Quarterly Report
January 1 to September 30, 2010
Dräger Group

Dräger. Technology for Life®

THE DRÄGER GROUP AT A GLANCE

		Nine Month 2006 [7]	Nine Month 2007 [7]	Nine Month 2008 [7]	Nine Month 2009 [7]	Nine Month 2010	Change on 2009 in %
Order intake	€ million	1,365.6	1,410.1	1,398.3	1,414.5	1,568.4	+10.9
Orders on hand [1]	€ million	401.3	448.4	502.7	463.0	478.6	+3.4
Net sales	€ million	1,219.5	1,253.5	1,307.4	1,348.3	1,542.0	+14.4
EBITDA [2]	€ million	111.5	109.3	121.0	73.5	176.4	+140.0
EBIT [3]	€ million	75.0	70.3	58.6	28.4	136.7	+381.3
in % of net sales (EBIT margin)	%	6.2	5.6	4.5	2.1	8.9	
Earnings after income taxes	€ million	32.9	30.7	26.0	4.8	70.2	
Minority interests after income taxes	€ million	12.1	6.7	6.9	2.9	2.2	–24.1
Earnings per share after minority interests							
per preferred share	€	1.42	1.66	1.22	0.01	4,27	
per common share	€	1.37	1.61	1.17	-0.04	4,22	
Equity [1]	€ million	533.0	500.9	545.0	542.3	600.2	+10.7
Equity ratio [1]	%	33.9	30.7	33.3	31.0	32.4	
Capital employed [1, 4]	€ million	942.0	952.4	948,2	864.2	911.5	+5.5
EBIT [5] / Capital employed (ROCE)	%	14.3	15.1	11.8	8.7	20.7	
Net financial debt [1, 6]	€ million	242.1	282.4	258.4	178.4	192.7	+8.0
Headcount [1]		9,897	10,248	10,796	10,924	11,197	+2.5

[1] Value as of September 30
[2] EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = Earnings before net interest result and income taxes
[4] Capital employed = Total assest less deferred tax assets, current securities, cash and cash equivalents and non-interest bearing liabilities
[5] EBIT of the last twelve months
[6] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly
[7] The values were adjusted. See Note 4.

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Letter from the Executive Board Chairman

Dear Shareholders,

Dräger business continued to develop positively in the third quarter of 2010 and on October 13, 2010, we again increased our net sales and income forecast. We are already certain that 2010 will be the best fiscal year Dräger has ever recorded. Never before has our company generated EUR 2 billion in net sales and at the same time achieved an EBIT margin between 8 percent and 9 percent. We have been working hard to improve our competitive edge compared to 2009, because as you know, the low net earnings for the prior year were mainly due to our lack of competitiveness. But we have proven that we are quick to catch up: With our turnaround program alone, we will save approximately EUR 100 million in 2010, one year earlier than planned. And the proportion of net sales generated by new products with strong margins has increased.

At the same time, we managed to conclude the takeover of Siemens' 25 percent share in the medical division in 2010, successfully carried out a capital increase with a volume of around EUR 100 million and also strengthened our orientation in the capital market by issuing common shares. Dräger achieved an equity ratio of 32.4 percent already in the third quarter of 2010, exceeding the 30 percent mark that is important to our dividend policies.

We are heading in the right direction. But – truth be told – not all net sales and income growth stems from our own efforts. We profited from a number of one-off effects and external factors that gave a further boost to our already positive basic trend. Without the tailwind provided by favorable exchange rates for instance, our expected net sales growth would not have been 10 percent but would have registered in the medium one-digit percentage range instead. A large number of orders on hand carried over from the previous year, high order intake from large projects, the sale of a deep sea diving system that was fully written off in 2009, the sale of software licenses and the extremely favorable product mix also boosted the positive trend. And the option component from the takeover of the Siemens share will no longer have a negative impact on earnings in the future. As we have already informed you, we were able to replace the cash settled option with an equity settled option on August 30, 2010. The resulting one-off impact on earnings of EUR 11.8 million has several positive effects: We no longer have the liability from the cash settled option recognized at EUR 18 million on that date and as agreed, Siemens reduced the vendor note by EUR 8.5 million. As we used this transaction to replace debt with equity, our liabilities dropped by EUR 26.5 million and our equity base grew by the same amount. Despite this negative one-off item, the positive effects boosting our business clearly won the upper hand.

In 2011, we expect net sales to increase slightly but do not believe that our EBIT margin will be better than in 2010, because we cannot assume that we will be given a “helping hand” by one-off effects and external factors. But an important fact is also that we want to use 2011 for becoming even more competitive. We will invest even larger sums into research and development, implement projects even more quickly and improve our marketing and sales organization in particular. In other words, we are going to use 2011 to prepare for our medium-term goals of generating faster growth than the market and achieving an EBIT margin of at least 10 percent in the long term.

We can proudly say that we are the trend setter in many of our market segments today. We wish to continue offering important innovations in the “Technology for Life” sector more quickly and with more technological know-how than our competitors, and for that we need to be sufficiently profitable. We are convinced that this will create sustained value for our customers, employees and you, dear Shareholders.

Best regards,

Stefan Dräger

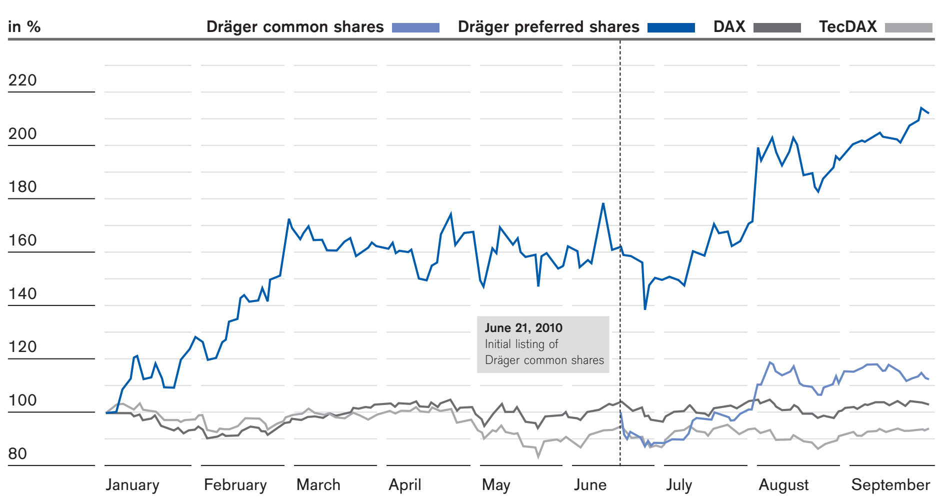
Stefan Dräger

Dräger shares

SHARE PRICE DEVELOPMENTS

In the third quarter of 2010, Dräger shares continued their positive trend. On September 30, 2010, the price of the preferred share was again considerably up on the benchmark indices DAX (+3 percent) and TecDAX (-6 percent) with a plus of around 114 percent since the beginning of the year. And Dräger common shares also made a successful debut on the stock exchange: They went up by around 12 percent at the end of the third quarter of 2010 compared to the closing price on June 21, 2010, the day they were first listed.

SHARE PRICE DEVELOPMENT 2010 (VERSUS DAX + TECDAX)



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

Common shares [1]	Nine months 2010	Nine months 2009
No. of shares on the reporting date	10,160,000	6,350,000
High (in €)	55.29	–
Low (in €)	40.40	–
Share price on the reporting date (in €)	52.25	–
Average daily trading volume	33,488	–

Preferred shares	Nine months 2010	Nine months 2009
No. of shares on the reporting date	6,350,000	6,350,000
High (in €)	67.58	26.78
Low (in €)	31.35	13.28
Share price on the reporting date (in €)	67.01	26.20
Average daily trading volume	52,460	31,559

	Nine months 2010	Nine months 2009
Market capitalization [2]	956,373,500	332,740,000

[1] Initial listing at Frankfurt Stock Exchange on June 21, 2010.
[2] The market capitalization of common shares in 2009 was based on the price of preferred shares.

Management report of the Dräger Group for the first three quarters of 2010

Important changes in fiscal year 2010

CAPITAL INCREASE

With effect from June 30, 2010, Drägerwerk AG & Co. KGaA increased its capital stock by EUR 9,753,600 to EUR 42,265,600 by issuing 3,810,000 new no-par bearer shares (no-par shares) with a share of EUR 2.56 each in capital stock (new common shares) with full dividend rights as from January 1, 2010 in return for cash. The 18,963 unsubscribed new common shares were sold for EUR 41.00 each on July 2, 2010. The new common shares were entered in the commercial register on June 30, 2010, and admitted to the regulated market and the Prime Standard of Frankfurt Stock Exchange on July 2, 2010. They were listed on the following trading day (July 5, 2010). All common shares as well as all preferred shares of Drägerwerk AG & Co. KGaA have therefore been listed for trading on the stock exchange.

Net proceeds amounted to EUR 100.6 million after deducting EUR 4.4 million in transaction fees and including the sale of the unsubscribed new common shares in the third quarter of 2010.

Already on June 30, 2010, Dräger recognized EUR 7.8 million in provisions to cover for any potential cash compensation it may have to issue to participation certificate holders of all three series (A, K and D), which resulted in retained earnings decreasing by EUR 5.7 million, adjusted for a tax advantage. If the annual shareholders' meeting does not approve to participation certificate holders exercising their subscription rights on new participation certificates that they are entitled to in accordance with the terms and conditions of participation certificates at conditions comparable to the capital increase, or the subscription right cannot be exercised for any other reason, the company must issue cash compensation to participation certificate holders.

PURCHASE OF THE 25 PERCENT SHARE IN DRÄGER MEDICAL AG & CO. KG FROM SIEMENS

On December 29, 2009, Dräger concluded a contract with Siemens for the indirect acquisition of a 25 percent limited share in Dräger Medical AG & Co. KG. The acquisition contract became effective on April 30, 2010.

The purchase price for the 25 percent share in Dräger Medical AG & Co. KG comprised a cash settled component of EUR 175 million, a vendor note of EUR 68.5 million and a variable option component. The vendor note was divided into three tranches of

EUR 18.75 million (tranche I), EUR 40.00 million (tranche II) and EUR 9.75 million (tranche III).

The cash settled option was due and repaid on the effective date.

Dräger repaid tranches I and II of the vendor note to the total amount of EUR 58.75 million plus interest early on July 20, 2010, from the inflow of cash and cash equivalents provided by the capital increase.

The variable option was originally a cash settled option and was replaced with option rights guaranteed in the form of warrants for the acquisition of 1.25 million preferred shares by Siemens by issuing warrant bonds to the total nominal value of EUR 1.25 million on August 30, 2010. This replacement was resolved by the annual shareholders' meeting and approved by the separate meeting of preferred shareholders on May 7, 2010. The option rights are exercised on September 30, 2010 at EUR 64.12 and expire on April 30, 2015. They are divided into 25 individual options, entitling the holder to acquire 50,000 preferred shares each. If one of the options was exercised, Dräger would issue new preferred shares from conditional capital. If all options were exercised, Drägerwerk AG & Co. KGaA would receive EUR 80.15 million for issuing 1.25 million new preferred shares on the reporting date.

As agreed, after issuing the option rights, Drägerwerk AG & Co. KGaA received a EUR 8.5 million reduction on tranche III of the vendor note as the issued option rights have a higher fair value than the cash settled option. Siemens paid the nominal value of the warrant bonds by offsetting it against a payable from tranche III of the vendor note. On September 30, 2010, Drägerwerk AG & Co. KGaA repaid the warrant bonds to the amount of EUR 1.25 million at their nominal value plus interest to Siemens. With this transaction, Dräger has now fully repaid all liabilities arising from the acquisition of the 25 percent Siemens share in Dräger Medical AG & Co. KG.

The positive development of the Dräger preferred share compared to December 31, 2009, has increased the value of the originally agreed option component. In the period January 1, 2010 until August 30, 2010, EUR 11.8 million was subsequently recognized as an expense in other financial result. The option component will no longer have a negative impact on earnings in the future.

As the cash settled option was replaced with an equity settled option on August 30, 2010, Drägerwerk AG & Co. KGaA has been able to strengthen its equity base by EUR 26.5 million.

DRÄGER MEDICAL AG & CO. KG BECOMES DRÄGER MEDICAL GMBH

On August 31, 2010, Drägerwerk AG & Co. KGaA decided to change Dräger Medical AG & Co. KG into a limited company (GmbH). This change was entered in the commercial register of Lübeck District Court on September 20, 2010. The integration of Dräger Medical GmbH as a fully owned subsidiary of Drägerwerk AG & Co. KGaA has herewith become effective. The change took place within the scope of the buyback of the 25 percent Siemens share in the medical division and will simplify the shareholder structure, therefore reducing complexity within the company.

CHANGES IN THE EXECUTIVE BOARD OF DRÄGERWERK VERWALTUNGS AG

At its meeting on September 15, 2010, the Supervisory Board of Drägerwerk Verwaltungs AG appointed a new Executive Board member: Dr. Carla Kriwet will assume responsibility for Marketing and Sales as of January 1, 2011. As part of the strategic realignment moving the company to a shared functional structure, management positions in charge of the functions Marketing and Sales, Research and Development, Purchasing, Production and Logistics as well as Finance across the entire group have now been filled.

Dr. Dieter Pruss, member of the Executive Board of Drägerwerk Verwaltungs AG and CEO of Dräger Safety AG & Co. KGaA, will leave the company at his own request on December 31, 2010, to take on new professional challenges. He was appointed as a member of the Executive Board on April 1, 2008 and responsible for Marketing and Sales in the safety division.

On September 1, 2010, Anton Schrofner became responsible for Production and Logistics, while Dr. Herbert Fehrecke, Vice Chairman of the Executive Board and previously in charge of this area, assumed the responsibility for Research and Development as from July 1, 2010 and remained in charge of Purchasing, Quality and IT.

NOTES TO THE TURNAROUND PROGRAM

The turnaround program was extraordinarily successful again in the third quarter of 2010: Dräger generated an additional EUR 11.8 million in earnings year-on-year through savings and efficiency gains (3rd quarter 2009: EUR 21.2 million compared to 3rd quarter 2008). The implementation of the measures did not incur any additional costs, unlike in the prior year (3rd quarter 2009: EUR 14.8 million).

Earnings achieved by the company from turnaround measures therefore were EUR 36.6 million higher than in the prior year (9 months 2009: EUR 35.3 million year-on-year). Dräger generated the greatest saving in Purchasing (by lowering the costs of production materials and other materials and services) and in Marketing and Sales. Additional savings resulted from the closure of the site in Best, Netherlands, and the transfer of its production of emergency ventilation equipment and other functions to Lübeck. Savings from the turnaround program also included efficiency gains in the Service area, in turn leading to increased net sales and margins. The resulting positive impact on earnings was EUR 1.2 million. Implementation costs of EUR 0.5 million were incurred in the first nine months of 2010 (9 months 2009: EUR 18.3 million).

Due to the great success of the turnaround program, the company now expects savings to contribute at least EUR 100 million to earnings in fiscal year 2010 already compared to the net sales and cost structure and exchange rates of the benchmark year 2008 and anticipates maximum implementation costs of EUR 5 million. The original plan was to generate a positive effect on earnings to the amount of around EUR 80 million. The full effect of the turnaround measures with savings of around EUR 100 million was only planned as from 2011 onwards.

General economic conditions

GLOBAL ECONOMY

The global economy continued to improve considerably in the second quarter of 2010. According to estimates provided by the Kiel Institute for the World Economy ("Institut für Weltwirtschaft": IfW) in September 2010, the global gross domestic product is likely to have exceeded the prior year's level by around 5 percent in the period from April to June 2010. The European Central Bank (ECB) points out however that the speed of the global economic recovery seems to have slowed down in the second and third quarter of the current year. The monthly data of the Centraal Planbureau (CPB Netherlands Bureau for Economic Policy Analysis), which provides current information of the global trade of goods, indicates that the growth dynamic of the global trade in goods has dropped from 5.4 percent in the first quarter of 2010 to 2.8 percent in July.

According to Eurostat's second estimate, the real gross domestic product (GDP) in the eurozone rose by 1.9 percent in the second quarter of 2010 year-on-year. According to the estimates of the ECB in its monthly report from October 14, 2010, the available indicators point towards GDP growth also slowing down in Europe in the third quarter of 2010. Although a poll apparently showed that the economy is improving further, the PMI for the manufacturing and service industries is said to have dropped compared to the prior quarter. Despite the excellent recovery, capacity utilization in the manufacturing industry in July 2010 came to 77 percent, below the long-term average of 81 percent.

EXCHANGE RATE

On October 6, 2010, the nominal effective exchange rate of the euro was 5.5 percent higher than at the end of June 2010 – measured by the currencies of the 21 most important trading partners in the eurozone – according to data contained in the current ECB report. But this value lies 5.2 percent below the average of the prior year. The euro also increased in value compared to the US dollar, a currency particularly important to Dräger. The quarterly average value of the euro was USD 1.2910 compared to USD 1.2708 in the second quarter. The average value of the euro in September 2010 was USD 1.3067, 7 percent higher than in June 2010 (USD 1.2209). While Dräger's competitiveness is generally impacted by the appreciation of the euro, the company profits from the euro's increasing strength compared to the US dollar as it also incurs relevant costs in the US dollar zone.

SITUATION OF THE MEDICAL TECHNOLOGY INDUSTRY

The growth rate of the medical technology industry is slowly returning to pre-crisis levels, but varying greatly from region to region. In Germany, developments remained the same as in the prior year, but the markets in South Europe in particular stagnated or dropped slightly due to ongoing economic problems.

Demand in Asia was strong as ever and the Americas region developed positively with parts of Latin America recording high demand. The trend of demand shifting from equipment orders to services and consumables continued.

SITUATION OF THE SAFETY TECHNOLOGY INDUSTRY

The automotive and chemical industries recorded good to strong growth in Germany, Brazil, India and China. The German steel industry showed a slight downward trend compared to the last quarter, while China and Turkey, for instance, saw their production increase. Due to strong economic growth in the emerging countries, many industries are transferring their production capacities to these regions.

Demand in other countries such as the US or parts of South Europe is still impaired by economic difficulties. Rising commodity prices and exchange rate fluctuations also have a negative impact.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

			Third quarter			Nine months	
		Third quarter 2010	Third quarter 2009 [9]	Change in %	Nine months 2010	Nine months 2009 [9]	Change in %
Order intake	**€ million**	**519.5**	**481.7**	**+7.8**	**1.568.4**	**1.414.5**	**+10.9**
Orders on hand [1]	**€ million**	**478.6**	**463.0**	**+3.4**	**478.6**	**463.0**	**+3.4**
Net sales	**€ million**	**525.3**	**454.4**	**+15.6**	**1.542.0**	**1.348.3**	**+14.4**
EBITDA [2]	**€ million**	**47.6**	**27.5**	**+73.1**	**176.4**	**73.5**	**+140.0**
Depreciation/amortization	€ million	13.5	14.2	–4.9	39.7	45.1	–12.0
EBIT [3]	**€ million**	**34.1**	**13.3**	**+156.4**	**136.7**	**28.4**	**+381.3**
Earnings after income taxes	**€ million**	**14.3**	**3.5**	**+308.6**	**70.2**	**4.8**	
Earnings per share							
per preferred share	€	0.75	0.14	435.71	4.27	0.01	
per common share	€	0.73	0.12	508.33	4.22	–0.04	
Research and development costs	**€ million**	**37.0**	**36.6**	**+1.1**	**105.1**	**111.8**	**–6.0**
Equity ratio [1]	**%**	**32.4**	**31.0**		**32.4**	**31.0**	
Cash flow from operating activities	**€ million**	**73.3**	**86.2**	**–15.0**	**98.4**	**130.4**	**–24.5**
Net financial debt [1, 8]	**€ million**	**192.7**	**202.5**	**–4.8**	**192.7**	**178.4**	**+8.0**
Investments	**€ million**	**12.6**	**10.6**	**+18.9**	**33.9**	**33.9**	**+0.0**
Capital employed [1, 4]	**€ million**	**911.5**	**864.2**	**+5.5**	**911.5**	**864.2**	**+5.5**
Net working capital [1, 5]	**€ million**	**398.7**	**409.2**	**–2.6**	**398.7**	**409.2**	**–2.6**
EBIT/net sales	**%**	**6.5**	**2.9**		**8.9**	**2.1**	
EBIT [6] **/ capital employed**	**%**	**20.7**	**8.7**		**20.7**	**8.7**	
Gearing [7, 8]	**Faktor**	**0.3**	**0.3**		**0.3**	**0.3**	
Total headcount [1]		**11,197**	**10,924**	**+2.5**	**11,197**	**10,924**	**+2.5**

[1] Value as of June 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] Gearing = net financial debt/equity
[8] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.
[9] The values were adjusted. See Note 4

Business performance of the Dräger Group in the first nine months of 2010

ORDER INTAKE

in € million	Third quarter 2010	Third quarter 2009	Change in %	Net of currency effects in %	Nine months 2010	Nine months 2009	Change in %	Net of currency effects in %
	Third quarter				Nine months			
Germany	107.0	107.5	–0.5	–0.5	325.3	311.7	+4.3	+4.3
Rest of Europe	191.4	191.4	0.0	–2.3	560.9	551.0	+1.8	–0.5
Americas	108.1	85.5	+26.4	+13.9	356.5	251.3	+41.9	+33.6
Asia/Pacific	78.6	64.2	+22.5	+7.8	228.7	193.6	+18.1	+7.1
Other	34.4	33.1	+3.9	+0.8	97.0	106.9	–9.3	–12.6
Total	**519.5**	**481.7**	**+7.8**	**+2.5**	**1,568.4**	**1,414.5**	**+10.9**	**+6.8**

In the first nine months of 2010, order intake increased by 6.8 percent (net of currency effects) compared to the first nine months of 2009. The Americas region was the main contributor (+33.6 percent net of currency effects). While order intake in the medical division went up significantly by 9.9 percent (net of currency effects), order intake in the safety division still grew by 0.9 percent (net of currency effects) despite weak developments in the third quarter of 2010 (-4.2 percent net of currency effects).

ORDERS ON HAND

in € million	September 30, 2010	September 30, 2009	Change in %	Net of currency effects in %
Germany	95.2	90.2	+5.6	+5.6
Rest of Europe	166.9	215.3	–22.5	–23.9
Americas	109.9	56.9	+93.1	+81.3
Asia/Pacific	71.6	60.5	+18.3	+6.6
Other	35.0	40.1	–12.7	–13.8
Total	**478.6**	**463.0**	**+3.4**	**–0.4**

Equipment orders on hand covered a 2.7 month period as of September 30, 2010 (September 30, 2009: 2.7 months). On December 31, 2009, they covered a period of 3.0 months.

NET SALES

in € million	Third quarter 2010	Third quarter 2009	Change in %	Third quarter Net of currency effects in %	Nine months 2010	Nine months 2009	Change in %	Nine months Net of currency effects in %
Germany	106.8	93.2	+14.5	+14.5	307.7	282.5	+8.9	+8.9
Rest of Europe	191.5	178.6	+7.2	+4.6	581.9	529.6	+9.9	+7.5
Americas	119.4	87.9	+35.9	+24.6	325.9	261.5	+24.6	+17.1
Asia/Pacific	72.1	59.9	+20.4	+5.3	221.2	175.7	+25.9	+14.2
Other	35.5	34.8	+2.0	–1.7	105.3	99.0	+6.4	+2.8
Total	**525.3**	**454.4**	**+15.6**	**+10.1**	**1,542.0**	**1,348.3**	**+14.4**	**+10.2**

In the first nine months of 2010, net sales rose by 10.2 percent (net of currency effects) compared to the first nine months of 2009. Both divisions contributed to this rise. Net sales in the medical division went up by 14.2 percent (net of currency effects) and in the safety division by 2.7 percent (net of currency effects).

EARNINGS

The gross margin in the first nine months of 2010 was significantly above the prior-year figure, the main reasons again being increased net sales, a shift of the product mix towards the equipment business, which has stronger margins, positive currency effects and savings from the turnaround program.

Gross profit went up from EUR 159.3 million to EUR 749.0 million year-on-year. The turnaround program (savings and efficiency gains) was one of the contributors, providing additional savings of EUR 36.6 million (before implementation costs of EUR 0.5 million) in the first nine months of 2010 compared to the first three quarters in the prior year. These cost reductions were mainly achieved by improving purchasing conditions and lowering costs for travel and communications, marketing and sales, as well as logistics. On the other hand, Dräger's personnel expenses increased, particularly in the functional areas Marketing, Sales and General Administration, the reasons for this being a larger number of employees and accruals for profit shares, which rose in line with the positive result in the first nine months of the year.

Income from the sale of software codes amounted to EUR 4.4 million and boosted other operating income in the first nine months of 2010.

Research and development expenses dropped to 6.8 percent of net sales year-on-year (9 months 2009: 8.3 percent), mainly due to increased net sales. Absolute research and development expenses dropped by EUR 6.7 million to EUR 105.1 million. But it must be taken into account that in the prior year, one-off expenses for the closure of the site in Best, Netherlands, and the termination of a development project in the medical division to the amount of EUR 6.3 million were included.

The positive development of the Dräger preferred share compared to December 31, 2009, pushed up the original value of the agreed cash settled option of the purchase price of the 25 percent Siemens share in Dräger Medical AG & Co. KG. In the period January 1, 2010, until August 30, 2010, EUR 11.8 million were subsequently recognized as an expense in other financial result.

Overall, Dräger more than quadrupled group EBIT to EUR 136.7 million (9 months 2009: EUR 28.4 million). With 8.9 percent, the EBIT margin was considerably up on the prior year (9 months 2009: 2.1 percent).

The interest result dropped by EUR 7.6 million year-on-year. This was mainly the result of a total of EUR 140.0 million in additional note loans being taken out in April 2009 and the Siemens vendor note, which started bearing interest in April 2010. The interest for tranches I and II of the vendor note is included in the interest result up to August 30, 2010, and for tranche III up to September 30, 2010. In addition, Dräger recognized loan commitment fees for the loan agreement which was concluded with the KfW (Kreditanstalt für Wiederaufbau) in September 2009 up to August 2010 and the EUR 240 million syndicated loan taken out in March 2010 up to September 2010 in the interest result.

Income taxes were calculated on the basis of earnings before income taxes and anticipated group tax rate of 36 percent.

Earnings after income taxes also increased considerably by EUR 65.4 million to EUR 70.2 million year-on-year.

When calculating the interest in net profit of participation certificates (without minimum dividend), the dividend for participation certificates in 2009 of EUR 4.00 was taken into account.

INVESTMENTS

In the first nine months of 2010, investments in intangible assets amounted to EUR 3.0 million (9 months 2009: EUR 5.7 million). During the same period, Dräger invested EUR 30.9 million in property, plant and equipment (9 months 2009: EUR 28.2 million). Depreciation and amortization covered the full amount of all investments.

Investments include EUR 2.5 million for the construction of a new production and logistics building for the infrastructure projects segment of the medical division. Total investment volume for this project will amount to around EUR 12 million and its completion is scheduled for the first quarter of 2011.

CASH FLOW STATEMENT

In the first nine months of 2010, cash inflow from operating activities amounted to EUR 98.4 million (9 months 2009: cash inflow of EUR 130.4 million). Earnings after income taxes, on the other hand, went up by EUR 97.8 million (net of depreciation and amortization, changes in provisions recognized directly in equity and other non-cash income). However, the company increased inventories by EUR 58.1 million as a result of the continuously positive order situation (9 months 2009: EUR 10.6 million). In addition, trade receivables dropped less due to higher net sales, amounting to EUR 44.4 million (9 months 2009: EUR 103.7 million). Other liabilities also went down by EUR 12.7 million compared to December 31, 2009, particularly due to less prepayments being received (9 months 2009: rose by EUR 14.3 million).

Until September 30, 2010, Dräger paid EUR 235.9 million of the total purchase price of EUR 250.6 million for the acquisition of the 25 percent share in Dräger Medical AG & Co. KG. The remainder of EUR 14.7 million was reclassified as equity and is therefore no longer recognized in the cash flow statement. EUR 70.4 million of this payment were for the acquired goodwill totaling EUR 74.8 million, pushing up the cash outflow from investing activities to EUR 100.3 million (9 months 2009: EUR 31.2 million).

The remaining part of the purchase price of EUR 165.5 million was used for the shares acquired from Siemens, amounting to EUR 175.8 million in total. The capital increase carried out at the end of June 2010, increased cash and cash equivalents by a total of EUR 100.6 million (of which EUR 9.8 million in par value of the issued common shares). Together, these transactions amounted to EUR 87.6 million cash outflow from financing activities (cash inflow 9 months 2009: EUR 72.3 million). Cash inflow during the same period in the prior year mainly resulted from taking out a total of EUR 140.0 million in note loans and at the same time repaying a note loan in the amount of EUR 25.0 million.

Cash inflow from operating activities included EUR 28.8 million in income taxes paid (9 months 2009: EUR 16.4 million), EUR 1.7 million in interest received (9 months 2009: EUR 3.1 million) and EUR 25.9 million in interest paid (9 months 2009: EUR 14.8 million).

Cash and cash equivalents as of September 30, 2010, amounted to EUR 267.0 million (September 30, 2009: EUR 296.1 million) and exclusively comprised cash, of which EUR 9.5 million was subject to restrictions (September 30, 2009: EUR 8.7 million). Relevant balance sheet items are stated net of currency effects in the cash flow statement and may therefore differ from the amounts published in the balance sheet as of the reporting date.

Financial management

BORROWING

Dräger used the cash credit line of the syndicated credit line taken out on March 16, 2010, of originally EUR 240 million for financing the ongoing operating activities of its German and foreign subsidiaries during the reporting period. The company utilized the cash credit line once by drawing EUR 20 million in one month. The tranche of EUR 50 million intended for financing note loans was returned in August 2010.

The company did not utilize the loan agreement entered into with the KfW (Kreditanstalt für Wiederaufbau) for a loan totaling EUR 50 million under the bank's 2009 special "Investment" program and terminated it in August 2010.

NET ASSETS

Dräger Group's equity rose by EUR 206.4 million to EUR 600.2 million in the first nine months of 2010, mainly due to the capital increase carried out in June 2010, the result of the first nine months of EUR 70.2 million and the conversion of the cash settled option into an equity settled option in August 2010. The equity ratio went up to 32.4 percent (December 31, 2009: 20.9 percent).

Total assets decreased by EUR 30.9 million to EUR 1,854.9 million in the first nine months of 2010. Whereas inventory levels increased by EUR 70.9 million, cash and cash equivalents dropped by EUR 77.0 million). At the same time, equity went up in particular by EUR 206.4 million as well as other current assets by EUR 58.2 million on the liabilities side, while other current and non-current financial liabilities dropped significantly by EUR 248.6 million.

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Third quarter			Nine months		
		Third quarter 2010	Third quarter 2009 [10]	Change in %	Nine months 2010	Nine months 2009 [10]	Change in %
Order intake	**€ million**	**357.5**	**323.0**	**+10.7**	**1,056.3**	**928.4**	**+13.8**
Orders on hand [1]	**€ million**	**336.4**	**278.2**	**+20.9**	**336.4**	**278.2**	**+20.9**
Net sales	**€ million**	**351.7**	**293.5**	**+19.8**	**1,028.9**	**871.1**	**+18.1**
EBITDA [2]	**€ million**	**41.2**	**12.7**	**+224.4**	**145.0**	**41.7**	**+247.7**
Depreciation/amortization	€ million	6.0	3.6	+66.7	16.8	21.5	–21.9
EBIT [3]	**€ million**	**35.2**	**9.1**	**+286.8**	**128.2**	**20.2**	**+534.7**
Earnings after income taxes (in 2010 before profit/loss transfer)	**€ million**	**23.2**	**5.1**	**+354.9**	**88.0**	**11.9**	**+639.5**
Research and development costs	**€ million**	**25.8**	**27.1**	**–4.8**	**73.1**	**83.0**	**–11.9**
Cash flow from operating activities	**€ million**	**37.8**	**58.0**	**–34.8**	**86.6**	**113.2**	**–23.5**
Net financial debt [1, 8]	**€ million**	**-9.4**	**–28.8**	**–67.4**	**–9.4**	**–28.8**	**–67.4**
Investments	**€ million**	**7.0**	**4.9**	**+42.9**	**17.7**	**15.2**	**+16.4**
Capital employed [1, 4, 9]	**€ million**	**569.0**	**553.6**	**+2.8**	**569.0**	**553.6**	**+2.8**
Net working capital [1, 5]	**€ million**	**307.1**	**278.6**	**+10.2**	**307.1**	**278.6**	**+10.2**
EBIT/net sales	**%**	**10.0**	**3.1**		**12.5**	**2.3**	
EBIT [6]**/capital employed**	**%**	**31.3**	**9.8**		**31.3**	**9.8**	
Gearing [7, 8]	**Factor**	**0.0**	**–0.1**		**0.0**	**–0.1**	
Total headcount [1]		**6,339**	**6,214**	**+2.0**	**6,339**	**6,214**	**+2.0**

[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] Gearing = net financial debt/equity
[8] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.
[9] The goodwill from the acquisition of the 10 percent share in Dräger Medical AG & Co. KG from Siemens in 2007 is recognized in the consolidation segment.
[10] As a result of the integration of Dräger Medical AG & Co. KG in September 2010, prior years' figures were adjusted accordingly. Please see Note 5 for further information.

Business performance of the medical division

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 does not materially affect the medical division's EBIT or capital employed.

ORDER INTAKE

				Third quarter				Nine months
in € million	Third quarter 2010	Third quarter 2009	Change in %	Net of currency effects in %	Nine months 2010	Nine months 2009	Change in %	Net of currency effects in %
Germany	73.1	71.9	+1.7	+1.7	228.0	208.9	+9.1	+9.1
Rest of Europe	127.1	124.6	+2.0	–0.2	355.3	349.0	+1.8	–0.4
Americas	76.8	60.9	+26.1	+13.2	251.5	172.7	+45.6	+37.0
Asia/Pacific	54.2	43.1	+25.8	+12.0	151.8	125.8	+20.7	+11.2
Other	26.3	22.5	+16.9	+14.9	69.7	72.0	–3.2	–5.3
Total	**357.5**	**323.0**	**+10.7**	**+5.4**	**1,056.3**	**928.4**	**+13.8**	**+9.9**

Despite growth losing some momentum overall, order intake in the medical division was up 9.9 percent (net of currency effects) year-on-year in the first nine months of 2010 after a very positive third quarter (+5.4 percent net of currency effects). This was mainly due to demand growing considerably in the Americas and Asia/Pacific regions. Order intake for specific products, particularly in the business areas Infrastructure Projects and Lifecycle Solutions, increased in the third quarter of 2010. Both areas recorded positive growth globally and received a large number of orders.

In the third quarter, order intake in Germany went up despite high figures in the previous year thanks to strong growth in the above business areas.

The order situation in the rest of Europe region developed very differently – as in the first half of 2010 – and was the same as in the prior year (net of currency effects) in the third quarter of 2010. While Russia and Poland recorded extremely high order intake, for instance, demand in the Benelux and Spain was significantly down year-on-year. In the Americas region, order intake continued rising steeply in the third quarter of 2010. Compared to the third quarter of 2009, which still had been weak due to the crisis, order intake increased 13.2 percent (net of currency effects). Main contributors were a large order for ventilation equipment from Brazil, the continuously positive development (still weaker than in the first half of 2010) in the US (+9.0 percent net of currency effects) and the growing market in Colombia.

The strong markets China and India remained the main growth drivers in the Asia/Pacific region in the third quarter of 2010.

In contrast to the first half of 2010, the other countries region recorded considerable growth in the third quarter of 2010 year-on-year. This is mainly the result of orders from Arab countries, whose clearance had been hindered by delays in the authorization process until recently.

ORDERS ON HAND

in € million	September 30, 2010	September 30, 2009	Change in %	Net of currency effects in %
Germany	66.4	57.6	+15.3	+15.3
Rest of Europe	112.0	110.7	+1.2	–0.7
Americas	82.0	43.4	+88.9	+75.7
Asia/Pacific	51.3	42.5	+20.7	+9.9
Other	24.7	24.0	+2.9	+1.5
Total	**336.4**	**278.2**	**+20.9**	**+16.3**

As of September 30, 2010, orders on hand were up 16.3 percent (net of currency effects) against the prior-year period, due to, amongst other things, orders from the US Defense Department, orders for monitoring and ventilation equipment from Brazil and a positive order situation in Germany at present. Equipment orders on hand covered a 3.2 month period (September 30, 2009: 3.0 months). Orders on hand, particularly in the business areas Monitoring, Systems and IT and Lifecycle Solutions, increased considerably compared to September 30, 2009.

NET SALES

	Third quarter				Nine months			
in € million	Third quarter 2010	Third quarter 2009	Change in %	Net of currency effects in %	Nine months 2010	Nine months 2009	Change in %	Net of currency effects in %
Germany	73.3	62.1	+18.0	+18.0	213.3	191.3	+11.5	+11.5
Rest of Europe	121.5	109.6	+10.9	+8.3	359.6	321.8	+11.7	+9.4
Americas	83.5	59.9	+39.4	+27.6	236.4	177.2	+33.4	+25.6
Asia/Pacific	48.7	36.0	+35.3	+19.2	146.0	108.2	+34.9	+24.4
Other	24.7	25.9	–4.6	–6.9	73.6	72.6	+1.4	–0.7
Total	**351.7**	**293.5**	**+19.8**	**+14.3**	**1,028.9**	**871.1**	**+18.1**	**+14.2**

In the third quarter of 2010, net sales in the medical division rose by 14.3 percent (net of currency effects) and therefore were 14.2 percent (net of currency effects) up on the prior year after the first nine months of 2010. Net sales increased most significantly in the Americas and Asia/Pacific regions. But net sales in Germany also grew by 18 percent.

As in the first half of 2010, the areas Anesthesia, Monitoring, Systems and IT and Ventilation were again the main contributors to the increase in net sales in the third quarter of 2010. And Dräger also continued considerably increasing net sales in Lifecycle Solutions.

In Germany, net sales went up in almost all business areas. Lifecycle Solutions, Anesthesia, Monitoring, Systems and IT developed particularly positively.
Like order intake, net sales in the rest of Europe region developed very differently but overall positively. In France, Russia, Great Britain and Poland, Dräger was able to deliver much larger quantities than in the prior year. But net sales in Norway, the Netherlands and Croatia dropped, partly due to cuts in the healthcare systems of those countries.

The positive trend in the US, especially in the areas Anesthesia, Monitoring, Systems and IT, as well as the delivery of a large monitoring order in Brazil boosted growth in the Americas region. Net sales in the US increased by 39.6 percent (net of currency effects) in the third quarter of 2010 compared to the relatively weak third quarter in the prior year.

As in the first half of 2010, net sales in the Asia/Pacific region rose extremely steeply in the third quarter of 2010, the main driver being the continuing positive market development in China and India.

In the other countries region, increasing net sales in the Arab countries were not fully able to offset decreasing net sales in Africa and a large order from Uzbekistan in the prior year.

EARNINGS

The gross margin in the first nine months of 2010 was again significantly above the prior-year figure. As in the first half of 2010, the main reasons were increased net sales, positive currency effects, a shift of the product mix towards the equipment business, which has stronger margins, and savings from the turnaround program.

Overall, functional costs were slightly up on similar costs in the first nine months of 2009. Savings from the turnaround program, income from the sale of software codes and lower expenses for efficiency improvement measures were offset by rising costs incurred by growth and other tax provisions.

The contribution of the turnaround program (savings and efficiency gains) to earnings in the medical division was EUR 27.6 million higher than in the prior year (9 months 2009: EUR 25.9 million), including EUR 1.2 million in efficiency gains in the Service area, which boosted net sales and margins (9 months 2009: EUR 3.0 million). In contrast to the prior year (9 months 2009: EUR 18.3 million), Dräger incurred costs of just EUR 0.4 million for the implementation of measures.

Research and development expenses came to EUR 73.1 million in the first nine months of 2010, 11.9 percent (13.3 percent net of currency effects) down year-on-year. The comparatively lower costs were mainly due to the decision to discontinue a development project in response to changed conditions in the market and to close the site in Best, Netherlands. In addition, implementation costs that had been recognized for these measures in the prior year were no longer reported in the current fiscal year.

In view of the improved profitability of the medical division, EBIT rose significantly to EUR 128.2 million in the first nine months of 2010 (9 months 2009: EUR 20.2 million). At 12.5 percent, the EBIT margin was up considerably on the prior year's value of 2.3 percent.

INVESTMENTS

In the first nine months of 2010, the medical division invested EUR 17.7 million in intangible assets and property, plant and equipment (9 months 2009: EUR 15.2 million). These investments mainly related to replacement. In addition, EUR 2.5 million have been invested up to now in the construction of a new production and logistics building for the infrastructure projects segment of the medical division. The new building features a production hall and office space and will optimize working conditions as well as improve the logistics process. Total investment volume for this project will amount to around EUR 12 million. Depreciation and amortization amounted to EUR 16.8 million in the first nine months of 2010 and covered 94 percent of the investments (9 months 2009: 100 percent).

NET ASSETS

As of September 30, 2010, capital employed increased by EUR 15.4 million to EUR 569.0 million (September 30, 2009: EUR 553.6 million), some of the reasons being receivables and inventories rising due to the growing business volume. Increased current provisions in particular, on the other hand, pushed down this figure.

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Third quarter			Nine months		
		Third quarter 2010	Third quarter 2009	Change in %	Nine months 2010	Nine months 2009	Change in %
Order intake	**€ million**	**167.7**	**166.1**	**+1.0**	**532.8**	**506.0**	**+5.3**
Orders on hand [1]	**€ million**	**143.9**	**186.3**	**–22.8**	**143.9**	**186.3**	**–22.8**
Net sales	**€ million**	**178.6**	**167.7**	**+6.5**	**531.6**	**496.4**	**+7.1**
EBITDA [2]	**€ million**	**23.0**	**15.4**	**+49.4**	**62.8**	**44.4**	**+41.4**
Depreciation/amortization	€ million	5.2	5.3	–1.9	15.7	16.3	–3.7
EBIT [3]	**€ million**	**17.8**	**10.1**	**+76.2**	**47.1**	**28.1**	**+67.6**
Earnings after income taxes (before profit/loss transfer)	**€ million**	**12.0**	**6.7**	**+79.1**	**31.6**	**18.1**	**+74.6**
Research and development costs	**€ million**	**10.8**	**9.1**	**+18.7**	**30.4**	**27.5**	**+10.5**
Cash flow from operating activities	**€ million**	**19.7**	**33.1**	**–40.5**	**40.0**	**42.7**	**–6.3**
Net financial debt [1, 8]	**€ million**	**12.1**	**43.3**	**–72.1**	**12.1**	**43.3**	**–72.1**
Investments	**€ million**	**4.9**	**3.5**	**+40.0**	**13.7**	**12.9**	**+6.2**
Capital employed [1, 4]	**€ million**	**198.9**	**215.8**	**–7.8**	**198.9**	**215.8**	**–7.8**
Net working capital [1, 5]	**€ million**	**123.8**	**139.0**	**–10.9**	**123.8**	**139.0**	**–10.9**
EBIT/net sales	**%**	**10.0**	**6.0**		**8.9**	**5.7**	
EBIT [6] **/capital employed**	**%**	**24.7**	**24.0**		**24.7**	**24.0**	
Gearing [7, 8]	**Factor**	**0.1**	**0.3**		**0.1**	**0.3**	
Total headcount [1]		**4,385**	**4,285**	**+2.3**	**4,385**	**4,285**	**+2.3**

[1] Value as of June 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] Gearing = net financial debt/equity
[8] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.

Business performance of the safety division

ORDER INTAKE

in € million	Third quarter 2010	Third quarter 2009	Third quarter Change in %	Third quarter Net of currency effects in %	Nine months 2010	Nine months 2009	Nine months Change in %	Nine months Net of currency effects in %
Germany	39.4	42.8	–7.9	–7.9	117.8	122.5	–3.8	–3.8
Rest of Europe	64.5	67.0	–3.7	–6.1	205.8	202.2	+1.8	–0.6
Americas	31.3	24.6	+27.2	+15.4	105.0	78.6	+33.6	+26.2
Asia/Pacific	24.4	21.1	+15.6	–0.9	76.9	67.8	+13.4	–0.6
Other	8.1	10.6	–23.6	–29.2	27.3	34.9	–21.8	–27.5
Total	**167.7**	**166.1**	**+1.0**	**–4.2**	**532.8**	**506.0**	**+5.3**	**+0.9**

Order intake in the safety division was up 0.9 percent (net of currency effects) on the prior year in the first nine months of 2010, although it dropped by 4.2 percent (net of currency effects) in the third quarter of 2010.

In Germany, the third quarter of 2010 closed with figures below those in the prior year. This was mainly attributable to a large order for a fire simulation system for Leipzig Airport having been recognized in the third quarter of 2009. Core business developed positively with the company receiving orders from the German Federal Agency for Technical Relief (Technisches Hilfswerk) for helmets as well as from the German Armed Forces (Bundeswehr) and the salt mining industry for the "Dräger Oxy K 60" and "Dräger Oxy 6000" oxygen self-rescuers.

Order intake in the rest of Europe region was also down year-on-year in the third quarter of 2010 as a result of South European countries consolidating their budgets. On the other hand, business with the British fire services continued to develop positively with orders being placed for breathing apparatus such as the "Dräger PSS 7000". Sweden once again ordered electronic immobilizer systems. Norwegian oil and gas companies placed orders for portable gas detection devices and oxygen self-rescuers.

Orders from the US particularly boosted the positive development in the Americas region in the third quarter of 2010. The oil, gas and chemical industries ordered stationary gas detection devices and the mining industry a large number of "Dräger Oxy K" oxygen self-rescuers. In addition, demand in portable gas detection devices, the "Dräger Interlock XT" electronic immobilizer system and the "Dräger Alcotest 7110" alcohol detection device pushed up growth. In South America, the business in light respiratory protection devices produced in Dräger's own local plant in Brazil developed very positively.

In the Asia/Pacific region, Dräger was able to maintain almost the same level as in the prior year in the third quarter of 2010. Amongst other things, the company won a tender for alcohol detection devices called by the Victoria Police Department, Australia, with the “Dräger Alcotest 9510” and also an order for light respiratory protection devices in Indonesia. The Chinese mining industry placed an order for “Dräger PSS BG4” breathing apparatus.

In the third quarter of 2010, order intake in the other countries region dropped year-on-year, as the prior year’s financial statements for the same period included a major order from a petrochemical company in Oman. The subsidiary in South Africa however profited from an order placed by the mining industry for “Dräger Oxyboks K 35” oxygen self-rescuers in 2010.

ORDERS ON HAND

in € million	September 30, 2010	September 30, 2009	Change in %	Net of currency effects in %
Germany	30.5	34.1	–10.6	–10.6
Rest of Europe	54.9	104.6	–47.5	–48.4
Americas	27.9	13.5	+106.7	+99.3
Asia/Pacific	20.3	18.0	+12.8	–1.1
Other	10.3	16.1	–36.0	–36.6
Total	**143.9**	**186.3**	**–22.8**	**–25.2**

Orders on hand as of September 30, 2010, were 25.2 percent (net of currency effects) down year-on-year, particularly due to the project business for deep see diving systems. The decrease in the rest of Europe region is mainly attributable to the cancellation of a deep sea diving system at the end of 2009. Deep sea diving projects in this region totaled EUR 15.3 million (September 30, 2010: EUR 57.9 million). The order for deep sea diving components received in the second quarter of 2010, however, had a positive effect on developments in the Americas region. One of the reasons for orders on hand in the other countries region dropping compared to the same period in the prior year was Dräger already invoicing for part of a project in Oman by September 30, 2010. Equipment orders on hand covered a 2.1 month period (September 30, 2009: 2.4 months).

NET SALES

in € million	Third quarter 2010	Third quarter 2009	Change in %	Net of currency effects in %	Nine months 2010	Nine months 2009	Change in %	Net of currency effects in %
	Third quarter				Nine months			
Germany	38.4	37.7	+1.9	+1.9	112.8	110.2	+2.4	+2.4
Rest of Europe	70.1	69.2	+1.3	–1.4	222.4	208.0	+6.9	+4.6
Americas	35.9	28.0	+28.2	+18.2	89.5	84.3	+6.2	–0.7
Asia/Pacific	23.4	23.9	–2.1	–15.9	75.2	67.5	+11.4	–2.2
Other	10.8	8.9	+21.3	+13.5	31.7	26.4	+20.1	+12.5
Total	**178.6**	**167.7**	**+6.5**	**+1.3**	**531.6**	**496.4**	**+7.1**	**+2.7**

In the third quarter of 2010, net sales at the safety division grew by 1.3 percent (net of currency effects) year-on-year and by a total of 2.7 percent in the first nine months of 2010 (net of currency effects).

Net sales in Germany in the third quarter of 2010 developed slightly better than in the prior year. In this region, Dräger delivered a large order for “Dräger PSS 90” compressed air breathing apparatus to the Hesse fire service and “Dräger OXY K 50” oxygen self-rescuers to the potash and salt mining industry.

As net sales in the prior year were higher due to deep sea diving projects being recognized during this time and core business was unable to fully compensate for this figure, net sales in the rest of Europe region were slightly down year-on-year (net of currency effects) in the third quarter of 2010. Net sales in Great Britain grew due to orders for breathing apparatus, particularly the “Dräger PSS 7000” compresses air breathing apparatus, and stationary gas detection systems for the petrochemical industry being delivered. Russia received further “Dräger Alcotest 6810” alcohol detection devices. Dräger delivered products from the stationary gas detection portfolio to the oil and gas industries in Russia and Norway.

The positive net sales development in South America and business in the US, which increased by almost 30 percent (net of currency effects) in the third quarter of 2010, resulted in the Americas region recording a plus of 18.2 percent (net of currency effects). The delivery of the electronic immobilizer “Dräger Interlock XT” and the alcohol detection device “Dräger Alcotest 8610” also contributed to this result. The core business in Dräger tubes, single and multi-gas detection devices as well as sales of the “Dräger PSS 7000” compressed air breathing apparatus to fire services generated excellent net sales from transactions in the industry. Dräger delivered the “Dräger Alcotest 7410” alcohol detection device to the Argentinean police force.

Net sales in the Asia/Pacific region decreased (net of currency effects) in the third quarter of 2010, mainly due to Dräger invoicing for projects in Australia, Singapore and

Taiwan in the prior year. Companies in the petrochemical and semi-conductor industries were supplied with stationary gas detection systems. In Australia, Dräger delivered alcohol detection, respiratory protection and gas detection devices. The Chinese mining industry ordered large numbers of “Dräger PSS BG 4” breathing apparatus.

In the other countries region, Dräger was particularly successful in South Africa in the third quarter of 2010. In this country, net sales exceeded the prior year’s figure by more than 30 percent, mainly due to deliveries of alcohol detection devices, oxygen self-rescuers and light respiratory protection masks.

EARNINGS

Shifts in the product mix towards more profitable products, positive currency effects and high capacity utilization at production sites again resulted in an improved gross margin.

As planned, research and development costs rose 10.5 percent to EUR 30.4 million year-on-year (9 months 2009: EUR 27.5 million). Marketing, sales and administration costs were up on the prior year, some of the reasons being increased personnel expenses, the newly established company in Finland and currency effects.

Thanks to the higher gross margin, the safety division managed to boost its EBIT by 68 percent to EUR 47.1 million in the first nine months of 2010 (9 months 2009: EUR 28.1 million). The EBIT margin was therefore 8.9 percent (9 months 2009: 5.7 percent).

INVESTMENTS

The safety division continued to invest according to plan. Investments in intangible assets and property, plant and equipment amounted to EUR 13.7 million (9 months 2009: EUR 12.9 million). At EUR 15.7 million, depreciation and amortization exceeded the investment volume (as in the prior year).

NET ASSETS

As expected, capital employed dropped due to fewer receivables and lower inventories, amounting to EUR 198.9 million at the end of the first nine months of 2010 (September 30, 2009: EUR 215.8 million).

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

				Third quarter			Nine months
		Third quarter 2010	Third quarter 2009 [7]	Change in %	Nine months 2010	Nine months 2009 [7]	Change in %
Order intake Germany	**€ million**	**3.6**	**3.9**	**–7.7**	**11.1**	**12.2**	**-9.0**
Orders on hand Germany [1]	**€ million**			**+0.0**			**+0.0**
Net sales Germany	**€ million**	**3.6**	**3.9**	**–7.7**	**11.1**	**12.2**	**–9.0**
EBITDA [2]	**€ million**	**150.6**	**5.0**		**158.5**	**30.7**	**+416.3**
Depreciation/amortization	€ million	2.5	2.5	+0.0	7.4	7.3	+1.4
EBIT [3]	**€ million**	**148.1**	**2.5**		**151.1**	**23.4**	**+545.7**
Earnings after income taxes	**€ million**	**140.2**	**–2.9**		**125.2**	**9.0**	
Research and development costs	**€ million**	**0.5**	**0.4**	**+25.0**	**1.6**	**1.3**	**+23.1**
Cash flow from operating activities	**€ million**	**138.6**	**4.7**		**121.1**	**15.7**	**+671.3**
Net financial debt [1, 4]	**€ million**	**192.0**	**178.8**	**+7.4**	**192.0**	**178.8**	**+7.4**
Investments	**€ million**	**0.9**	**2.2**	**–59.1**	**2.6**	**6.0**	**–56.7**
Capital employed [1, 5]	**€ million**	**755.5**	**518.3**	**+45.8**	**755.5**	**518.3**	**+45.8**
Net working capital [1, 6]	**€ million**	**–30.1**	**–20.2**	**+49.0**	**–30.1**	**–20.2**	**+49.0**
Total headcount [1]		**473**	**425**	**+11.3**	**473**	**425**	**+11.3**

[1] Value as of September 30
[2] Earnings before net interest result, income taxes, depreciation and amortization
[3] EBIT = earnings before interest and taxes
[4] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.
[5] Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
[6] Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt
[7] As a result of the integration of Dräger Medical AG & Co. KG in September 2010, prior years' figures were adjusted accordingly. Please see Note 5 for further information.

Drägerwerk AG & Co. KGaA/other companies

EARNINGS

As discussed in the 2009 annual report, Drägerwerk AG & Co. KGaA provides services to the divisions and their subsidiaries. Drägerwerk AG & Co. KGaA continued to develop its central function further in the third quarter of 2010 by pooling the purchasing departments of the medical and safety divisions at Drägerwerk AG & Co. KGaA.

EBIT in this area increased to EUR 151.1 million year-on-year (9 months 2009: EUR 23.4 million), partly as a result of Dräger Medical AG & Co. KG paying Dräger Medical Holding GmbH EUR 70.4 million for fiscal year 2009 under a profit transfer agreement (9 months 2009: EUR 32.2 million). As Dräger Medical AG & Co. KG was integrated in Dräger Medical Holding GmbH, which then became Dräger Medical GmbH, the control and profit transfer agreement with Drägerwerk AG & Co. KGaA has now been transferred to Dräger Medical GmbH. In September 2010, Dräger Medical GmbH therefore transferred earnings of EUR 88.2 million to Drägerwerk AG & Co. KG for the first nine months of 2010.

The profit transferred by Dräger Safety AG & Co. KGaA was around EUR 19 million higher than in the prior year (9 months 2009: EUR 13 million).

The option component of the purchase price for the 25 percent Siemens share in Dräger Medical AG & Co. KG, on the other hand, impacted earnings by a total of EUR 11.8 million in the first nine months of 2010. In the third quarter of 2010, the cash settled option was replaced by an equity settled option. The measurement of the option component will therefore no longer have a negative impact on earnings in the future.

INVESTMENTS

In the first nine months of 2010, investments in intangible assets and property, plant and equipment came to EUR 2.6 million (9 months 2009: EUR 6.0 million).

Reconciliation of figures at group level

To reconcile figures at group level, consolidations between the medical division, safety division, Drägerwerk AG & Co. KGaA and other companies have to be accounted for. These are detailed in the segment report of the notes to the financial statements in this report.

Research and development

In the first three quarters of 2010, research and development costs at Dräger Group came to EUR 105.1 million, EUR 6.7 million below the prior year's value of EUR 111.8 million as a result of savings in the medical division. This is equivalent to 6.8 percent of net sales (9 months 2009: 8.3 percent).

Research and development costs in the medical division decreased to EUR 73.1 million in the first nine months of 2010 (9 months 2009: EUR 83.0 million).

The termination of a development project and impairment losses in the prior year as well as increased efficiency from pooling the Ventilation business area in Lübeck and the resulting closure of the site in Best, Netherlands, were responsible for this. Research and development costs in the medical division therefore amounted to 7.1 percent of net sales in the first nine months of 2010 (9 months 2009: 9.5 percent). Product development focused on additional components and versions of the Infinity Acute Care System in the areas Ventilation, Anesthesia and Patient Monitoring for improving therapies and optimizing clinical processes. Another main task was enhancing the product portfolio for emerging markets such as Brazil, Russia and China. The development of the new "Savina 300" ventilation system was concluded and the product launched in October. The device works without a central compressed air supply and features the renowned Dräger operating concept on a brand new 12" touchscreen. Numerous products such as disposable valves, breathing tubes and masks and suction devices were added to the Lifecycle Solutions portfolio.

The safety division spent EUR 30.4 million (5.7 percent of net sales) on research and development (9 months 2009: EUR 27.5 million, 5.5 percent). In July 2010, Dräger launched the "Dräger X-am 5600" multi-gas detector, an ergonomically designed device featuring innovative infrared sensor technology. It is the smallest multi-gas detector for measuring up to six gases on the market. Designed for personal protection, the robust, water-proof device measures explosive, flammable and toxic gases and vapors as well as oxygen. The inductive charging tray for the "Dräger X-Zone 5000" gas measuring device has been available since September 2010 in addition to the standard charging cable. This patented accessory enables users to comfortably insert and charge the device, even in a soiled condition. At the end of September 2010, Dräger introduced "Dräger PAS Lite", a new breathing apparatus for industrial use. The reinforced carrying system coated with durable fabric increases stability and is easier to handle and clean than its predecessor.

Personnel

PERSONNEL EXPENSES

in € thousand	Nine months 2010	Nine months 2009
Wages and salaries	443,002	421,776
Social security contributions and related employee benefits	73,876	70,607
Pension expenses	10,805	10,208
	527,683	**502,591**

Personnel expenses rose by around 5.0 percent year-on-year in the reporting period. The reasons for this were changing exchange rates, a larger number of employees, accruals for profit shares, which went up in line with the positive result, and the collective agreement concluded in Germany in 2009.

They include the remuneration of Executive Board members of the general partner, Drägerwerk Verwaltungs AG.

HEADCOUNT AS OF THE BALANCE SHEET DATE

	September 30, 2010	December 31, 2009	September 30, 2009
Medical division	6,339	6,305	6,214
Safety division	4,385	4,336	4,285
Drägerwerk AG & Co, KGaA/ other companies	473	430	425
Dräger Group total (excluding apprentices)	**11,197**	**11,071**	**10,924**
Germany	5,013	4,845	4,821
Other countries	6,184	6,226	6,103
Turnover in % of employees (Basis: Average over the last 12 months)	5.7	5.5	6.6
Sick days in % of work days (Basis: Average over the last 12 months)	3.4	3.0	3.0

As of September 30, 2010, headcount at Dräger Group increased by 126 to 11,197 people in total compared to December 31, 2009.

51 new employees were hired in Logistics, 37 in Service, 18 in Marketing and 15 in Sales.

Headcount in the medical division went up by a total of 34. New employees started mainly in Marketing and Sales and Service, while some employees left in Research and

Development due to the closure of the site in Best, Netherlands, as part of the turnaround program.

The safety division employed 49 additional people since December 31, 2009, mainly in Service and Logistics.

As part of the development of the central function of Drägerwerk AG & Co. KGaA and its services activities (such as pooling the purchasing departments of the medical and safety divisions), 43 new people were employed, 18 of which in the medical and five in the safety division.

Dräger increased the number of temporary staff in Germany by 156 to 611 as early as June 30, 2010 (December 31, 2009: 455), to be in a position to flexibly handle the extremely positive order situation. On September 30, 2010, this number went up only marginally to 612.

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 2009.

Changed conditions after the close of the interim reporting period

There were no significant changes between the end of the first nine months of 2010 and the time this interim financial report was prepared.

Outlook

FUTURE MARKET ENVIRONMENT

The International Monetary Fund (IMF) believes that the global economy is capable of growing 4.8 percent in 2010 and 4.2 percent in 2011. In its “World Economic Outlook” published at the beginning of October 2010, the IMF writes that the global economic recovery was however fragile and threatened by a lack of balanced growth in industrialized and emerging countries as well as an imbalance between public and private demand: “The recovery has been roughly going to plan up to now, but the risks of another slump remain high.”

The IMF has a far more pessimistic view on the US economy and reduced its previous estimates for 2010 by 0.7 percentage points to +2.6 percent and for 2011 by 0.6 percentage points to +2.3 percent. But it also discerns risks for the eurozone, which it says will lag a long way behind the other industrialized markets with 1.7 percent growth in the current and 1.5 percent in the coming year. For Germany, on the other hand, the IMF now expects GDP growth of 3.3 percent in 2010 (+1.9 percentage points more than before) and +2.0 percent in 2011 (+0.4 percentage points more than before). China will remain the global growth driver and the IMF still anticipates an increase of 10.5 percent in 2010 and 9.6 percent in 2011 in this country. But also India is likely to record extremely high growth rates (+9.7 percent in 2010 and +8.4 percent in 2011), as is Brazil (+7.5 percent in 2010 and +4.1 percent in 2011).

FUTURE SITUATION OF THE COMPANY

As in the first half of 2010, Dräger Group continued to record extraordinarily positive net sales growth in the third quarter of 2010. Dräger now expects net sales growth for fiscal year 2010 in region of 10 percent (net sales 2009: EUR 1,911 million). Net of currency effects, growth came in around the medium one-digit percentage range.

Due to the positive development in the first nine months of 2010, Dräger now anticipates an EBIT margin between 8 percent and 9 percent for all of 2010. This bandwidth includes the negative effects from the Siemens cash settled option of EUR 11.8 million. The option component will no longer have a negative impact on earnings in the future. The reason for the net sales and earnings forecasts having been increased by now is the unexpectedly high order intake, ongoing positive development in the Americas and Asia/Pacific regions and favorable currency effects. The continuously high percentage of equipment business, which has strong margins, in net sales in the medical division is one of the main contributors to the company's increased profitability. The turnaround program also had an extremely positive effect. It is expected to generate at least EUR 100 million in savings already in 2010, in turn pushing up earnings. The original plan was to achieve a net positive effect of around EUR 70 million in the current fiscal year and about EUR 100 million as from 2011 onwards.

In 2011, Dräger will invest even larger sums into research and development, implement projects even more quickly and improve its marketing and sales organization in particular. In addition, the company anticipates that the one-off effects from fiscal year 2010 will not be repeated. These effects included a large number of orders on hand carried over from the previous year, high order intake from large projects, the sale of a deep sea diving system that was fully written off in 2009, the sale of software licenses and the extremely favorable product mix. External factors such as exchange rates are not expected to have the same positive impact in 2011 than in the current year. In view of these facts, Dräger forecasts net sales to increase slightly in 2011 but does not expect for the EBIT margin to exceed that of fiscal year 2010. In the medium term, the company plans to grow faster than the market and achieve a minimum EBIT margin of 10 percent in the long term.

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 Dräger Verwaltungs AG as well as the information available to date. These 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 contained in this report.

Interim financial statements of the Dräger Group as of September 30, 2010

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

	Note	Third quarter 2010	Third quarter 2009	Nine months 2010	Nine months 2009
		€ thousand	€ thousand	€ thousand	€ thousand
Net sales		525,250	454,355	1,542,000	1,348,300
Cost of sales		–265,332	–256,611	–793,032	–758,629
Gross profit		**259,918**	**197,744**	**748,968**	**589,671**
Research and development costs		–37,066	–36,601	–105,130	–111,769
Marketing and selling expenses		–148,825	–120,302	–411,373	–374,105
General administrative expenses		–29,159	–26,162	–85,767	–75,451
Other operating income		1,254	1,390	8,549	4,275
Other operating expenses		–1,923	–3,123	–5,263	–6,353
		–215,719	**–184,798**	**–598,984**	**–563,403**
		44,199	**12,946**	**149,984**	**26,268**
Profit from investments in associates		0	0	271	279
Profit from other investments		143	80	286	80
Other financial result		–10,295	280	–13,880	1,763
Financial result (excluding interest result)	**6**	**–10,152**	**360**	**–13,323**	**2,122**
EBIT		**34,047**	**13,306**	**136,661**	**28,390**
Interest result	6	–11,577	–7,297 [1]	–29,401	–21,793 [1]
Earnings before income taxes		**22,470**	**6,009** [1]	**107,260**	**6,597** [1]
Income taxes	7	–8,116	–2,479 [1]	–37,053	–1,813 [1]
Earnings after income taxes		**14,354**	**3,530** [1]	**70,207**	**4,784** [1]
Earnings after income taxes		**14,354**	**3,530** [1]	**70,207**	**4,784** [1]
thereof minority interests in net profit		1,037	1,255	2,165	2,948
thereof share in net profit for participation certificates (without minimum dividend) [2]		817	681 [1]	8,133	2,045 [1]
thereof net profit after minority interests		12,500	1,594 [1]	59,909	–209 [1]
Earnings per share [3]					
per preferred share (in €)		0.75	0.14 [1]	4.27	0.01 [1]
per common share (in €)		0.73	0.12 [1]	4.22	–0.04 [1]
Diluted earnings per share [3]					
per preferred share (in €)		0.75	0.14 [1]	4.27	0.01 [1]
per common share (in €)		0.73	0.12 [1]	4.22	–0.04 [1]

[1] The values were adjusted, See Note 4.
[2] The dividend for participation certificates in the prior year (2010: EUR 4.00; 2009: EUR 3.50) was taken into account on a pro rata basis for the calculation of this figure.
[3] The dividend premium of EUR 0.06 on preferred shares is recognized pro rata on a quarterly basis.

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

	Note	September 30, 2010	December 31, 2009
		€ thousand	€ thousand
Assets			
Intangible assets	8	275,561	278,889
Property, plant and equipment	8	246,522	245,933
Investments in associates		757	757
Other non-current financial assets		10,891	11,668
Deferred tax assets	9	82,607	94,778
Other non-current assets		23,083	25,651
Non-current assets		**639,421**	**657,676**
Inventories	10	367,718	299,942
Trade receivables and construction contracts		484,785	511,411
Other current financial assets	11	25,437	28,695
Cash and cash equivalents	12	267,018	344,051
Current tax refund claims		26,930	16,139
Other current assets	13	43,628	27,914
Current assets		**1,215,516**	**1,228,152**
Total assets		**1,854,937**	**1,885,828**

	Note	September 30, 2010	December 31, 2009
		€ thousand	€ thousand
Equity and liabilities			
Capital stock	14	42,266	32,512
Capital reserves	15	156,870	39,449
Retained earnings incl. group earnings	16	346,361	303,326
Participation capital		56,086	56,086
Other comprehensive income		–7,684	–42,043
Minority interests		6,327	4,490
Equity		**600,226**	**393,820**
Obligations from participation certificates		29,621	28,739
Provisions for pensions and similar obligations		169,075	170,173
Other non-current provisions	18	37,583	35,332
Non-current interest-bearing loans	17	354,764	382,283
Other non-current financial liabilities	19	7,800	79,798
Deferred tax liabilities	9	2,499	17,952
Other non-current liabilities		719	666
Non-current liabilities		**602,061**	**714,943**
Other current provisions	18	244,689	186,479
Current loans and liabilities to banks	20	102,088	83,597
Trade payables		113,700	127,141
Other current financial liabilities	21	58,526	235,170
Current tax liabilities		36,198	40,125
Other current liabilities		97,449	104,553
Current liabilities		**652,650**	**777,065**
Total equity and liabilities		**1,854,937**	**1,885,828**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

	Nine months 2010	Nine months 2009
	€ thousand	€ thousand
Earnings after income taxes	**70,207**	**4,784** [1]
Currency translation adjustment for foreign subsidiaries	24,960	485
Change in the fair value of financial instruments recognized directly in equity	−1,605	−271
Deferred taxes on changes to the fair value of financial instruments recognized directly in equity	313	−73
Actuarial gains/losses from defined benefit pension plans	−3	580
Deferred taxes on actuarial gains/losses from defined benefit pension plans	0	0
Total income and expense recognized directly in equity after taxes	**23,665**	**721**
Earnings after income taxes and total income and expense recognized directly in equity after taxes	**93,872**	**5,505** [1]
thereof minority interests in net profit	2,199	2,389
thereof share in net profit for participation certificates (without minimum dividend) [2]	8,133	2,045 [1]
hereof net profit to be allotted to shareholders	83,540	1,071 [1]

As in the prior year, no amounts were reclassified from equity to profit or loss in the first half of the year.

[1] The values were adjusted. See Note 4.

[2] The dividend for participation certificates in the prior year (2010: EUR 4.00; 2009: EUR 3.50) was taken into account on a pro rata basis for the calculation of this figure as well as participation certificate holders' entitlement to compensation in 2010.

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

	Third quarter 2010	Third quarter 2009	Nine months 2010	Nine months 2009
	€ thousand	€ thousand	€ thousand	€ thousand
Operating activities				
Earnings after income taxes	14,354	3,530 [1]	70,207	4,784 [1]
+ Depreciation/amortization of non-current assets	13,494	14,203	39,723	45,094
+/– Increase/decrease in provisions	38,855	36,281 [1]	55,966	21,112 [1]
–/+ Other non-cash income/expenses	23,009	–905 [1]	–1,582	–4,493 [1]
–/+ Loss/gain from the disposal of non-current assets	125	26	–287	–29
–/+ Increase/decrease in inventories	–9,231	6,671	–58,096	–10,573
–/+ Increase/decrease in trade receivables	28,206	32,029	44,430	103,742
–/+ Increase/decrease in other assets	11,126	–12,539	–21,742	–20,611
+/– Increase/decrease in trade payables	–24,144	5,416	–17,541	–22,942
+/– Increase/decrease in other liabilities	–22,534	1,443 [1]	–12,713	14,304 [1]
Net cash provided by/used in operating activities	**73,260**	**86,155** [1]	**98,365**	**130,388** [1]
Investing activities				
– Cash outflow for investments in intangible assets	–18,985	–1,895	–73,812	–5,352
+ Cash inflow from the disposal of intangible assets	2	0	7	59
– Cash outflow for investments in property, plant and equipment	–12,663	–8,746	–31,393	–27,896
+ Cash inflow from disposals of property, plant and equipment	692	2,468	2,977	3,176
– Cash outflow for investments in non-current financial assets	-32	–24	–122	–260
+ Cash inflow from the disposal of non-current financial assets	355	41	2,095	41
– Cash outflow from the acquisition of subsidiaries	0	109	0	–930
Net cash used in investing activities	**–30,631**	**–8,047**	**–100,248**	**–31,162**
Financing activities				
– Distribution of dividends	0	0 [1]	–9,806	–8,464 [1]
+ Cash provided by raising loans	0	85	0	139,867
– Cash used to redeem loans	–1,176	–3,420	–3,034	–31,015
+/– Increase/decrease in the net balance of other bank liabilities	–20,485	–9,010	–9,458	–18,780
–/+ Net balance of finance lease liabilities repaid/incurred	–114	1,051	–129	813
+ Cash inflows from capital increases	90,880	581	100,634	786
– Decrease in capital as a result of the purchase of the 25 percent share in Dräger Medical AG & Co, KG	–42,700	0	–165,460	0
– Profit distributed to minority interests	–372	-3	–374	–10,894
Net cash provided by/used in financing activities	**26,033**	**–10,716** [1]	**–87,627**	**72,313** [1]
Change in cash and cash equivalents in the fiscal year	**68,662**	**67,392**	**–89,510**	**171,539**
+/– Effect of exchange rates on cash and cash equivalents	–14,131	–1,150	12,478	–642
+ Cash and cash equivalents at the beginning of the fiscal year	212,488	229,823	344,051	125,168
Cash and cash equivalents on reporting date	**267,019**	**296,065**	**267,019**	**296,065**

For notes to the cash flow statement, please see page 18.

[1] The values were adjusted. See Note 4.

STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

					Other comprehensive income						
	Capital stock	Capital reserves	Retained earnings including group result	Partici-pation capital	Actuarial gains and losses recognized directly in equity	Currency translation differences	Derivative financial instru-ments	Total other compre-hensive income	Total equity interest held by share-holders of Drägerwerk AG & Co, KGaA	Minority interests	Equity
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
January 1, 2009	**32,512**	**38,867**	**290,914**	**56,086**	**–6,335**	**–37,034**	**–349**	**–43,718**	**374,661**	**179,142**	**553,803** [1]
Total income and expense recognized directly in equity			1,836		483	1,062	-265	1,280	3,116	2,389	5,505 [1]
Capital increase		581						0	581		581
Distributions			–8,464					0	–8,464	–10,894	–19,358 [1]
Change in scope of consolidation/ other			1,488					0	1,488	264	1,752 [1]
September 30, 2009	**32,512**	**39,449**	**285,773**	**56,086**	**-5,852**	**-35,972**	**-614**	**-42,438**	**371,382**	**170,901**	**542,283** [1]
January 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 and losses recognized directly in equity			–10,725		10,725			10,725			0
Capital increase	9,754	117,421	–5,682					0	121,493		121,493
Total income and expense recognized directly in equity			68,039			24,926	-1,292	23,634	91,673	2,199	93,872
Distributions			–9,806					0	–9,806	–373	–10,179
Change in scope of consolidation/ other			1,209					0	1,209	11	1,220
September 30, 2010	**42,266**	**156,870**	**346,361**	**56,086**	**0**	**–6,002**	**–1,682**	**–7,684**	**593,899**	**6,327**	**600,226**

[1] The values were adjusted. See Note 4.

Notes of the Dräger Group as of September 30, 2010 (condensed)

1 BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA, Lübeck, prepared its group financial statements for fiscal year 2009 in accordance with the International Financial Reporting Standards (IFRS) as defined by the International Accounting Standards Boards (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). In fiscal year 2010, the interim financial statements of 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 financial report was not audited or reviewed by an auditor.

The interim report was prepared in euros. Unless stated otherwise, 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 2009 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 2009 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 fiscal year-end.

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

The following new standards and amendments to existing standards published by the IASB, which have already been approved, were applied for the first time in this interim report:

- IFRS 1 “First-time Adoption of International Financial Reporting Standards” (revised 2008)
- IFRS 3 “Business Combinations” (revised 2008) and IAS 27 “Consolidated and Separate Financial Statements” (revised 2008)
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement”
- FRIC 12 “Service Concession Arrangements”
- IFRIC 15 “Agreements for the Construction of Real Estate”
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”
- IFRIC 17 “Distributions of Non-cash Assets to Owners”
- IFRIC 18 “Transfers of Assets from Customers”
- Amendments to IFRS 2 “Share-based Payment”

– Improvements to IFRSs (2009)
– Amendments to IFRIC 14 “IAS 19 – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”

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, 2009, and September 30, 2009. The same consolidation principles were applied as in the 2009 group financial statements.

4 CHANGES TO REPORTING METHODS FOR PARTICIPATION CERTIFICATES

In order to comply with the new statutory provisions of IAS 32 on the classification of equity and debt, Dräger evaluated its reporting methods for participation capital and decided they should be amended. To allow for an easier comparison, previous years’ figures were adjusted accordingly. Earnings after income taxes for the first nine months of 2009 decreased by a total of EUR 0.5 million due to the interest result dropping by EUR 0.8 million and income taxes by EUR 0.3 million. The increase in equity attributable to participation certificates came to EUR 32.5 million as of September 30, 2009.

Please refer to Note 3 in the notes to the 2009 annual report (page 133) for more information.

5 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Medical division	
		Nine months 2010	Nine months 2009 [5]
Order intake	**€ million**	**1,056.3**	**928.4**
Orders on hand [1]	**€ million**	**336.4**	**278.2**
Net sales	**€ million**	**1,028.9**	**871.1**
thereof intersegment	€ million	1.3	1.6
thereof third-party	€ million	1,027.7	869.6
EBITDA	**€ million**	**145.0**	**41.7**
Depreciation/amortization	€ million	16.8	19.6
Impairment losses	€ million	0.0	1.9
EBIT	**€ million**	**128.2**	**20.2**
Earnings after income taxes (medical and safety division: before profit/loss transfer)	**€ million**	**88.0**	**11.9**
thereof profit/loss from investments in associates	€ million	0.0	0.0
Net profit after minority interests	€ million	–	–
Earnings per share			
per preferred share	€	–	–
per common share	€	–	–
Research and development costs	**€ million**	**73.1**	**83.0**
Cash flow from operating activities	**€ million**	**86.6**	**113.2**
Capital employed [1]	**€ million**	**569.0**	**553.6** [3]
Assets [1]	**€ million**	**926.8**	**863.1** [3]
thereof investments in associates	€ million	0.0	0.0
Liabilities [1]	**€ million**	**344.8**	**292.4**
Net financial debts [1, 2]	**€ million**	**–9.4**	**–28.8**
Investments	**€ million**	**17.7**	**15.2**
Non-cash expenses	€ million	113.0	88.2
EBIT/net sales	**%**	**12.5**	**2.3**
EBIT [4]**/capital employed**	**%**	**31.3**	**9.8** [3]
Gearing [2]	**Factor**	**0.0**	**–0.1**
Total headcount [1]		**6,339**	**6,214**

[1] Value as of September 30
[2] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.
[3] The goodwill from the acquisition of the 10 percent share in Dräger Medical AG & Co. KG from Siemens in 2007 is recognized in the consolidation segment.
[4] EBIT of the last twelve months
[5] As a result of the integration of Dräger Medical AG & Co. KG in September 2010, prior years' figures were adjusted accordingly. Please see page 51 for further information.

Safety division		Drägerwerk AG & Co. KGaA/ other companies		Consolidation		Dräger Group	
Nine months 2010	Nine months 2009	Nine months 2010	Nine months 2009 [5]	Nine months 2010	Nine months 2009 [5]	Nine months 2010	Nine months 2009
532.8	506.0	11.1	12.2	–31.8	–32.1	1,568.4	1,414.5
143.9	186.3	0.0	0.0	–1.7	–1.5	478.6	463.0
531.6	496.4	11.1	12.2	–29.6	–31.4	1,542.0	1,348.3
21.2	20.4	7.2	9.4	–29.7	–31.4	0.0	0.0
510.4	476.0	4.0	2.8			1,542.0	1,348.3
62.8	44.4	158.5	30.7	–189.9	–43.3	176.4	73.5
15.7	16.3	7.4	7.3	–0.2	0.0	39.7	43.2
0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9
47.1	28.1	151.1	23.4	–189.7	–43.3	136.7	28.4
31.6	18.1	125.2	9.0	–174.6	–34.2	70.2	4.8
0.0	0.0	0.3	0.3			0.3	0.3
–	–	–	–	–	–	68.0	1.8
–	–	–	–	–	–	4.27	0.01
–	–	–	–	–	–	4.22	–0.04
30.4	27.5	1.6	1.3	0.0	0.0	105.1	111.8
40.0	42.7	121.1	15.7	–149.3	–41.2	98.4	130.4
198.9	215.8	755.5	518.3	–611.9	–423.5 [3]	911.5	864.2
347.0	355.6	844.1	722.7	–643.7	–589.1 [3]	1,474.2	1,352.3
0.5	0.4	0.2	0.3			0.7	0.7
145.6	130.0	60.9	47.0	–28.0	–16.7	523.3	452.7
12.1	43.3	192.0	178.8	–2.0	–14.9	192.7	178.4
13.7	12.9	2.6	6.0	–0.1	–0.2	33.9	33.9
40.9	34.5	21.5	12.4	–2.8	–0.4	172.6	134.7
8.9	5.7					8.9	2.1
24.7	24.0					20.7	8.7
0.1	0.3	0.0	0.0	0.0	0.0	0.3	0.3
4,385	4.285	473	425	0	0	11,197	10,924

The integration of Dräger Medical AG & Co. KG, the parent company of the medical division, in Dräger Medical Holding GmbH and the subsequent change of its form to Dräger Medical GmbH has resulted in Dräger Medical Holding, which had until that time been recognized in Drägerwerk AG & Co. KGaA/other companies, now being included in the medical division. Amounts had to be transferred between the medical division and Drägerwerk AG & Co. KGaA/other companies segments and the figures in the consolidation column had to be amended. To provide for an easier comparison, prior year's figures were adjusted accordingly.

Key figures from the segment report break down as follows:

EBIT/EBITDA

€ thousand	Nine months 2010	Nine months 2009
Earnings after income taxes	70,207	4,784
+ Interest result	29,401	21,793
+ Income taxes	37,053	1,813
EBIT	**136,661**	**28,390**
+ Depreciation/amortization	39,738	45,094
EBITDA	**176,399**	**73,484**

CAPITAL EMPLOYED

€ thousand	September 30, 2010	September 30, 2009
Balance sheet total	1,854,937	1,748,710
– Deferred tax assets	–82,607	–72,064
– Cash and cash equivalents	–267,018	–296,065
– Non-interest bearing liabilities	–593,842	–516,420
Capital employed	**911,470**	**864,161**

ASSETS

€ thousand	September 30, 2010	September 30, 2009
Balance sheet total	1,854,937	1,748,710
– All other financial assets	–4,175	–5,630
– Deferred tax assets	–82,607	–72,064
– Tax refund claims (current and non-current)	–26,930	–22,610
– Cash and cash equivalents	–267,018	–296,065
Assets	**1,474,207**	**1,352,341**

LIABILITIES

€ thousand	September 30, 2010	September 30, 2009
Liabilities recognized in the balance sheet	1.254.711	1.206.427
– Provisions for pensions and similar obligations	–169.075	–167.242
– Tax liabilities, tax provisions, tax accruals and deferred tax liabilities	–73.087	–83.511
– Interest-bearing liabilities	-489.274	–502.925
Liabilities	**523.275**	**452.749**

NET FINANCIAL DEBTS

€ thousand	September 30, 2010	September 30, 2009
Non-current interest-bearing loans	354,764	427,815
+ Current loans and liabilities to banks	102,088	42,276
+ Liabilities from finance leases	2,822	4,373 [1]
– Cash and cash equivalents	–267,018	–296,065
Net financial debts	**192,656**	**178,399** [1]

[1] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.

NON-CASH EXPENSES

€ thousand	Nine months 2010	Nine months 2009
Write-downs on inventories	15,639	17,165
+ Bad debt allowances	3,802	5,024
+ Allocations to provisions	153,201	112,497
Non-cash expenses	**172,642**	**134,686**

Gearing is the ratio of net financial debt to equity.

GEARING

€ thousand	September 30, 2010	September 30, 2009
Non-current interest-bearing loans	354,764	427,815
+ Current loans and liabilities to banks	102,088	42,276
+ Liabilities from finance leases	2,822	4,373 [1]
– Cash and cash equivalents	–267,018	–296,065
Net financial debts	**192,656**	**178,399** [1]
Equity	600,226	542,283
Gearing	**0.3**	**0.3** [1]

[1] Since the end of fiscal year 2009, finance lease liabilities are recognized in net financial debt. Prior years' figures were adjusted accordingly.

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

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

6 FINANCIAL RESULT

FINANCIAL RESULT

€ thousand	Nine months 2010	Nine months 2009
Financial result (before interest result)	**–13,323**	**2,122**
Interest and similar income	1,838	3,552
Interest and similar expenses	–31,239	–25,345
Interest result	**–29,401**	**–21,793**

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 first nine months of 2010, a total of EUR 11.8 million was recognized as expenses under “Other financial result” to cover this.

Increasing interest expenses in the first nine months of 2010 compared to the first nine months of 2009 are mainly attributable to taking on additional note loans of EUR 140.0 million in April 2009 and the vendor note issued by Siemens in April 2010. The vendor note was fully repaid in the third quarter of 2010. Loan commitment fees for the loan agreed with Kreditanstalt für Wiederaufbau (KfW) in September 2009 and for the syndicated loan of EUR 240 million taken out in March 2010 have been recognized in this quarterly report. The KfW loan of EUR 50 million has not been used.

7 INCOME TAXES

Income taxes for the first nine months of 2010 were calculated on the basis of an anticipated group tax rate of 36 percent (9 months 2009: 38 percent).

8 NON-CURRENT ITEMS (SELECTED ASSETS)

NON-CURRENT ITEMS (SELECTED ASSETS)

€ thousand	Carrying value January 1, 2010	Additions	Disposals/ other changes	Depreciation/ amortization	Carrying value September 30, 2010
Intangible assets	278,889	3,029	1,534	7,891	275,561
Property, plant and equipment	245,933	30,892	1,544	31,847	246,522

Additions include EUR 2.5 million for the construction of a new production and logistics building for the infrastructure projects business area of the medical division in Lübeck. Building work is scheduled for completion in the first quarter of 2011.

9 DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

After the integration of Dräger Medical AG & Co. KG in Dräger Medical Holding GmbH, the new Dräger Medical GmbH now counts towards Drägerwerk AG & Co. KGaA for tax accounting purposes. The deferred taxes resulting from temporary differences of the two companies could therefore be offset. Deferred tax assets and deferred tax liabilities dropped as a result.

10 INVENTORIES

INVENTORIES

€ thousand	June 30, 2010	December 31, 2009
Finished goods and merchandise	186,641	146,698
Work in process	59,869	42,470
Raw materials, consumables and operating supplies	102,791	89,311
Prepayments made	18,417	21,463
	367,718	**299,942**

Dräger Group’s inventories increasing by EUR 70.9 million in the first nine months of 2010 was mainly due to a large order backlog.

11 OTHER CURRENT FINANCIAL ASSETS

The premiums from the capital increase included in other current financial assets in the interim financial statements as of 30 June 2010, which had not yet been paid on that date, were paid in the third quarter of 2010.

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents dropped as a result of the payment of the EUR 175 million cash component of the purchase agreement for the 25 percent share in Dräger Medical AG & Co. KG to Siemens on June 30, 2010. The cash inflow from the capital increase of around EUR 100.6 million resulted in cash and cash equivalents rising as of September 30, 2010.

13 OTHER CURRENT ASSETS

OTHER CURRENT ASSETS

€ thousand	September 30, 2010	December 31, 2009
Prepaid expenses and deferred charges	27,848	17,299
All other current assets	15,780	10,615
	43,628	**27,914**

The increase in prepaid expenses is largely attributable to deferred expenses in the current year. All other current assets went up due to the balance sheet date.

14 CAPITAL STOCK

The capital stock of Drägerwerk AG & Co. KGaA now amounts to EUR 42,266 thousand. With effect from June 30, 2010, Drägerwerk AG & Co. KGaA increased its capital stock by EUR 9,753,600 to EUR 42,265,600 by issuing 3,810,000 new no-par bearer shares (no-par shares) with a share of EUR 2.56 each in capital stock (new common shares) with full dividend rights as from January 1, 2010, in return for cash.

15 CAPITAL RESERVES

CAPITAL RESERVES AS OF SEPTEMBER 30, 2010

€ thousand	Amount
Capital reserves as of January 1, 2010	39,449
Increase of capital reserves 2010	117,421
Capital reserves as of September 30, 2010	**156,870**

INCREASE OF CAPITAL RESERVES AS OF SEPTEMBER 30, 2010

	No.	Premium per share in €	Amount in € thousand
New common shares (total)	3,810,000		
Common shares not yet issued as of June 30, 2010	–18,963		
Common shares issued as of June 30, 2010	3,791,037	24,94	94,548
Common shares issued on July 5, 2010	18,963	38,44	729
Less transaction fees, taking into account tax advantage			–4,396
Issue of new common shares			**90,881**
Replacement of variable option component with equity component			26,540
Increase of capital reserves on September 30, 2010			**117,421**

The new common shares were offered to the shareholders at a ratio of 10:3 at a subscription price of EUR 27.50 each by way of an indirect subscription right (Sec. 186 [5] AktG [“Aktiengesetz”: German Stock Corporation Act]). In the subscription period from June 17, 2010, to June 30, 2010, all previous subscription rights for common shares (1,905,000) as well as 1,886,037 of a total 1,905,000 subscription rights for preferred shares were exercised. The subscription rate therefore totaled 99.5 percent.

The premium of the shares placed on June 30, 2010, is the difference between the issue price of EUR 27.50 and the par value of EUR 2.56.

Taking into account transaction fees and tax advantages, EUR 90,170 thousand were added to capital reserves, which amounted to EUR 129,619 thousand in total as of June 30, 2010.

The 18,963 unsubscribed new common shares were sold for EUR 41.00 each on July 2, 2010 (rump placement). The resulting premium totaled EUR 729 thousand (less the par value of EUR 2.56 per share), incurring EUR 18 thousand in transaction fees. Capital therefore went up again by EUR 711 thousand in the third quarter of 2010.
In addition, the cash settled option was converted into an equity settled option, increasing other capital reserves by EUR 26,540 thousand.

16 RESERVES RETAINED FROM EARNINGS, INCL. GROUP RESULT/ OTHER COMPREHENSIVE INCOME

Since fiscal year 2010, actuarial gains and losses recognized directly in equity are no longer included in "Other comprehensive income", but in "Reserves retained from earnings" instead. The balance carried forward was reclassified accordingly as of January 1, 2010.

According to the terms and conditions for series A, K and D participation certificates, if the company carries out a capital increase and issues subscription rights for new shares to shareholders, holders of participation certificates have the right to acquire further participation certificates from participation capital, which must be increased correspondingly, at terms and conditions comparable to those of the capital increase. On June 30, 2010, Dräger recognized EUR 7.8 million as a provision for this, which resulted in retained earnings dropping, taking into account a tax advantage.

17 NON-CURRENT INTEREST-BEARING LOANS

Non-current interest-bearing loans went down compared to December 31, 2009, as a result of a note loan amounting to EUR 24.5 million, due in April 2011, being reclassified.

18 OTHER NON-CURRENT AND CURRENT PROVISIONS

Other non-current provisions as of September 30, 2010, mainly comprised provisions for personnel obligations of EUR 20,457 thousand (December 31, 2009: EUR 18,662 thousand).

Other current provisions as of September 30, 2010, also included monthly accruals and chiefly consisted of provisions for personnel obligations of EUR 66,880 thousand (December 31, 2009: EUR 59,875 thousand), tax provisions of EUR 33,775 thousand (December 31, 2009: EUR 29,275 thousand), and warranty provisions of EUR 40,306 thousand (December 31, 2009: EUR 35,716 thousand).

19 OTHER NON-CURRENT FINANCIAL LIABILITIES

Dräger repaid tranches I and II of the Siemens vendor note totaling EUR 58.75 million early. As agreed, Drägerwerk AG & Co. KGaA received a EUR 8.5 million reduction on tranche III of the vendor note originally amounting to EUR 9.75 million to offset the difference between the issued option rights and a cash settled option. Siemens offset the EUR 1.25 million remaining of tranche III against the nominal value of the option rights guaranteed in the form of warrants. On September 30, 2010, Drägerwerk AG & Co. KGaA repaid the warrant bonds to the amount of EUR 1.25 million at their nominal value plus interest to Siemens.

20 CURRENT LOANS AND LIABILITIES TO BANKS

Current loans went up compared to December 31, 2009, mainly as a result of a note loan amounting to EUR 24.5 million, due in April 2011, being reclassified.

21 OTHER CURRENT FINANCIAL LIABILITIES

The EUR 175 million cash component of the purchase agreement for the 25 percent share in Dräger Medical AG & Co. KG, which had been included in other current financial liabilities as of December 31, 2009, was paid on April 29, 2010, from cash and cash equivalents.

22 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

€ thousand	September 30, 2010	December 31, 2009
Guarantees	7,709	4,758

Guarantees were given as part of phased retirement agreements.

23 RELATED PARTY TRANSACTIONS

In the first nine months of 2010, credit notes to companies related to Stefan Dräger and the Dräger Foundation were issued to an amount of EUR 15 thousand net for services billed but not rendered in 2009 (invoices issued in the first nine months of 2009: EUR 40 thousand). In the first nine months of 2010, services amounted to 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 27, 2010

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Dieter Pruss
Anton Schrofner

FINANCIAL CALENDAR

Report as of September 30, 2010, conference call, Lübeck	November 4, 2010
Annual accounts press conference, Hamburg	March 16, 2011
Analysts' meeting, Frankfurt/Main	March 16, 2011
Report as of March 31, 2011, conference call, Lübeck	May 4, 2011
Annual shareholders' meeting, Lübeck	May 6, 2011
Report as of June 30, 2011, conference call, Lübeck	August 4, 2011
Report as of September 30, 2011, conference call, Lübeck	November 3, 2011

Drägerwerk AG & Co. KGaA
Moislinger Allee 53 – 55
23558 Lübeck, Germany
www.draeger.com

Corporate Communications
Tel. +49 451 882 – 2185
Fax +49 451 882 – 3944

Investor Relations
Tel. +49 451 882 – 2685
Fax +49 451 882 – 3296