON-CURRENT INTEREST-BEARING LOANS

Long-term interest-bearing loans increased compared to December 31, 2010, primarily due to a bank loan of EUR 10,800 thousand taken out for the construction of a new production and logistics building for the Infrastructure Projects business in Lübeck.

The decline in current loans and liabilities to banks as against December 31, 2010 is mainly due to the contractual repayment of a note loan of EUR 24,500 thousand in April 2011.

## 13 TRADE PAYABLES

The drop in trade payables was mainly on account of the payment of a liability totaling around EUR 12 million within the scope of an order for a project in the safety division in Norway.

## 14 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

### CONTINGENT LIABILITIES

| | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Guarantees | 7,709 | 7,709 |

Guarantees were given as part of phased retirement agreements.

## 15 RELATED-PARTY TRANSACTIONS

Services were rendered for companies related to Stefan Dräger and for the Dräger Foundation totaling EUR 22 thousand in the first nine months of 2011. In the first nine months of 2010, refunds were issued for EUR 15 thousand net overpayments for services rendered in 2009 and services were rendered to the amount of EUR 26 thousand. 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 26, 2011

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Carla Kriwet
Gert-Hartwig Lescow
Anton Schrofner

## FINANCIAL CALENDAR

| | |
|---|---|
| Report as of September 30, 2011, conference call, Lübeck | November 3, 2011 |
| Annual accounts press conference, Hamburg | March 14, 2012 |
| Analysts' meeting, Frankfurt/Main | March 14, 2012 |
| Report as of March 31, 2012, conference call, Lübeck | May 3, 2012 |
| Annual shareholders' meeting, Lübeck | May 4, 2012 |
| Report as of June 30, 2012, conference call, Lübeck | August 2, 2012 |
| Report as of September 30, 2012, conference call, Lübeck | November 1, 2012 |

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