Dräger

Quarterly Report
January 1 to September 30, 2014
Dräger Group

Dräger. Technology for Life®

THE DRÄGER GROUP OVER THE PAST FIVE YEARS

		Nine months 2010	Nine months 2011	Nine months 2012	Nine months 2013	Nine months 2014
Order intake	€ million	1,568.4	1,679.7	1,768.8	1,756.7	1,743.4
Orders on hand [1]	€ million	478.6	534.1	580.9	571.1	563.1
Net sales	€ million	1,542.0	1,557.3	1,646.6	1,656.0	1,664.9
EBITDA [2, 3, 5]	€ million	176.4	183.1	184.9	162.2	135.8
EBIT [4, 5]	€ million	136.7	139.7	137.4	111.3	81.2
in % of net sales (EBIT margin)	%	8.9	9.0	8.3	6.7	4.9
Interest result [5]	€ million	–29.4	–21.5	–23.9	–19.2	–17.8
Income taxes [5]	€ million	–37.1	–38.9	–35.0	–29.2	–20.9
Earnings after income taxes [5]	€ million	70.2	79.3	78.5	62.9	42.5
Earnings attributable to shareholders [5]	€ million	59.9	68.4	74.2	59.9	39.4
Earnings per share [5, 6]						
per preferred share	€	4.27	4.18	4.52	3.65	2.38
per common share	€	4.22	4.13	4.47	3.60	2.33
Earnings per share on full distribution [5, 7]						
per preferred share	€	2.96	2.99	3.45	2.79	1.90
per common share	€	2.91	2.94	3.40	2.74	1.85
Equity [1, 5]	€ million	600.2	672.3	683.3	765.7	839.0
Equity ratio [1, 5]	%	32.4	34.7	32.6	38.0	39.8
Capital employed [1, 5, 8, 9]	€ million	911.5	881.0	909.3	970.4	1,112.9
EBIT [4, 10]/capital employed [1, 5, 8, 9] (ROCE)	%	20.7	22.2	23.3	21.0	15.3
Net financial debt	€ million	192.7	100.2	122.5	88.8	118.9
DVA [5, 8, 11]	€ million	111.3	116.6	131.5	119.9	76.2
Headcount as of September 30		11,197	11,825	12,409	13,170	13,698

1 Value as of September 30
2 EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
3 Equipment leased out has been recognized in property, plant and equipment since 2012. The figures for 2011 were adjusted accordingly.
4 EBIT = Earnings before net interest result and income taxes
5 The prior-year values were adjusted in compliance with IAS 8 due to the first-time application of IAS 19 (2011).
6 On the basis of the proposed dividend
7 Based on an imputed actual full distribution of earnings attributable to shareholders
8 Previous year's figures were adjusted due to a restatement conducted in fiscal year 2012; see note 3 in the Notes of the Annual Report 2012 of the Dräger Group.
9 Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
10 Value of the last twelve months
11 Dräger Value Added = EBIT less cost of capital

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

Letter from the Executive Board Chairman

Dear Shareholders, dear Employees,

Global political and economic uncertainty has increased steadily over the course of 2014. The conflict in Ukraine poses a risk to Europe's future development, and the situation in the Middle East has grown even more explosive. All these factors are also making it difficult to do business. As a result, the overall conditions have deteriorated over the course of the year. The International Monetary Fund now no longer expects the global economy to pick up steam this year. Only a few industrialized countries, such as the USA, are recording higher growth this year compared to 2013. Emerging economies are no longer able to match the strong growth they have experienced in recent years. The economic recovery has stalled in the eurozone, and also the forecasts for Germany have been downgraded.

However, at least when it comes to exchange rates, the outlook has improved in recent months for eurozone companies that export goods and services. Combined with the US Federal Reserve System's first signals that it plans to raise interest rates in 2015, the European Central Bank's monetary policy – which continues to be expansionary – has led to a devaluation of the euro. A continuation and broadening of this trend to include additional currencies beside the US dollar that are important for Dräger would improve our starting position for the coming year.

Our business developed respectably in the past quarter. It was the best quarter of the year so far, and it shows that our markets remain intact, even in this environment. We generated a slight nominal increase in net sales in the first nine months of the year, and we are within range of our net sales forecast. Our earnings are also within the forecast range nine months into the year. But following our forecast downgrade in July, this development can only be satisfactory in the short term.

It is therefore crucial to make sure that our profitability starts to rise significantly once again in the medium term. Measures aimed at improving competitiveness and efficiency as part of the "Fit for Growth" program are the key to achieving this goal. The ability to innovate is of the essence for our company. As our guiding philosophy – Technology for Life – indicates, the point where technology and customers interact is the place where innovation is born. This is what we will work to strengthen. As a globally operating company, we will be taking a critical look at our wide range of sites and locations, some of which have developed over time. Now that we have laid the foundation through standardization, the consistent implementation of “One Company” structures offers additional potential for increasing efficiency – and that is an opportunity we intend to seize.

Our primary objective remains being the first choice for our customers to benefit from the opportunities that growth markets for medical and safety products and services offer. This will allow us to report higher profitability once again.

Best regards,

Stefan Dräger

Dräger shares

SHARE PRICE DEVELOPMENT

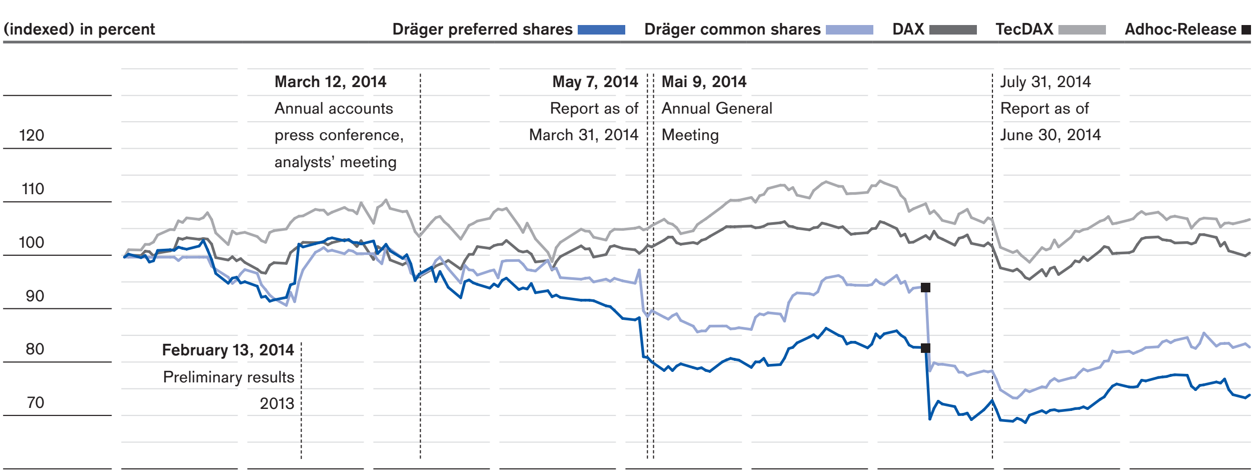
At the end of the first quarter, the Dräger shares were on par with the level at the beginning of the year. With the publication of the results for the first quarter and the first half of the year, the share price fell significantly. On the balance sheet date, September 30, 2014, Dräger common shares closed at EUR 63.95, down 17 percent on the beginning of the year. Dräger preferred shares closed at EUR 70.10, down 26 percent.

During the same period, the DAX fell 1 percent to 9,474 points. The TecDAX climbed 7 percent to 1,249 points.

ISSUING NEW SHARES

In the first quarter, we issued 100,000 new no-par preferred shares (no-par shares) from authorized capital. The new preferred shares are issued to fulfill shareholders' entitlements from the option rights guaranteed in the form of warrants issued in August 2010.[1]

PERFORMANCE OF THE DRÄGER SHARES



[1] Please refer to Note 4 and Note 11 in the notes

DRÄGER SHARES – BASIC FIGURES

	Common share	Preferred share
Securities identification number (WKN)	555060	555063
ISIN [1]	DE0005550602	DE0005550636
Ticker symbol	DRW	DRW3
Reuters symbol	DRWG.DE	DRWG_p.DE
Bloomberg symbol	DRW8	DRW3
Main stock exchange	Frankfurt/Xetra	Frankfurt/Xetra

[1] International Stock Identification Number

DRÄGER SHARES – KEY FIGURES

	Nine months 2014	Nine months 2013
Common shares		
No. of shares on the reporting date	10,160,000	10,160,000
High (in €)	78.49	89.64
Low (in €)	56.55	57.00
Share price on the reporting date (in €)	63.95	77.56
Average daily trading volume [1]	5,322	6,461
Earnings per common share		
Undiluted (in €)	2.33	3.60
Diluted (in €)	2.29	3.50
Earnings per common share on full distribution [2]		
Undiluted (in €)	1.85	2.74
Diluted (in €)	1.84	2.69
Preferred share		
No. of shares on the reporting date	6,650,000 [3]	6,350,000
High (in €)	98.12	106.60
Low (in €)	65.17	76.90
Share price on the reporting date (in €)	70.10	94.25
Average daily trading volume [1]	28,319	29,136
Earnings per preferred share		
Undiluted (in €)	2.38	3.65
Diluted (in €)	2.34	3.55
Earnings per preferred share on full distribution [2]		
Undiluted (in €)	1.90	2.79
Diluted (in €)	1.89	2.74
Market capitalization (in €)	1,115,897,000	1,386,497,100

[1] All German stock exchanges (Source: designated sponsors)
[2] Based on an imputed actual full distribution of earnings attributable to shareholders
[3] Increase as a result of exercising share options (see Note 4 in the notes)

Management Report of the Dräger Group for the first nine months of 2014

General economic conditions

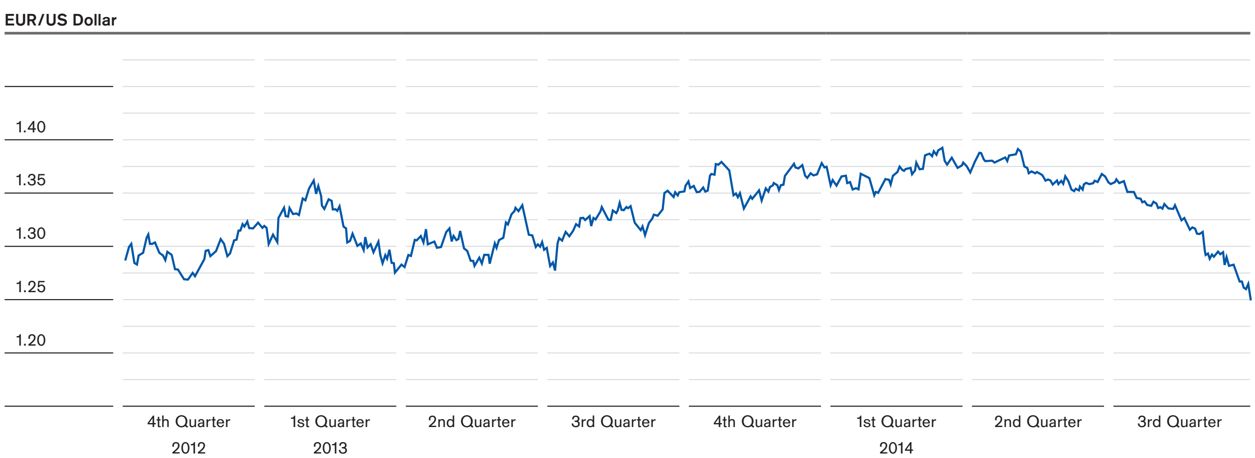
SLOW GROWTH

According to the Institute for the World Economy (IfW) in Kiel, Germany, global economic expansion stalled once more over the course of 2014. The global economy remains susceptible to disturbances, such as geopolitical developments or financial market turbulence. The IfW has lowered its growth forecast for 2014 to 3.2 percent, while its forecast for 2015, at 3.7 percent, was down slightly on that made in June. Growth will primarily originate from industrialized nations, mainly the USA, while momentum in the emerging markets will largely remain low. Eurozone economic expansion came to a standstill in the summer. The IfW forecasts growth of only 0.7 percent for full-year 2014. The economic upturn also did not continue in Germany in the summer half-year; the growth forecast for 2014 was reduced to 1.4 percent accordingly. Nevertheless, the IfW remains of the opinion that Germany will experience a strong upswing in the medium term; however, significant economic risks exist due to the geopolitical situation and the crisis in the eurozone.

DIVERGENT MONETARY POLICIES EMERGE

The European Central Bank (ECB) lowered its key interest rate in early September once again to a record low of 0.05 percent. Furthermore, banks will have to pay an interest rate of 0.2 percent to deposit excess liquidity at the ECB in the future. The ECB also wants to use the buying of Pfandbriefe (German mortgage-backed bond issues) and loan securitizations (so-called “Asset Backed Securities“) to boost lending. The ECB reserves the option to buy the government bonds of member states. The US Federal Reserve (Fed) did not adjust its interest rates in mid-September. The trimming back of monthly bond-buying activities continued and is expected to end in October. Interest rates are expected to remain low for some time to come, although the Fed claims that the precise timing and extent of the turnaround is dependent on how the US economy develops. Monetary policies are therefore diverging. In Europe, the ECB plans more expansionary monetary policy, while first interest rate increases loom in the USA in the coming year. This, together with the recent weakening of economic data, has resulted in increasing volatility on the capital markets.

EXCHANGE RATE DEVELOPMENTS



Quelle: VWD (Vereinigte Wirtschaftsdienste)

INFLATION RATES REMAIN VERY LOW, EURO WEAKENS

Interest rates continue to be extremely low in 2014, in part due to falling energy costs. Inflation in the eurozone was a mere 0.3 percent in September compared to the previous month, while in Germany this figure was 0.8 percent. The euro has been losing ground ever since it gained ground on the US dollar at the start of the year and temporarily exceeded EUR 1 to USD 1.39 in spring. In connection with the ECB's decision to lower interest rates in June and September, the value of the euro against the US dollar fell more rapidly in September in particular and, at EUR 1 to USD 1.26, was significantly down on the figure for year-end 2013 at the beginning of October. Measured against the currencies of 20 of the most important trading partners in the eurozone, the nominal effective exchange rate of the euro was down 3.1 percent year on year by the start of October 2014.

AVERAGE RATE AGAINST THE EURO

	Nine months 2013	Nine months 2014	Change in percent
Australian dollar	1.36	1.48	+8.7
Brazilian real	2.81	3.10	+10.1
Pounds sterling	0.85	0.81	–5.1
Chinese yuan	8.12	8.34	+2.7
Japanese yen	127.1	139.3	+9.5
South African rand	12.7	14.5	+14.3
Turkish lira	2.49	2.93	+17.7
US Dollar	1.32	1.35	+2.3

MEDICAL DIVISION – INDUSTRY PERFORMANCE

With development that varied from region to region, global growth in the medical technology industry remained slightly positive in the third quarter. While the US market for medical technology was more shaped by reticence despite high demand and only posted very slight growth, demand in China again developed dynamically, as in the first half of the year. Sales development in Europe remained sluggish overall. While sales development in South Europe was dampened by the cost-saving measures dictated by budgetary consolidation, North Europe recorded slight growth. Less money was invested in medical products in Russia in the third quarter. Demand for medical products in Latin America was moderate overall. Public investments were reduced due to the economic downturn in Brazil and Argentina. Demand in the Middle East remained high.

SAFETY DIVISION – INDUSTRY PERFORMANCE

Global demand for safety products developed positively overall. The economic recovery in the USA remained intact in the third quarter and provided for a moderate increase in demand for safety products. The chemical industry and the constant expansion of energy production continued to be the main drivers of growth. China also recorded moderate growth. Economic development in China had a positive effect on the sales of safety products. In addition, the trend towards rising occupational health and safety provisions in China continues unabated. The economic situation in Latin America, particularly in Argentina and Brazil, turned bleaker so that sales development there was sluggish.

OVERALL ASSESSMENT OF FRAMEWORK CONDITIONS

The global economic upturn has come to a standstill. Only a few industrialized countries, such as the USA, are reporting stronger growth rates. The contribution to growth made by the emerging markets is down year on year. The slight growth trend seen in the eurozone during the first half of the year has slackened once more. Geopolitical risks also represent a potential burden for the economic climate. The looming divergence of monetary policy in the USA and in Europe is likely to put further pressure on the value of the euro against the US dollar. Medical and safety markets are continuing their slight growth trend, albeit with regional differences.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Third quarter			Nine months		
		2014	2013	Change in %	2014	2013	Change in %
Order intake	**€ million**	**624.0**	**597.0**	**+4.5**	**1,743.4**	**1,756.7**	**–0.8**
Orders on hand [1]	**€ million**	**563.1**	**571.1**	**–1.4**	**563.1**	**571.1**	**–1.4**
Net sales	**€ million**	**591.8**	**555.4**	**+6.6**	**1,664.9**	**1,656.0**	**+0.5**
EBITDA [2]	**€ million**	**66.8**	**49.3**	**+35.5**	**135.8**	**162.2**	**–16.3**
Depreciation	€ million	–19.6	–17.2	+13.6	–54.6	–51.0	+7.1
EBIT [3]	**€ million**	**47.2**	**32.0**	**+47.4**	**81.2**	**111.3**	**–27.0**
Interest result	€ million	–6.3	–6.6	–5.1	–17.8	–19.2	–7.2
Income taxes	€ million	–13.3	–8.1	+62.9	–20.9	–29.2	–28.4
Earnings after income taxes	**€ million**	**27.7**	**17.3**	**+60.1**	**42.5**	**62.9**	**–32.4**
Earnings per share [4]							
per preferred share	€	1.55	1.01	+53.2	2.38	3.65	–34.9
per common share	€	1.53	0.99	+54.3	2.33	3.60	–35.4
Earnings per share on full distribution [5]							
per preferred share	€	1.52	0.77	+97.4	1.90	2.79	–31.8
per common share	€	1.50	0.75	+100.0	1.85	2.74	–32.3
Research and development costs	€ million	51.8	51.0	+1.6	155.4	151.0	+2.9
Equity ratio [1]	%	39.8	38.0		39.8	38.0	
Cash flow from operating activities	€ million	44.5	61.2	–27.2	71.0	50.2	+41.6
Net financial debt [1]	€ million	118.9	88.8	+34.0	118.9	88.8	+34.0
Investments	€ million	37.2	23.7	+56.8	84.1	67.2	+25.2
Capital employed [1,6]	€ million	1,112.9	970.4	+14.7	1,112.9	970.4	+14.7
Net working capital [1,7]	€ million	541.3	470.6	+15.0	541.3	470.6	+15.0
EBIT [3]/net sales	%	8.0	5.8		4.9	6.7	
EBIT [3,8]/capital employed [1,6] (ROCE)	%	15.3	21.0		15.3	21.0	
Net financial debt [1]/EBITDA [2,8]	Factor	0.49	0.32		0.49	0.32	
Gearing [9]	Factor	0.14	0.12		0.14	0.12	
DVA [8,10]	€ million	76.2	119.9	–36.4	76.2	119.9	–36.4
Headcount as of September 30		13,698	13,170	+4.0	13,698	13,170	+4.0

Business performance of the Dräger Group

ORDER INTAKE

	Third quarter				Nine months			
in € million	2014	2013	Change in %	Net of currency effects in %	2014	2013	Change in %	Net of currency effects in %
Europe	340.6	316.5	+7.6	+8.0	976.6	956.4	+2.1	+3.0
thereof Germany	121.7	112.7	+7.9	+7.9	351.5	342.3	+2.7	+2.7
Americas	115.7	117.8	–1.8	–2.0	325.1	349.0	–6.9	–1.8
Asia/Pacific	100.3	100.7	–0.4	–0.7	284.4	292.5	–2.8	+2.6
Middle East, Africa & Others	67.4	61.9	+8.8	+9.1	157.3	158.8	–0.9	+1.9
Total	**624.0**	**597.0**	**+4.5**	**+4.7**	**1,743.4**	**1,756.7**	**–0.8**	**+1.9**

Order intake rose by 4.7 percent (net of currency effects) in the third quarter. Orders in the medical division went up by 6.3 percent (net of currency effects). In the safety division, demand increased by 2.4 percent (net of currency effects). In the first nine months of fiscal year 2014, our order intake was up 1.9 percent year on year (net of currency effects).

In Europe, including Germany, we recorded an 8.0 percent increase in order intake (net of currency effects) in the third quarter. Order intake rose by 7.9 percent in Germany, while demand in the Americas region declined by 2.0 percent (net of currency effects). Order intake in the Asia/Pacific region also declined slightly in the third quarter (net of currency effects). However, order intake in the Middle East, Africa and Other Countries region increased by 9.1 percent (net of currency effects).

Footnotes for page 12

1 Value as of September 30
2 EBITDA = Earnings before net interest result, income taxes, depreciation and amortization
3 EBIT = Earnings before net interest result and income taxes
4 On the basis of the proposed dividend
5 Based on an imputed actual full distribution of earnings attributable to shareholders
6 Capital employed = total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities
7 Net working capital = current, non-interest-bearing assets less current, non-interest-bearing debt
8 Value of the last twelve months
9 Gearing = Ratio of net financial debt to equity
10 Dräger Value Added = EBIT less cost of capital

ORDERS ON HAND

in € million	September 30, 2014	September 30, 2013	Change in %	Net of currency effects in %
Europe	292.5	299.3	–2.3	–2.1
thereof Germany	118.4	128.2	–7.6	–7.6
Americas	98.7	108.6	–9.1	–11.6
Asia/Pacific	84.0	83.1	+1.1	–3.3
Middle East, Africa & Others	87.8	80.1	+9.6	+5.8
Total	**563.1**	**571.1**	**–1.4**	**–2.9**

On September 30, 2014, orders on hand were EUR 563.1 million, down 2.9 percent (net of currency effects) on the prior year's figure (September 30, 2013 : EUR 571.1 million). Excluding the major order from Deutsche Bahn for tunnel rescue trains received in 2012, orders on hand would have fallen by 1.6 percent (net of currency effects).

Equipment orders on hand, excluding the contract with Deutsche Bahn that extends to 2016, covered a 2.8-month period (September 30, 2013: 2.8 months). This key figure is based on the average net sales over the past twelve months.

NET SALES

	Third quarter				Nine months			
in € million	2014	2013	Change in %	Net of currency effects in %	2014	2013	Change in %	Net of currency effects in %
Europe	334.9	311.2	+7.6	+7.8	924.6	913.5	+1.2	+1.8
thereof Germany	119.2	117.0	+2.0	+2.0	338.5	329.0	+2.9	+2.9
Americas	112.6	110.3	+2.0	+2.9	321.5	327.0	–1.7	+3.7
Asia/Pacific	96.7	90.3	+7.0	+6.6	281.8	287.5	–2.0	+3.3
Middle East, Africa & Others	47.7	43.5	+9.5	+9.1	137.0	128.0	+7.0	+10.0
Total	**591.8**	**555.4**	**+6.6**	**+6.7**	**1,664.9**	**1,656.0**	**+0.5**	**+3.0**

Net sales increased by 6.7 percent (net of currency effects) in the third quarter. Both divisions contributed to this development. Deliveries in the medical division went up by 6.4 percent (net of currency effects). Net sales in the safety division rose by 7.8 percent (net of currency effects). In the first nine months of fiscal year 2014, net sales rose by 3.0 percent year on year (net of currency effects).

In all regions, net sales increased in the third quarter. In Europe, including Germany, net sales rose by 7.8 percent (net of currency effects). The increase in Germany amounted to 2.0 percent. In the Americas region, deliveries were up 2.9 percent year on year (net of currency effects). The Asia/Pacific region recorded positive net sales development with growth of 6.6 percent in the third quarter (net of currency effects). Deliveries in the Middle East, Africa and Other Countries region even increased by 9.1 percent (net of currency effects).

EARNINGS

In the third quarter, our EBIT, at EUR 47.2 million (EBIT margin of 8.0 percent), was up significantly (+47.4 percent) year on year (Q3 2013: EUR 32.0 million and 5.8 percent respectively). The EUR 17.9 million increase in gross profit to EUR 282.8 million (Q3 2013: EUR 264.9 million) was one of the factors responsible for this rise. This improvement was mainly due to higher net sales. At 47.8 percent, the gross margin was up slightly year on year (47.7 percent). The positive currency effects from the devaluation of the euro in relation to other key group currencies had a positive effect on the gross margin in the third quarter, due in part to the measurement of balance sheet items as of the balance sheet date. We were therefore able to slightly overcompensate for the drop in margin resulting from the product and country mix, particularly in our medical division.

At EUR 242.4 million, functional costs were up 5.2 percent year on year. Selling expenses rose on account of both the increase in freight costs due to volumes as well as additional investments in our growth regions. Higher IT costs and one-off expenses for the consolidation of our production and sales locations in the Czech Republic continued to impact earnings.

The positive development of the other financial result (Q3 2014: EUR 6.7 million; Q3 2013: EUR –2.4 million) is another factor influencing the increase in EBIT. Positive effects from the measurement of non-operating foreign currency accounts had an effect here in the past three months.

In the first nine months of 2014, gross profit developed slightly disproportionately in relation to net sales, with a decrease of EUR 38.3 million to EUR 773.4 million. At 46.5 percent, the gross margin was 2.5 percentage points lower than in the prior year. The decrease was due to lower pricing in several large projects, combined with an unfavorable product and country mix. The year-on-year change in exchange rates, with a stronger-than-average euro, continued to have a negative impact in the first nine months.

Functional costs rose by 2.0 percent (net of currency effects). Net of positive currency effects, sales and marketing costs were up slightly year on year (+2.4 percent). Research and development expenditure continued to rise as planned, increasing by 3.4 percent (net of currency effects). The research and development (R&D) ratio therefore amounted to 9.3 percent of net sales (9 months 2013: 9.1 percent). Lower IT costs in administration and a reduction in expenses for patent and legal disputes led to a 4.7 percent fall in administrative costs. Personnel expenses rose by 5.6 percent. This increase was due, in particular, to recruitment and increases in wages and salaries. The pay raise for the German metal and electrical industries also contributed to the increase. Changes in exchange rates failed to have a major positive effect on personnel expenses.

The other financial result increased significantly year on year to EUR 7.8 million (9 months 2013: EUR –3.1 million). This improvement was mainly due to measurement income resulting from changes in exchange rates in the third quarter.

Overall, we generated Group earnings before interest and taxes (EBIT) of EUR 81.2 million (9 months 2013: EUR 111.3 million). The EBIT margin fell from 6.7 percent in the prior-year period to 4.9 percent.

The interest result improved by EUR 1.4 million to EUR –17.8 million year on year. The tax rate rose to 32.9 percent (9 months 2013: 31.7 percent). Earnings after income taxes amounted to EUR 42.5 million, down EUR 20.4 million on the prior-year period (9 months 2013: EUR 62.9 million).

INVESTMENTS

In the first nine months of 2014, we invested EUR 72.7 million in property, plant, and equipment (9 months 2013: EUR 62.9 million) and EUR 11.5 million in intangible assets (9 months 2013: EUR 4.3 million). These mainly concerned replacements and investments in production and administration buildings. The addition of assets from an acquisition in Chile was also reflected in additions to assets (see Note 3 in the notes). Depreciation and amortization totaled EUR 54.6 million as of the end of September 2014 (9 months 2013: EUR 51.0 million). Investments covered 154 percent of depreciation, meaning that non-current assets rose by EUR 29.6 million net.

CASH FLOW STATEMENT

Due to the elimination of exchange rate effects, the underlying changes recognized in the cash flow statement cannot be directly reconciled with the items of the published balance sheet.

In the first nine months of fiscal year 2014, Dräger Group's cash inflow from operating activities amounted to EUR 71.0 million compared to cash inflow of EUR 50.2 million in the prior-year period. The lower increase in inventories of EUR 50.8 million (9 months 2013: EUR 73.9 million) was the main contributor to this development. The rise in other liabilities to EUR 30.6 million (9 months 2013: EUR 8.3 million) also had a positive effect on the cash inflow from operating activities. In addition, at EUR 81.7 million, trade receivables decreased by more than in the comparable prior-year period (EUR 66.4 million). The decline in earnings after income taxes – adjusted for write-downs, changes to cash neutral provisions as well as other non-cash earnings/expenses – decreased from EUR 113.1 million to EUR 77.0 million compensate for this effect.

The cash inflow from operating activities includes EUR 32.5 million in income taxes paid (9 months 2013: EUR 35.5 million), EUR 1.3 million in interest received (9 months 2013: EUR 1.9 million) and EUR 13.7 million in interest paid (9 months 2013: EUR 16.5 million).

Cash outflow from investing activities went up to EUR 72.8 million (9 months 2013: EUR 54.3 million) due primarily to the construction of a new building, as well as modernizing measures and building modifications at the Lübeck site. Further investments of EUR 6.2 million and EUR 1.4 million were made in production sites in China and the Czech Republic respectively. EUR 2.6 million was also invested as part of the moving of the merged Swiss subsidiaries to a single facility. The cash outflow from the acquisition of subsidiaries of EUR 2.7 million resulted exclusively from the acquisition of shares in SIM-SA S.A., now Dräger-Simsa S.A. (see Note 3 of the notes). With the joint venture Dräger-Simsa S.A., located in Santiago, Chile, we want to provide refuge chambers for the use in emergencies to the mining industry in Chile and Latin America.

Cash outflow from financing activities of EUR 60.8 million was primarily impacted by the repayment of a note loan in the amount of EUR 50.0 million. By contrast, the exercise of two share options on preferred shares brought in a total of EUR 6.3 million (see Note 4 of the notes). Furthermore, the holder of the non-controlling interests in Draeger Arabia Co. Ltd., Saudi Arabia, made a payment of EUR 3.7 million within the scope of a capital increase at this subsidiary. The capital increase was performed by Dräger and the owner of non-controlling interests without any change to the ownership structure of the company.

Cash and cash equivalents as of September 30, 2014 of EUR 175.4 million exclusively comprised cash, of which EUR 5.0 million is subject to restrictions (September 30, 2013: EUR 6.2 million).

Financial management

BORROWING

The number of note loans has been reduced compared to the borrowing described in the Annual Report 2013. In the first quarter of 2014, we redeemed a mature note loan to the amount of EUR 50.0 million. As of September 30, 2014, total note loans amounted to EUR 182.5 million (December 31, 2013: EUR 232.5 million).

In order to finance the construction of new low-energy facilities, we took out an amortizable loan totaling EUR 7.6 million from the KfW Energy Efficiency Programme on March 5, 2014 with a term until March 31, 2024.

NET ASSETS

Equity rose by EUR 23.1 million to EUR 839.0 million in the first nine months of 2014. Two options (100,000 preferred shares) were exercised in February 2014, which increased equity by a total of EUR 6.3 million. The adjustment of the underlying interest rate for German pension provisions from 3.5 percent to 2.5 percent increased pension provisions by EUR 47.8 million; the net amount of this adjustment of EUR 33.0 million after deferred tax liabilities reduced reserves from retained earnings recognized directly in equity. The equity ratio went up slightly to 39.8 percent as of September 30, 2014 (December 31, 2013: 39.5 percent). Excluding the requisite interest rate adjustment, the equity ratio would have increased to 41.4 percent as of September 30, 2014. We therefore continue to expect an equity ratio of more than 40 percent as of the end of the year, which is why we continued to use a planned distribution rate of 30 percent for the EPS calculation.

Total assets rose by EUR 41.2 million to EUR 2,106.3 million in the first three quarters of 2014. On the assets side, a reduction in trade receivables (EUR –69.3 million) – partly due to lower receivables in Southern and Central Europe – more than compensated for the increased inventories (EUR +66.5 million). Property, plant and equipment rose by EUR 29.1 million, and other assets increased by EUR 23.9 million. Deferred tax assets increased by EUR 20.4 million due to seasonal effects. Cash and cash equivalents fell by EUR 56.8 million.

On the liabilities side, the change was mainly the result of an increase in equity (EUR 23.1 million) and increased pension provisions (EUR 47.8 million). A decrease in trade payables (EUR –20.0 million) and reduced loans and liabilities to banks (EUR –47.1 million) was compensated for by an increase in other financial liabilities (EUR +15.5 million).

DRÄGER VALUE ADDED

Our Dräger Value Added (DVA, on a twelve-month rolling basis) fell by 36.4 percent to EUR 76.2 million as of September 30, 2014 (year on year as of September 30, 2013: EUR 119.9 million). Our EBIT fell substantially by EUR 33.5 million year on year. The average cost of capital increased by EUR 10.2 million, as the average capital invested rose by 12.1 percent to EUR 1,050 million. The increase in capital employed is mainly due to a rise in non-current assets, higher inventories and receivables as well as a fall in provisions.

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Third quarter			Nine months		
		2014	2013	Change in %	2014	2013	Change in %
Order intake	**€ million**	**415.3**	**392.1**	**+5.9**	**1.136.4**	**1.141.3**	**–0.4**
Orders on hand[1]	**€ million**	**387.5**	**377.2**	**+2.7**	**387.5**	**377.2**	**+2.7**
Net sales	**€ million**	**381.1**	**359.7**	**+5.9**	**1.067.3**	**1.064.1**	**+0.3**
EBITDA[2]	**€ million**	**36.3**	**30.3**	**+19.8**	**65.9**	**96.2**	**–31.5**
Depreciation	€ million	–7.4	–6.4	+15.2	–20.1	–18.9	+5.8
EBIT[3]	**€ million**	**28.9**	**23.9**	**+21.0**	**45.9**	**77.2**	**–40.6**
Research and development costs	€ million	37.5	36.3	+3.4	111.5	106.6	+4.6
Cash flow from operating activities	€ million	22.3	35.5	–37.0	70.1	38.4	+82.5
Investments	€ million	11.3	9.2	+22.7	25.2	23.4	+8.0
Capital employed[1,4]	€ million	671.3	617.0	+8.8	671.3	617.0	+8.8
Net working capital[1,5]	€ million	395.2	364.9	+8.3	395.2	364.9	+8.3
EBIT[3]/net sales	%	7.6	6.6		4.3	7.3	
EBIT[3,6]/capital employed[1,4] (ROCE)	%	18.2	26.5		18.2	26.5	
DVA[7]	€ million	63.1	109.6	–42.4	63.1	109.6	–42.4
Headcount as of September 30		7,438	7,233	+2.8	7,438	7,233	+2.8

[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 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] Value of the last twelve months
[7] Dräger Value Added = EBIT less cost of capital

Business performance of the medical division

ORDER INTAKE

	Third quarter				Nine months			
in € million	**2014**	**2013**	**Change in %**	**Net of currency effects in %**	**2014**	**2013**	**Change in %**	**Net of currency effects in %**
Europe	213.2	192.3	+10.9	+11.6	599.6	580.6	+3.3	+4.2
thereof Germany	79.0	75.2	+5.1	+5.1	233.3	228.6	+2.1	+2.1
Americas	81.2	87.2	–6.9	–7.0	225.8	247.7	–8.8	–3.5
Asia/Pacific	68.1	66.4	+2.7	+2.9	192.6	191.4	+0.7	+5.7
Middle East, Africa & Others	52.8	46.2	+14.3	+14.7	118.4	121.6	–2.6	–0.3
Total	**415.3**	**392.1**	**+5.9**	**+6.3**	**1,136.4**	**1,141.3**	**–0.4**	**+2.3**

In the third quarter, order intake in the medical division increased by 6.3 percent (net of currency effects). In the first nine months of fiscal year 2014, we generated a 2.3 percent increase in order volume (net of currency effects).

In the third quarter, we recorded a significant increase in orders in hospital consumables and anesthesiology. Demand in the service products business and for respiratory care and thermoregulation products also rose. However, order intake declined in the patient monitoring and clinical data management business as well as in the workplace infrastructure business.

Order intake in the Europe region, including Germany, rose in the third quarter by 11.6 percent (net of currency effects). Demand increased in Turkey, the UK, France, Germany and Switzerland. Order intake in Russia and the Netherlands declined.

In Germany, order intake rose by 5.1 percent in the third quarter. We recorded significant growth in the workplace infrastructure and hospital consumables businesses, while demand in the service products business declined.

In the Americas region, demand in the third quarter was significantly below average and declined by 7.0 percent (net of currency effects). Order intake was down year on year in Canada, the USA and in Peru in particular, while orders increased in Brazil and Mexico.

Order intake in the Asia/Pacific region rose by 2.9 percent in the third quarter (net of currency effects). Greater demand in Malaysia and Indonesia in particular was partially offset by a decline in China.

In the Middle East, Africa and Other Countries region, order intake in the third quarter increased significantly by 14.7 percent (net of currency effects). Demand increased considerably in Saudi Arabia and India in particular, while orders decreased in South Africa.

ORDERS ON HAND

in € million	September 30, 2014	September 30, 2013	Change in %	Net of currency effects in %
Europe	169.5	161.3	+5.1	+5.7
thereof Germany	50.9	52.6	–3.2	–3.2
Americas	85.0	96.1	–11.6	–14.0
Asia/Pacific	61.9	57.6	+7.4	+2.5
Middle East, Africa & Others	71.1	62.1	+14.4	+9.7
Total	**387.5**	**377.2**	**+2.7**	**+0.8**

On September 30, 2014, orders on hand in the medical division came to EUR 387.5 million, up 0.8 percent (net of currency effects) year on year (September 30, 2013: EUR 377.2 million). Net of currency effects, orders on hand increased in the Asia/Pacific region and in Europe, as well as in the Middle East, Africa and Other Countries region in particular, but decreased in the Americas region and in Germany.

Equipment orders on hand covered a 3.4-month period, a slight increase (September 30, 2013: 3.3 months). This key figure is based on the average net sales over the past twelve months.

NET SALES

	Third quarter				Nine months			
in € million	**2014**	**2013**	**Change in %**	**Net of currency effects in %**	**2014**	**2013**	**Change in %**	**Net of currency effects in %**
Europe	203.2	187.5	+8.4	+8.7	551.1	547.1	+0.7	+1.2
thereof Germany	75.8	77.1	–1.6	–1.6	220.5	214.5	+2.8	+2.8
Americas	79.0	76.5	+3.3	+4.8	223.2	223.9	–0.3	+5.8
Asia/Pacific	63.3	61.8	+2.4	+2.2	191.8	192.7	–0.5	+4.4
Middle East, Africa & Others	35.5	33.9	+4.8	+4.4	101.2	100.4	+0.8	+3.3
Total	**381.1**	**359.7**	**+5.9**	**+6.4**	**1,067.3**	**1,064.1**	**+0.3**	**+2.9**

Net sales in the medical division increased by 6.4 percent (net of currency effects) in the third quarter of 2014. In the first nine months, the increase in net sales amounted to 2.9 percent (net of currency effects).

We recorded net sales growth in all product areas in the third quarter. Deliveries of anesthesia devices recorded the most marked growth. Net sales also rose in the workplace infrastructure and service products businesses. Slight net sales increases were generated in patient monitoring and clinical data management, in the hospital consumables business as well as in the respiratory care and thermoregulation business.

Net sales in the Europe region, including Germany, rose by 8.7 percent (net of currency effects) in the third quarter. The positive net sales development in Spain, Italy and some countries in South Europe as well as in the UK was partially offset by a decline in deliveries in Germany and Switzerland.

In Germany, net sales fell by 1.6 percent in the third quarter. A significant rise in net sales in the hospital consumables business was unable to compensate for declines in anesthesiology and in the workplace infrastructure and the service products businesses.

Net sales in the Americas region rose by 4.8 percent (net of currency effects). Deliveries increased in Canada, the USA, Brazil and Argentina, but fell in Chile and Peru.

In the Asia/Pacific region, we recorded a 2.2 percent increase in net sales (net of currency effects). Deliveries increased in Japan and Australia, but fell in Vietnam. Net sales were down slightly year on year in China.

Net sales in the Middle East, Africa and Other Countries region grew by 4.4 percent (net of currency effects). Higher net sales in the United Arab Emirates and Iran stood in contrast to a decrease in net sales in Saudi Arabia and India.

EARNINGS

Gross profit was up year on year in the third quarter due to higher net sales. The gross margin remained more or less unchanged year on year (+0.3 percentage points). Positive currency effects compensated for a less favorable country and product mix.

The increase in functional costs (7.2 percent, net of currency effects) was compensated for in part by a positive other financial result. These effects caused EBIT to rise to EUR 28.9 million compared to the prior year (Q3 2013: EUR 23.9 million). As a result, the EBIT margin came to 7.6 percent in the third quarter (Q3 2013: 6.6 percent).

Overall, the gross margin of the medical division was down year on year in the first nine months of 2014 (–2.7 percentage points). Key factors here were an unfavorable country and product mix as well as currency effects. The significant decline in Russian business compared to prior years as well as the current reticence among medical technology customers in the USA and isolated low-margin projects all had a negative impact on the margin.

Despite positive currency effects, functional costs were up slightly year on year. We invested in the build-up of the sales organization in markets with high growth expectations and in the development of new products. Research and development expenditure rose as expected by 4.6 percent (5.5 percent net of currency effects). Overall, EBIT in the medical division went down by 40.6 percent to EUR 45.9 million (9 months 2013: EUR 77.2 million). Therefore, the EBIT margin was 4.3 percent (9 months 2013: 7.3 percent).

INVESTMENTS

In the first nine months of 2014, we invested EUR 24.8 million in property, plant, and equipment (9 months 2013: EUR 22.9 million) and EUR 0.4 million in intangible assets (9 months 2013: EUR 0.5 million) in the medical division. The majority of these investments were for replacements. We also invested a further EUR 6.2 million in the construction of a new production and management building in China (9 months 2013: EUR 5.7 million). We also invested EUR 1.8 million in expansions and modification in connection with the consolidation of the Group companies in Switzerland. In the first nine months of 2014, depreciation and amortization came to EUR 20.1 million. Investments covered 125 percent of depreciation and amortization, meaning that non-current assets rose by EUR 5.1 million net.

FINANCIAL POSITION AND NET ASSETS

As of September 30, 2014, capital employed increased by EUR 54.3 million to EUR 671.3 million (September 30, 2013: EUR 617.0 million). Reasons for this included an increase in receivables and inventories.

Cash flow from operating activities stood at EUR 70.1 million in the first nine months of 2014, significantly higher than in the prior-year period (9 months 2013: EUR 38.4 million). A substantially stronger reduction in receivables and a lower increase in inventories compared to the prior-year period more than compensated for the effect of the reduced earnings.

DRÄGER VALUE ADDED

Our DVA in the medical division fell by EUR 46.5 million to EUR 63.1 million year on year as of September 30, 2014 (year on year as of September 30, 2013: EUR 109.6 million). This drop in DVA was mainly driven by EBIT, which fell by EUR 41.3 million (on a twelve-month rolling basis). Moreover, the EUR 5.1 million increase in costs for the rise in capital employed also had a negative impact on our DVA.

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Third quarter			Nine months		
		2014	2013	Change in %	2014	2013	Change in %
Order intake	**€ million**	**219.3**	**213.4**	**+2.8**	**637.6**	**639.6**	**–0.3**
Orders on hand[1]	**€ million**	**179.2**	**195.5**	**–8.3**	**179.2**	**195.5**	**–8.3**
Net sales	**€ million**	**220.9**	**204.4**	**+8.1**	**626.3**	**616.4**	**+1.6**
EBITDA[2]	**€ million**	**28.0**	**23.7**	**+18.4**	**74.7**	**77.0**	**–3.0**
Depreciation/amortization	€ million	–7.3	–6.9	+6.3	–21.1	–19.9	+5.8
EBIT[3]	**€ million**	**20.7**	**16.8**	**+23.4**	**53.6**	**57.0**	**–6.1**
Research and development costs	€ million	13.7	14.4	–4.6	42.2	42.8	–1.3
Cash flow from operating activities	€ million	12.8	24.3	–47.4	27.5	30.9	–11.1
Investments	€ million	13.7	7.4	+83.6	31.9	24.8	+28.7
Capital employed[1,4]	€ million	264.5	228.2	+15.9	264.5	228.2	+15.9
Net working capital[1,5]	€ million	175.2	149.4	+17.3	175.2	149.4	+17.3
EBIT[3]/net sales	%	9.4	8.2		8.6	9.3	
EBIT[3,6]/capital employed[1,4] (ROCE)	%	32.4	37.8		32.4	37.8	
DVA[7]	€ million	64.1	66.7	–3.9	64.1	66.7	–3.9
Headcount as of September 30		5,345	5,078	+5.3	5,345	5,078	+5.3

[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 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] Value of the last twelve months
[7] Dräger Value Added = EBIT less cost of capital

Business performance of the safety division

ORDER INTAKE

	Third quarter				Nine months			
in € million	2014	2013	Change in %	Net of currency effects in %	2014	2013	Change in %	Net of currency effects in %
Europe	136.8	132.6	+3.1	+3.0	405.7	399.7	+1.5	+2.2
thereof Germany	50.7	45.3	+11.9	+11.8	143.5	136.1	+5.4	+5.4
Americas	35.8	30.6	+17.0	+16.5	101.9	101.4	+0.5	+4.8
Asia/Pacific	32.4	34.3	–5.6	–6.9	92.3	101.2	–8.8	–2.9
Middle East, Africa & Others	14.2	15.8	–10.0	–9.8	37.6	37.2	+1.1	+5.0
Total	**219.3**	**213.4**	**+2.8**	**+2.4**	**637.6**	**639.6**	**–0.3**	**+2.0**

In the third quarter, orders in the safety division increased by 2.4 percent (net of currency effects). In the first nine months of fiscal year 2014, order intake rose by 2.0 percent (net of currency effects).

In the third quarter, we recorded a rise in order intake in governmental applications; demand for alcohol testing devices increased in particular. Demand for light breathing protection and mobile gas detectors in our occupational health and safety business also rose. Our service business again reported solid growth. Orders declined slightly in the plant safety business. Growth in service and rental devices business was not enough to fully compensate for the decline in stationary gas detection equipment. Order intake in the area of engineered solutions remained below the prior year's level.

Order intake in the Europe region, including Germany, rose by 3.0 percent (net of currency effects) in the third quarter. Demand increased in Switzerland, Spain and Germany, but significantly fewer orders were received in Russia. Order intake also fell in the Netherlands and Italy, although we had received larger orders in the prior-year quarter.

In Germany, we recorded a substantial 11.8 percent increase in order intake (net of currency effects) in the third quarter. This increase was driven by a rise in demand for respiratory protection devices for fire services and orders in industrial occupational health and safety as well as in plant safety.

In the Americas region, order intake in the third quarter increased significantly by 16.5 percent (net of currency effects). Demand rose in particular in South and Central American markets. Our new company in Chile in the engineered solutions business with refuge chambers for the mining industry also supplied growth momentum. While order intake increased it Canada, orders fell year on year in the USA.

Our order intake in the Asia/Pacific region fell by 6.9 percent in the third quarter (net of currency effects). This was due in particular to a sharp decline in demand in China and Korea. Indonesia, on the other hand, recorded an increase in orders.

In the region Middle East, Africa and Others, order intake in the third quarter decreased by 9.8 percent (net of currency effects). An increase in demand in South Africa was unable to compensate for the decline recorded in India. In addition, we had received a larger order in Iraq in the prior year.

ORDERS ON HAND

in € million	September 30, 2014	September 30, 2013	Change in %	Net of currency effects in %
Europe	125.2	139.1	–10.0	–10.2
thereof Germany	69.2	76.7	–9.7	–9.7
Americas	15.0	12.8	+16.9	+14.3
Asia/Pacific	22.3	25.6	–12.7	–16.0
Middle East, Africa & Others	16.6	17.9	–7.3	–7.8
Total	**179.2**	**195.5**	**–8.3**	**–9.1**

On September 30, 2014, orders on hand were EUR 179.2 million, down 9.1 percent (net of currency effects) on the prior year's figure (September 30, 2013 : EUR 195.5 million). Excluding the large tunnel rescue trains order for Deutsche Bahn, orders on hand decreased by 5.1 percent (net of currency effects).

Equipment orders on hand, adjusted for large projects, covered a 2.1-month period (June 30, 2013: 2.2 months). This key figure is based on the average net sales over the past twelve months.

NET SALES

	Third quarter				Nine months			
in € million	2014	2013	Change in %	Net of currency effects in %	2014	2013	Change in %	Net of currency effects in %
Europe	141.0	132.3	+6.6	+6.6	401.3	390.6	+2.7	+3.3
thereof Germany	51.9	48.1	+7.9	+7.9	142.7	137.4	+3.8	+3.8
Americas	34.5	33.9	+1.9	+1.3	100.1	103.1	–3.0	+1.0
Asia/Pacific	33.6	28.5	+17.7	+16.9	90.4	94.9	–4.7	+1.3
Middle East, Africa & Others	11.8	9.7	+21.7	+21.3	34.5	27.8	+24.3	+29.3
Total	**220.9**	**204.4**	**+8.1**	**+7.8**	**626.3**	**616.4**	**+1.6**	**+3.8**

In the third quarter, net sales in the safety division increased by 7.8 percent (net of currency effects). After nine months, net sales were up 3.8 percent (net of currency effects) on the prior-year period.

All product areas recorded net sales growth in the third quarter. The engineered solutions and the plant safety businesses reported double-digit growth. Net sales in the service business and deliveries in the governmental applications and industrial occupational health and safety businesses also increased.

Net sales in the Europe region, including Germany, rose by 6.6 percent (net of currency effects) in the third quarter. The increase was driven by positive development in Germany, Turkey, the UK and Poland. Net sales in Russia, on the other hand, fell significantly.

In Germany, net sales rose by 7.9 percent in the third quarter. In engineered solutions, net sales increased significantly as a result of further partial invoicing for the tunnel rescue trains from the large Deutsche Bahn order. But net sales were also up in the plant safety business as well as in governmental applications. Slight increases were also reported in occupational health and safety as well as in the service business.

Net sales in the Americas region rose by 1.3 percent year on year (net of currency effects). Higher net sales in some countries in Central and South America were compensated for by a decrease in deliveries in the USA.

Net sales in the Asia/Pacific region went up by 16.9 percent (net of currency effects) in the third quarter. In China, net sales were up significantly, with Singapore, Malaysia and Indonesia as well as Australia and New Zealand also reporting an increase in deliveries.

In the Middle East, Africa and Other Countries region, net sales increased significantly by 21.3 percent (net of currency effects) in the third quarter. We recorded a significant rise in net sales in India and in some countries in the Middle East. However, deliveries declined in South Africa.

EARNINGS

In the safety division, gross profit increased year on year in the third quarter due to significant net sales growth. Negative effects from exchange rate changes and an unfavorable product mix continued to have a negative impact on the margin. The gross margin in the third quarter of 2014 was therefore down on the prior-year quarter (–1.1 percentage points). Functional costs remained stable year on year, despite slightly negative currency effects. In view of these developments, EBIT rose by EUR 3.9 million to EUR 20.7 million (Q3 2013: EUR 16.8 million), and the EBIT margin increased to 9.4 percent (Q3 2013: 8.2 percent).

In the first nine months, negative currency effects exceeded the rise in gross profit due to net sales. A rising share of low-margin products in net sales continued to impact gross profit and the margin. In the safety division, we recorded an overall decline in the gross margin of 2.3 percentage points.

Functional costs remained below the prior-year level as a result of a decline in IT costs in administrative expenses. The research and development (R&D) ratio fell slightly and amounted to 6.7 percent of net sales (9 months 2013: 6.9 percent). Changes in exchange rates had a positive effect on functional costs. In total, the EBIT margin in the safety division decreased to 8.6 percent in the first nine months (9 months 2013: 9.3 percent), while EBIT fell to EUR 53.6 million.

INVESTMENTS

In the safety division, we invested EUR 2.3 million (9 months 2013: EUR 0.3 million) in intangible assets as part of an acquisition in Chile and EUR 29.6 million in property, plant and equipment (9 months 2013: EUR 24.5 million). The majority of these investments were for replacements. In addition, we invested EUR 2.9 million in the expansion of our production facility in the Czech Republic and a further EUR 2.4 million in building conversions at our subsidiary in Canada. In the first nine months of 2014, depreciation and amortization came to EUR 21.1 million. Investments covered 151 percent of depreciation and amortization, and non-current assets rose by EUR 10.8 million net.

FINANCIAL POSITION AND NET ASSETS

Capital employed in the safety division increased year on year by 15.9 percent to EUR 264.5 million (9 months 2013: EUR 228.2 million). This was due to the increase in working capital as a result of a rise in receivables and inventories. Furthermore, tied-up capital increased on account of investments in property, plant and equipment. Cash flows from operating activities fell slightly to EUR 27.5 million on account of earnings (9 months 2013: EUR 30.9 million).

DRÄGER VALUE ADDED

Our DVA in the safety division fell by EUR 2.6 million to EUR 64.1 million year on year as of September 30, 2014 (year on year as of September 30, 2013: EUR 66.7 million). The decline in DVA was due, on the one hand, to the EUR 0.5 million fall in EBIT (on a twelve-month rolling basis) and, on the other hand, to the EUR 2.1 million increase in capital costs for average capital employed.

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

		Third quarter			Nine months		
		2014	2013	Change in %	2014	2013	Change in %
Order intake	**€ million**	**3.3**	**3.3**	**–1.6**	**10.2**	**10.4**	**–2.4**
Orders on hand[1]	**€ million**	**0.0**	**0.0**		**0.0**	**0.0**	
Net sales	**€ million**	**3.3**	**3.3**	**–1.6**	**10.2**	**10.4**	**–2.4**
EBITDA[2]	**€ million**	**47.7**	**32.1**	**+48.8**	**131.1**	**147.9**	**–11.4**
Depreciation	€ million	–4.9	–4.0	+23.5	–13.4	–12.1	+11.4
EBIT[3]	**€ million**	**42.8**	**28.1**	**+52.3**	**117.6**	**135.9**	**–13.4**
Research and development costs	€ million	0.6	0.4	+59.4	1.7	1.7	–0.6
Cash flow from operating activities	€ million	47.6	21.4	+122.5	86.0	99.8	–13.8
Investments	€ million	12.2	7.1	+71.9	27.5	19.1	+44.2
Capital employed[1,4]	€ million	812.3	752.7	+7.9	812.3	752.7	+7.9
Net working capital[1,5]	€ million	–16.0	–26.9	–40.4	–16.0	–26.9	–40.4
Headcount as of September 30		915	859	+6.5	915	859	+6.5

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

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

EARNINGS

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

In the first nine months of 2014, Drägerwerk AG & Co. KGaA/Other companies' EBIT declined to EUR 117.6 million (9 months 2013: EUR 135.9 million). This decline was also the result of lower earnings from profit and loss transfer agreements of EUR 132.1 million (9 months 2013: EUR 159.1 million). With EUR 64.1 million Dräger Medical GmbH transferred considerably lower earnings than in the same period a year ago (9 months 2013: EUR 85.4 million).

INVESTMENTS

Investments at Drägerwerk AG & Co. KGaA/Other companies amounted to EUR 27.5 million in the first nine months of 2014 (9 months 2013: EUR 19.1 million). Investments in property, plant and equipment increased to EUR 18.7 million (9 months 2013: EUR 15.6 million) and in intangible assets to EUR 8.8 million (9 months 2013: EUR 3.5 million). The majority of these activities related to higher investments in buildings, the construction and modernization of production facilities as well as modernization of our IT infrastructure.

In the first nine months of 2014, depreciation and amortization came to EUR 13.4 million. Investments covered 205 percent of depreciation and amortization, meaning that non-current assets rose by EUR 14.1 million net.

CHANGED CONDITIONS AFTER THE CLOSING OF THE INTERIM REPORTING PERIOD

There were no significant changes between the end of the first nine months of 2014 and the time this interim financial report was prepared.

Research and development

In the first nine months of 2014, we invested EUR 155.4 million in R&D, which was more than in the prior-year period (EUR 151.0 million). The research and development expenses amounted to 9.3 percent of net sales (9 months 2013: 9.1 percent).

We increased research and development expenditure in the medical division to EUR 111.5 million (9 months 2013: EUR 106.6 million). In the first nine months, our expenses amounted to 10.4 percent of net sales, once again up on the prior-year period (9 months 2013: 10.0 percent). The focus remained on expanding our intensive care and operating room product portfolio, and especially on developing customer solutions within the Infinity Acute Care System. We also aimed our investments at updating several products so as to comply with the IEC 60601 3rd edition[2]. The updating of products pursuant to RoHS II1 Directive[3] was completed in the second quarter.

In the third quarter we introduced new software for the “Infinity Accute Care System.” Our “IACS VG3” expands connectivity between Dräger devices in the operating room and the intensive care unit. Also, it further increases the clinical value of “IACS” by providing new parameters. The new “Infinity CentralStation” VG1.1.1 software release incorporates a number of enhancements such as support of connectivity with the “IACS.”

In the safety division, we invested EUR 42.2 million in the first nine months of 2014 (9 months 2013: EUR 42.8 million) in research and development, corresponding to 6.7 percent of net sales (9 months 2013: 6.9 percent). The focus is on expanding our product portfolio and developing systems to deliver complete solutions for our customers. In addition, the product portfolio is being modularized progressively. In the third quarter of 2014, we introduced the “Polytron 5100” stationary gas detector. It can detect significantly more gases than its predecessor, the 5000. It will mainly be used in the oil and gas industry as well as in the chemical industry. “Dräger Polysoft” is a new software program for configuring and maintaining stationary Dräger gas detectors. At the same time the software provides a platform for all future stationary Dräger gas detectors. The new “XXS HCN PC Sensor” was developed especially to meet mining needs. It is suitable for monitoring permanent concentrations of hydrogen cyanide gas in ambient air and boasts a long service life under these conditions. This product supplements Dräger’s portfolio of sensors, which are aligned with our customers’ particular needs. Our new “Dräger X-plore 8000” powered air-purifying respirator provides protection against a wide range of dangerous gases, dust and particles. It is robust and combines intuitive handling with intelligent electronics to increase safety and is particularly suitable for use in an industrial environment.

[2] International Electrotechnical Commission (Internationale Elektrotechnische Kommission)
[3] EU directive “Restriction of the use of certain hazardous substances in electrical and electronic equipment”

Personnel

As of September 30, 2014, Dräger employed a total of 13,698 people around the world, an increase of 528 on the prior year (September 30, 2013: 13,170). This corresponds to a rise of 4.0 percent. In Germany, the number of people working for the Dräger Group rose by 196. The number of employees working abroad went up by 332.

In view of our long-term growth strategy, we increased the headcount particularly in Service (+137) and Research and Development (+56). As of September 30, 2014, a total of 53.8 percent (September 30, 2013: 53.4 percent) of our employees were working outside of Germany.

The headcount at Drägerwerk AG & Co. KGaA/Other companies went up by 56 employees year on year. At Drägerwerk AG & Co. KGaA, new people were hired in administrative positions – particularly in IT (+27).

In the medical division, the number of employees rose by 205. In Germany, the headcount was increased by 62 people, mainly in Research and Development (+37). At the foreign subsidiaries, a total of 143 additional people were employed, predominantly in Service (+53) and Sales (+37).

In the safety division, Dräger employed a total of 267 more people on September 30, 2014 than in the prior-year period. The increase in the number of employees in Germany (+80) was mainly due to the number of temporary employees that were hired for short-term projects in Shutdown & Rental Management (+65). Outside of Germany, we increased the number of employees by 187 in the safety division, of which 45 employees relate to newly acquired company Dräger-Simsa S.A. in Chile. The number of employees in Service also increased (+65).

Personnel expenses within the Group rose by 5.6 percent year on year to EUR 680.1 million. This increase was due, in particular, to growth-related recruitment and increases in wages and salaries. The pay raise for the German metal and electrical industries also contributed to the increase.

The personnel cost ratio came to 40.9 percent in the first nine months of 2014 (9 months 2013: 38.9 percent).

PERSONNEL EXPENSES [1]

in € thousand	Nine months 2014	Nine months 2013
Wages and salaries	**564,323**	**533,351**
Social security contributions and related employee benefits	99,899	95,391
Pension expenses	15,923	15,304
	680,145	**644,046**

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

WORKFORCE TREND

	September 30, 2014	December 31, 2013	September 30, 2013
Medical division	7,438	7,319	7,233
Safety division	5,345	5,131	5,078
Drägerwerk AG & Co. KGaA/other companies	915	884	859
Dräger Group total	**13,698**	**13,334**	**13,170**
Germany	6,327	6,175	6,131
Other	7,371	7,159	7,039
Turnover in % of employees (Basis: average of the past twelve months)	3.6	3.6	3.6
Sick days in % of work days in Germany (Basis: average of the past twelve months)	5.0	4.8	4.8
Temporary staff in Germany	431	254	373

RISK TO FUTURE DEVELOPMENT

The material risks to our net assets, financial position and results of operations as well as the structure of our risk management system are outlined in the annual report for fiscal year 2013 on pages 109 et seq. and 119 et seq. respectively. The annual report may be downloaded online at www.draeger.com.

There were no material changes to the 2013 annual report. In addition, we cannot currently identify any individual or aggregated risks that could have a material impact on the Company's continued existence as a going concern.

Outlook

FUTURE MARKET ENVIRONMENT

The International Monetary Fund (IMF) once again cut its world growth forecast in early October. Although the IMF had initially expected growth of 3.7 percent at the beginning of the year, current expectations are only on par with the prior year. In the industrialized nations, the legacies of the boom and the subsequent financial crisis continue to cast shadows on the economic recovery, a recovery that varies greatly from region to region. At the same time, emerging market growth has stabilized at a level below that of recent years. In the USA, the IMF believes that the conditions for a stronger recovery exist and has raised its growth forecast. However, the economic recovery in the eurozone is not as pronounced as had been expected at the beginning of the year, and the forecast has been lowered accordingly. The IMF has also scaled back its expectation for Germany, particularly in light of falling domestic demand.

The IMF considers the pace of the global economic recovery in recent years to be disappointing. Growth in the first half of 2014 was lower than expected. And, the IMF stresses, downward risks have increased, mainly due to the rise in geopolitical risks, including in the Middle East and Ukraine. But the risks of a financial market correction have also risen. This means that the economic recovery forecasted for 2015 may fail to emerge once more or fail to meet expectations.

IMF – OCTOBER 2014 GROSS DOMESTIC PRODUCT (GDP) GROWTH FORECAST

in %	2014	2015
Global economy	3.3	3.8
USA	2.2	3.1
Eurozone	0.8	1.3
Germany	1.4	1.5
China	7.4	7.1

FUTURE SITUATION OF THE MEDICAL TECHNOLOGY INDUSTRY

For the rest of the year, we expect the slightly positive growth in the medical technology industry to continue. Reticence in the US market will also make itself felt in the fourth quarter, with an increase in investments not expected until 2015. We continue to rate growth opportunities in the emerging markets as positive. The fact that the Chinese government, for example, plans to increase healthcare spending by almost 300 percent, from approximately RMB 2.8 trillion in 2012 to RMB 8.0 trillion in 2020, contributes to this positive outlook. The growth situation in Europe is expected to be restrained, varying from region to region. The South European medical technology market will continue to face contrary influences and report restrained demand. Demand for the technological upgrading of hospitals is high, but the industry continues to be haunted by budgetary consolidation. In North America, in contrast, we expect a slight increase in sales for the rest of the year. The markets in Latin America will likely undergo a period of economic weakness in the remaining months of the year, which we expect to lead to restrained demand for medical technology products. In the Middle East, we expect continued positive demand in the medical technology market due to rising investments in the hospital sector.

FUTURE SITUATION OF THE SAFETY TECHNOLOGY INDUSTRY

We expect demand in the safety technology industry to continue to rise slightly in the fourth quarter of 2014. The positive economic developments in the USA will provide the safety technology industry with moderate sales growth for the rest of the year. A key factor in this is the growth of the US chemical industry, which accelerated in 2014 and will continue to rise on the back of low energy and raw material prices. In the emerging markets, and China in particular, we expect increased spending on safety technology products as China's economic development will in all likelihood develop dynamically – even beyond 2014. We expect demand in the European market to be restrained overall. Economic concerns rather than the hoped-for recovery are taking hold in Europe in the wake of the lingering financial crisis. We expected sales growth for the rest of the year to be restrained in Latin America; economic growth in Brazil, a country that is driving growth, is slowing, and Argentina is in the grips of an economic crisis. We expect to see moderate growth in the Middle East; the market for safety technology products is being boosted by investment in energy production and processing. Saudi Arabia, for example, plans to invest in the mining industry, which is to be expanded to make it the third pillar of its economy behind oil and petrochemicals. And Qatar plans to invest in petrochemicals to tackle increasing competition in the LNG market.

FUTURE SITUATION OF THE COMPANY

The following section should be read in conjunction with the "Future Situation of the Company" section in the management report of the Annual Report 2013 (pages 123 et seq.), which describes our expectations for 2014 in detail. The following table contains an overview of our expectations in relation to the development of various forecast figures. The forecast period is based on a fiscal year.

EXPECTATIONS FOR FISCAL YEAR 2014

	Results achieved in 2013	Forecast 2014 [1]	Current forecast
Net sales	+3.1 percent (net of currency effects)	Between 2 percent and 4 percent (net of currency effects) [2]	Confirmed
EBIT margin	8.5 percent	Between 4.5 percent and 6.5 percent (incl. currency effects) [2]	Confirmed
Other forecast figures:			
Gross margin	48.3 percent	Down year on year [2]	Confirmed
Research and development expenses	EUR 201.5 million	EUR 210 million [2]	Confirmed
Interest result	EUR –23.5 million	Slight improvement	Confirmed
Effective tax rate	32.4 percent	Between 30 percent and 34 percent	Confirmed
Operating cash flow	34 percent of EBIT	Between 50 percent and 75 percent of EBIT	Between 70 percent and 90 percent
Investment volume	EUR 78.2 million	Between EUR 100 million and EUR 120 million	Confirmed
Equity ratio	39.5 percent	Between 41 and 44 percent [3]	Confirmed
Net financial debt	EUR 110.0 million	Slight improvement	Confirmed

[1] According to most recently released target values
[2] Forecast adjusted during the year
[3] Excluding the effect of a potential exercising of share options

Based on current cash flow and the results and our expectations for the closing quarter, we expect operating cash flow of between 70 percent and 90 percent of EBIT.

"FIT FOR GROWTH" EFFICIENCY PROGRAM

We passed a series of measures as part of the "Fit for Growth" program with which we aim to further strengthen Dräger's competitiveness and efficiency. First we want to further raise the customer focus by optimizing our organizational set-up in the regions. In this context we will merge – where meaningful - the up to now separate subsidiaries of the medical and safety divisions into one joint subsidiary. The optimization of our global footprint is the second main component of this program. Here we will review the wide range of our legacy locations with the goal of achieving a more efficient setup. We will also invest in our Lübeck site to improve all production and logistic processes. In addition, we have set up a strict expense control and working capital management as part of the overall program.

OVERALL DRÄGER MANAGEMENT ESTIMATE

The global economic recovery has stalled once more, whereas global political uncertainty has increased steadily over the course of the year. As a result, the overall economic environment remains difficult. Medical and safety markets are robust and remain on a slight growth course. The currency situation for companies in the eurozone has improved following the devaluation of the euro against the US dollar and other currencies, particularly in the third quarter. A continuation of this trend would improve our starting position for the coming year.

For 2014, we expect to achieve the forecast amounts stated in the above table.

FORWARD-LOOKING STATEMENTS

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

Lübeck, Germany, October 28, 2014

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Anton Schrofner

Interim financial statements of the Dräger Group as of September 30, 2014

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

in € thousand	Notes	Third Quarter 2014	Third Quarter 2013	Nine months 2014	Nine months 2013
Net sales		591,775	555,353	1,664,925	1,655,991
Cost of sales		–308,999	–290,482	–891,502	–844,244
Gross profit		**282,776**	**264,871**	**773,424**	**811,747**
Research and development costs		–51,793	–51,001	–155,381	–151,000
Marketing and selling expenses		–156,199	–151,848	–455,383	–454,663
General administrative costs		–33,526	–28,413	–87,118	–91,422
Other operating income		1,893	957	5,488	3,923
Other operating expenses		–2,776	–186	–7,939	–4,545
		–242,401	**–230,491**	**–700,333**	**–697,707**
		40,375	**34,379**	**73,091**	**114,039**
Profit from investments in associates		–	0	250	270
Profit from other investments		95	101	126	101
Other financial result		6,742	–2,445	7,781	–3,126
Financial result (before interest result)	**6**	**6,836**	**–2,343**	**8,158**	**–2,754**
EBIT		**47,211**	**32,036**	**81,249**	**111,285**
Interest result	6	–6,270	–6,606	–17,834	–19,219
Earnings before income taxes		**40,941**	**25,430**	**63,415**	**92,066**
Income taxes	7	–13,269	–8,145	–20,870	–29,160
Earnings after income taxes		**27,672**	**17,285**	**42,545**	**62,906**
Earnings after income taxes		**27,672**	**17,285**	**42,545**	**62,906**
Non-controlling interests in net profit		–422	96	–311	448
Earnings attributable to participation certificates (excluding minimum dividend, after taxes) [1]		2,240	725	3,448	2,539
Earnings attributable to shareholders		25,853	16,464	39,408	59,919
Undiluted earnings per share [2]					
per preferred share (in €)		1.55	1.01	2.38	3.65
per common share (in €)		1.53	0.99	2.33	3.60
Diluted earnings per share [2]					
per preferred share (in €)		1.52	0.98	2.34	3.55
per common share (in €)		1.50	0.96	2.29	3.50
Undiluted earnings per share on full distribution [2]					
per preferred share (in €)		1.24	0.77	1.90	2.79
per common share (in €)		1.22	0.75	1.85	2.74
Diluted earnings per share on full distribution [2]					
per preferred share (in €)		1.23	0.76	1.89	2.74
per common share (in €)		1.21	0.74	1.84	2.69

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE DRÄGER GROUP

in € thousand	Nine months 2014	Nine months 2013
Earnings after income taxes	**42,545**	**62,906**
Items which will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans	–44,172	9,782
Deferred taxes on remeasurements of defined benefit pension plans	13,653	–3,028
Items which may be reclassified subsequently to profit or loss		
Currency translation adjustment for foreign subsidiaries	19,727	–17,334
Change in the fair value of derivative financial instruments recognized directly in equity	–987	815
Deferred taxes on changes in the fair value of derivative financial instruments recognized directly in equity	305	–
Other comprehensive income	**–11,474**	**–9,765**
Total comprehensive income	**31,071**	**53,141**
of which earnings attributable to non-controlling investments	582	–307
of which earnings attributable to participation certificates (excluding minimum dividend, after taxes) [1]	3,448	2,539
of which earnings attributable to shareholders	27,041	50,909

[1] The figure is calculated by accruing a dividend for participation certificates of EUR 6.00 (September 30, 2013: EUR 4.50) based on earnings in the first nine months of 2014 and in line with Dräger`s actual dividend policy to distribute around 30% (September 30, 2013: 15%) of total Group net profit (less earnings attributable to non-controlling interests).

Footnotes for page 42

[1] The figure is calculated by accruing a dividend for participation certificates of EUR 6.00 (September 30, 2013: EUR 4.50) based on earnings in the first nine months of 2014 and in line with Dräger`s actual dividend policy to distribute around 30% (September 30, 2013: 15%) of total Group net profit (less earnings attributable to non-controlling interests).

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

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

in € thousand	Notes	September 30, 2014	December 31, 2013
Assets			
Intangible assets	8	288,765	283,002
Property, plant and equipment	8	339,867	310,768
Investments in associates		298	298
Other non-current financial assets		14,779	8,627
Deferred tax assets		132,326	111,904
Other non-current assets		2,746	2,593
Non-current assets		**778,781**	**717,191**
Inventories	9	438,753	372,297
Trade receivables and receivables from construction contracts		571,551	640,810
Other current financial assets		43,959	33,124
Cash and cash equivalents		175,356	232,131
Current tax refund claims		21,567	16,908
Other current assets	10	76,284	52,550
Current assets		**1,327,471**	**1,347,820**
Total assets		**2,106,251**	**2,065,011**

in € thousand	Notes	September 30, 2014	December 31, 2013
Equity and liabilities			
Capital stock		43,034	42,778
Capital reserves		176,374	170,280
Reserves retained from earnings, incl. group result		585,379	591,926
Participation capital		29,497	29,497
Other comprehensive income		–4,404	–22,556
Non-controlling interests		9,160	4,042
Equity	**11**	**839,039**	**815,967**
Liabilities from participation certificates		20,658	20,016
Provisions for pensions and similar obligations	12	264,966	217,182
Other non-current provisions	13	55,067	53,801
Non-current interest-bearing loans	14	168,332	252,288
Other non-current financial liabilities		13,603	12,956
Non-current income tax liabilities		12,796	12,816
Deferred tax liabilities		1,607	1,660
Other non-current liabilities		719	926
Non-current liabilities		**537,747**	**571,646**
Other current provisions	13	185,513	186,403
Current loans and liabilities to banks	14	117,306	80,492
Trade payables		152,337	172,371
Other current financial liabilities		43,402	28,711
Current income tax liabilities		38,507	34,122
Other current liabilities		192,400	175,301
Current liabilities		**729,465**	**677,399**
Total equity and liabilities		**2,106,251**	**2,065,011**

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

	in € thousand	Third Quarter 2014	Third Quarter 2013	Nine months 2014	Nine months 2013
Operating activities					
	Earnings after income taxes	27,672	17,284	42,545	62,906
+	Write-down/write-up of non-current assets	19,554	16,740	54,546	50,597
+/–	Increase/decrease in provisions	26,109	21,254	–890	–20,166
+/–	Other non-cash expenses/income	–11,594	9,182	–19,183	19,782
+/–	Losses/gains from the disposal of non-current assets	103	–14	188	–41
–	Increase in inventories	–17,679	–30,715	–50,820	–73,920
–	Increase in leased equipment	–3,876	–2,184	–8,089	–7,378
+/–	Decrease/increase in trade receivables	–20,474	19,393	81,745	66,406
+/–	Decrease/increase in other assets	–1,392	10,143	–36,419	–34,737
+/–	Increase/decrease in trade payables	11,426	5,784	–23,148	–21,525
+/–	Increase/decrease in other liabilities	14,695	–5,693	30,554	8,252
	Cash inflow from operating activities	**44,544**	**61,176**	**71,027**	**50,176**
Investing activities					
–	Cash outflow for investments in intangible assets	–4,559	–1,545	–9,330	–4,735
+	Cash inflow from the disposal of intangible assets	1	23	460	161
–	Cash outflow for investments in property, plant and equipment	–24,959	–19,178	–63,239	–53,626
+	Cash inflow from disposals of property, plant and equipment	694	1,722	1,935	2,451
–	Cash outflow for investments in non-current financial assets	–11	0	–34	–62
+	Cash inflow from the disposal of non-current financial assets	5	1,102	165	1,534
–	Cash outflow from the acquisition of subsidiaries	–2,748	–	–2,748	–
	Cash outflow from investing activities	**–31,578**	**–17,876**	**–72,791**	**–54,275**
Financing activities					
–	Distribution of dividends (including dividends for participation certificates)	–	–	–20,165	–21,889
+	Cash inflow from the exercise of option rights to preferred shares	–	12,695	6,349	12,695
–	Cash outflow from the acquisition of treasury shares for the employee share program	–	0	–	–674
+	Cash provided by raising loans	14	2,326	7,683	20,326
–	Cash used to redeem loans	–4,407	–1,464	–57,096	–82,281
+/–	Net balance of other liabilities to banks	–17,138	–3,937	–543	–1,768
–	Net balance of finance lease liabilities repaid/incurred	–2	–678	–693	–995
+	Cash outflow from the changes in shareholdings in subsidiaries	–0	–8,736	3,689	–8,736
–	Profit distributed to non-controlling interests	–1	0	–28	–132
	Cash outflow from financing activities	**–21,534**	**206**	**–60,803**	**–83,454**
Change in cash and cash equivalents in the fiscal year		**–8,568**	**43,505**	**–62,567**	**–87,554**
+/–	Effect of exchange rates on cash and cash equivalents	5,823	–4,291	5,791	–8,455
+	Cash and cash equivalents at the beginning of the reporting period	178,101	197,166	232,131	332,390
	Cash and cash equivalents on reporting date	**175,356**	**236,381**	**175,356**	**236,381**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

						Other comprehensive income						
in € thousand	Capital stock	Capital reserves	Reserves retained from earnings incl. group result	Participation capital	Treasury shares	Currency translation differences	Derivative financial instruments	Financial assets available for sale	Total other comprehensive income	Total equity of shareholder Drägerwerk AG & Co. KGaA	Non-controlling interests	Equity
January 1, 2013	**42,266**	**158,098**	**491,891**	**29,497**	**0**	**3,390**	**–2,228**	**12**	**1,174**	**722,925**	**6,736**	**729,661**
Earnings after income taxes	–	–	62,458	–	–	–	–	–	0	62,458	448	62,906
Other comprehensive income	–	–	6,754	–	–	–16,579	815	–	–15,764	–9,010	–755	–9,765
Total comprehensive income	**–**	**–**	**69,212**	**–**	**–**	**–16,579**	**815**	**–**	**–15,764**	**53,448**	**–307**	**53,141**
Repurchase of treasury shares	–	–	–	–	–674	–	–	–	0	–674	–	–674
Employee share program	–	–	–	–	674	–	–	–	0	674	–	674
Exercise of option rights to preferred shares	512	12,183	–	–	–	–	–	–	0	12,695	–	12,695
Distributions	–	–	–21,888	–	–	–	–	–	0	–21,888	–133	–22,021
Changes in the shares of subsidiaries, excluding loss of control	–	–	–6,790	–	–	–	–	–	0	–6,790	–1,946	–8,736
Changes in the scope of consolidation/other	–	–	942	–	–	–	–	–	0	942	–	942
Sept. 30, 2013	**42,778**	**170,281**	**533,367**	**29,497**	**0**	**–13,189**	**–1,413**	**12**	**–14,590**	**761,332**	**4,350**	**765,682**
January 1, 2014	**42,778**	**170,280**	**591,926**	**29,497**	**0**	**–20,970**	**–1,596**	**10**	**–22,556**	**811,925**	**4,042**	**815,967**
Earnings after income taxes	–	–	42,856	–	–	–	–	–	0	42,856	–311	42,545
Other comprehensive income	–	–	–30,519	–	–	18,834	–682	–	18,152	–12,367	893	–11,474
Total comprehensive income	**–**	**–**	**12,337**	**–**	**–**	**18,834**	**–682**	**–**	**18,152**	**30,489**	**582**	**31,071**
Exercise of option rights to preferred shares	256	6,093	–	–	–	–	–	–	0	6,349	–	6,349
Distributions	–	–	–20,165	–	–	–	–	–	0	–20,165	–28	–20,193
Changes in the scope of consolidation/other	–	–	1,281	–	–	–	–	–	0	1,281	4,564	5,845
Sept. 30, 2014	**43,034**	**176,374**	**585,379**	**29,497**	**0**	**–2,136**	**–2,278**	**10**	**–4,404**	**829,879**	**9,160**	**839,039**

Notes of the Dräger Group as of September 30, 2014 (condensed)

1 BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA, Lübeck, Germany, prepared its group financial Statements for fiscal year 2013 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 2014, the interim financial statements of the Dräger Group have therefore also been prepared in accordance with IFRS and the interim reports in compliance with IAS 34 as well as German Accounting Standard No. 16 (GAS 16 – Interim Financial Reporting) of the German Accounting Standards Committee (GASC).

The interim report should be read in connection with the disclosures in the Dräger IFRS annual report as of December 31, 2013. It was not audited or reviewed by an auditor.

The interim report was prepared in euros. Unless otherwise stated, all figures are disclosed in thousands of euros (EUR thousand); as a result, differences may occur due to rounding.

2 ACCOUNTING POLICIES

In principle the same accounting principles as in the group financial statements for 2013 were applied in preparing the interim financial statements and calculating the comparative figures. A detailed description of these methods is published in the notes to the group financial statements in the 2013 annual report on pages 147 et seq.

A discount rate of 2.5 percent (December 31, 2013: 3.5 percent) was used as a basis for the German pension provisions reported in these interim financial statements on account of the change in interest rates. The effect from the revaluation of pension plans, and therefore provisions for pensions and similar obligations, increased as a result.

The annual report may also be downloaded 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 adopted in EU law, are to be applied for the first time in fiscal year 2014, in the event that transactions fall within the respective scopes of application:

- The amendments to IAS 32 “Financial Instruments – Presentation (issued December 2011)” pertain to the netting of financial assets and liabilities. This is not expected to have a material impact on Dräger’s Group financial statements.
- IFRS 10 “Consolidated financial statements (issued May 2011)” focuses on the introduction of a standardized consolidation model for all companies, which is based on the parent company controlling the subsidiary. The amendment also includes special purpose entities, the consolidation of which had previously been governed by SIC-12.

The project to change to IFRS 10 has not yet made it necessary to make material changes.

- The new IFRS 11 "Joint Arrangements (issued May 2011)" states that a company must disclose the contractual rights and obligations arising from the joint agreement. According to the amended definitions, there are now two types of joint arrangements: joint activities and joint ventures. Joint ventures are no longer permitted to choose whether to apply proportionate consolidation; equity method must be used at all times. This does not have a material impact on Dräger's Group financial statements.
- IFRS 12 "Disclosures of Interests in other Entities (issued May 2011)" combines the disclosure obligations of IAS 27/IFRS 10, IAS 31/IFRS 11 and IAS 28. This does not have a material impact on Dräger's Group financial statements.
- IAS 27 "Separate Financial Statements (issued May 2011)" includes the remaining rules on the recognition of investments in individual financial statements, keeping in mind the consolidation guidelines for group financial statements that have been defined in the new IFRS 10.
- In June 2012, amendments to IFRS 10, IFRS 11 and IFRS 12 came into effect. They clearly stipulate the transitioning rules in IFRS 10 and the requirement to adapt comparative information pursuant to IFRS 10, IFRS 11 and IFRS 12 to the most recent comparable period. In addition, comparative information on unconsolidated structured units in periods prior to the first-time application of IFRS 12 does not need to be provided. This does not have a material impact on Dräger's Group financial statements.
- Additional amendments to IFRS 10, IFRS 12 and IAS 27 were published in October 2012 and redefine the consolidation provisions for investment companies. As a result, investment companies are classed as an independent company type that may be exempted from the consolidation provisions stipulated under IFRS 10 "Consolidated Financial Statements." Instead, investment companies are required to measure their investments at fair value. This does not have a material impact on Dräger's Group financial statements.
- IAS 28 "Associates and Joint Ventures (issued May 2011)" explains how to recognize the equity of joint ventures and associates using the equity method, which must be applied in the future. This does not impact Dräger's Group financial statements.
- When updating IFRS 13 "Fair Value Measurement," the IASB modified some of the disclosure requirements in IAS 36 "Impairment of Assets" regarding the measurement of the recoverable amount of impaired assets. These amendments defined the disclosure agreements of IAS 36 more broadly than the IASB had planned. The disclosure requirements of IAS 36 initially desired by the IASB were clarified by a renewed amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets (issued May 2013)."
- The amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting (issued June 2013)" pertain to limited amendments to IAS 39 to enable entities to continue existing hedging relationships pursuant to IAS 39 in the event that a novation of OTC derivatives is designated as a hedging instrument to a central counterparty due to statutory or regulatory clearing obligations. The amendments only apply to novations conducted due to statutory or regulatory requirements or that are implemented if the original parties to the agreement agree to replace the counterparty

and this does not result in any modifications to the original agreement (excluding necessary clearing modifications). This does not impact Dräger's Group financial statements.
- IFRIC 21 "Levies (issued May 2013)" stipulates when the accounting for outflows (must be) imposed on entities by governments and their bodies in accordance with laws and/or regulations. This interpretation applies both to levies where the timing and amount is certain as well as to provisions, contingent liabilities and contingent assets.

Further new mandatory standards or amendments of standards to apply only to fiscal years beginning on or after January 1, 2015 and/or that have not yet been endorsed can be found in the Dräger IFRS annual report as of December 31, 2013.

The first-time application of the remaining amended standards did not have any significant effects on the net assets, financial position and results of operations of the Dräger Group.

3 SCOPE OF CONSOLIDATION AND CONSOLIDATION PRINCIPLES

Dräger Safety AG & Co. KGaA acquired 51 percent of the shares in SIM-SA S.A., now Dräger-Simsa S.A., Santiago/Chile; these were added to the scope of consolidation effective August 1, 2014. Dräger-Simsa S.A. develops, manufactures and sells mining and tunneling escape chambers.

The purchase price of the shares in Dräger-Simsa S.A. amounted to EUR 3,051 thousand and was paid in cash. The net outflow of funds totaled EUR 2,748 thousand on account of the simultaneous takeover of cash in the amount of EUR 303 thousand.

The acquisition of shares impacted the consolidated balance sheet as follows:

EFFECT OF ACQUISITION ON THE CONSOLIDATED BALANCE SHEET

in € thousand	
Goodwill	2,140
Other non-current assets	266
Inventories	1,063
Other current assets	736
Cash	304
Total assets acquired	**4,509**
Non-controlling interests	875
Non-current liabilities	64
Current liabilities and provisions	518
Total non-controlling interests and liabilities assumed	**1,457**

The goodwill remaining after the purchase price allocation relates to expected synergy effects that cannot be capitalized as well as to the expertise of the newly acquired employees.

The fair value of the acquired receivables corresponds to a gross amount of EUR 509 thousand.

Since joining the scope of consolidation, the net sales of Dräger-Simsa S.A. of EUR 937 thousand as well as corresponding earnings after income taxes of EUR 131 thousand are included in the consolidated income statement of the Dräger Group. Had Dräger-Simsa S.A. joined the scope of consolidation effective January 1, 2014, net sales of EUR 2,099 thousand as well as corresponding earnings after income taxes of EUR 203 thousand would have been included in the consolidated income statement of the Dräger Group.

Apart from that there were no significant changes to the scope of consolidation compared to December 31, 2013 and September 30, 2013. The same consolidation principles were applied as in the 2013 group financial statements.

4 EXERCISING OPTION RIGHTS

Within the scope of the acquisition of the 25 percent share in Dräger Medical GmbH from Siemens in fiscal year 2009, Dräger issued warrant bonds with option rights guaranteed in the form of warrants to the total nominal value of EUR 1.25 million to Siemens on August 30, 2010. The option rights entitle their holders to acquire a total of 1.25 million preferred shares. They are divided into 25 individual options, entitling holders to acquire 50,000 preferred shares each. The option rights expire on April 30, 2015.

In order to exercise the option rights issued to Siemens, the annual shareholders' meeting on May 7, 2010, resolved to conditionally increase the Company's capital stock up to EUR 3,200,000 by issuing up to 1,250,000 new no-par preferred bearer shares (no-par shares) in return for cash and/or contributions in kind (conditional capital).

Two options (100,000 preferred shares) were exercised in February 2014. The exercise price amounted to EUR 63.51 per preferred share; consequently, equity, less transaction fees (EUR 2 thousand), increased by a total of EUR 6,349 thousand (of which capital stock in the amount of EUR 256 thousand).

A total of four options (200,000 preferred shares) had been exercised in fiscal year 2013. A total of 19 options remain unexercised from the initial 25 options.

5 SEGMENT REPORT

BUSINESS PERFORMANCE OF THE SEGMENTS

		Medical division	
		Nine months 2014	Nine months 2013
Order intake	**€ million**	**1,136.4**	**1,141.3**
Orders on hand [1]	**€ million**	**387.5**	**377.2**
Net sales	**€ million**	**1,067.3**	**1,064.1**
thereof intersegment net sales	€ million	0.5	0.6
thereof third party net sales	€ million	1,066.8	1,063.5
EBITDA [2]	**€ million**	**65.9**	**96.2**
Depreciation/amortization	€ million	–20.1	–18.9
EBIT [3]	**€ million**	**45.9**	**77.2**
Interest result	€ million		
Income taxes	€ million		
Earnings after income taxes	**€ million**		
thereof profit/loss from investments in associates	€ million		
Research and development expenses	**€ million**	**111.5**	**106.6**
Cash flow from operating activities	**€ million**	**70.1**	**38.4**
Capital employed [1, 4]	**€ million**	**671.3**	**617.0**
Assets	**€ million**	**1,082.4**	**1,010.7**
thereof investments in associates	€ million	–	–
Liabilities	**€ million**	**406.2**	**399.2**
Net financial debt [1]	**€ million**		
Investments	**€ million**	**25.2**	**23.4**
Non-cash expenses [5]	**€ million**	**105.2**	**99.3**
EBIT [3]/net sales	**%**	**4.3**	**7.3**
EBIT [3, 6]/capital employed [1,4] (ROCE)	**%**	**18.2**	**26.5**
Net financial debt [1]/EBITDA [2, 6]	**Factor**		
Gearing factor [7]	**Factor**		
DVA [6,8]	**€ million**	**63.1**	**109.6**
Headcount as of September 30		**7,438**	**7,233**

[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 assets less deferred tax assets, current securities, cash and cash equivalents and non-interest bearing liabilities
[5] Previous year`s figures of non-cash expenses were adjusted by tax provisions.
[6] Value of the last twelve months
[7] Gearing = Ratio of net financial debt to equity
[8] Dräger Value Added = EBIT less cost of capital

	Safety division		Drägerwerk AG & Co. KGaA/ other companies		Consolidations		Dräger Group	
	Nine months 2014	Nine months 2013	Nine months 2014	Nine months 2013	Nine months 2014	Nine months 2013	Nine months 2014	Nine months 2013
	637.6	639.6	10.2	10.4	–40.9	–34.6	1,743.4	1,756.7
	179.2	195.5	–	–	–3.7	–1.6	563.1	571.1
	626.3	616.4	10.2	10.4	–38.9	–35.0	1,664.9	1,656.0
	30.0	25.7	8.4	8.6	–38.9	–35.0	–	–
	596.3	590.8	1.8	1.8	–	–	1,664.9	1,656.0
	74.7	77.0	131.1	147.9	–135.8	–158.9	135.8	162.2
	–21.1	–19.9	–13.4	–12.1	–	–	–54.6	–51.0
	53.6	57.0	117.6	135.9	–135.8	–158.9	81.2	111.3
							–17.8	–19.2
							–20.9	–29.2
							42.5	62.9
							0.2	0.3
	42.2	42.8	1.7	1.7	–	–	155.4	151.0
	27.5	30.9	86.0	99.8	–112.5	–118.9	71.0	50.2
	264.5	228.2	812.3	752.7	–635.3	–627.6	1,112.9	970.4
	421.3	387.5	872.1	829.2	–638.2	–626.2	1,737.5	1,601.2
	–	–	0.3	0.3	–	–	0.3	0.3
	151.7	149.1	65.2	61.0	–31.3	–22.4	591.8	586.9
							118.9	88.8
	31.9	24.8	27.5	19.1	–0.5	–	84.1	67.2
	44.2	49.3	18.8	21.5	9.7	17.6	177.9	187.7
	8.6	9.3	–	–	–	–	4.9	6.7
	32.4	37.8	–	–	–	–	15.3	21.0
							0.5	0.3
							0.14	0.12
	64.1	66.7	–	–	–	–	76.2	119.9
	5,345	5,078	915	859	–	–	13,698	13,170

The key figures from the segment report are as follows:

EBIT/EBITDA

in € thousand	Nine months 2014	Nine months 2013
Earnings after income taxes	42,545	62,906
+ Interest result	17,834	19,219
+ Income taxes	20,870	29,160
EBIT	**81,249**	**111,285**
+ Depreciation/amortization	54,594	50,957
EBITDA	**135,843**	**162,241**

CAPITAL EMPLOYED

in € thousand	September 30, 2014	September 30, 2013
Total assets	2,106,251	2,016,980
– Deferred tax assets	–132,326	–129,287
– Cash and cash equivalents	–175,356	–236,381
– Non-interest bearing liabilities	–685,695	–680,961
Capital Employed	**1,112,875**	**970,351**

ASSETS

in € thousand	September 30, 2014	September 30, 2013
Total assets	2,106,251	2,016,980
– All other financial assets	–2,517	–2,473
– Deferred tax assets	–132,326	–129,287
– Tax refund claims (current and non-current)	–58,553	–47,673
– Cash and cash equivalents	–175,356	–236,381
Assets	**1,737,500**	**1,601,165**

LIABILITIES

in € thousand	September 30, 2014	September 30, 2013
Liabilities recognized in the balance sheet	1,267,212	1,251,298
– Provisions for pensions and similar obligations	–264,966	–223,523
– Tax liabilities and deferred tax liabilities	–95,501	–95,975
– Interest-bearing liabilities	–314,954	–344,918
Liabilities	**591,791**	**586,881**

NET FINANCIAL DEBT

in € thousand	September 30, 2014	September 30, 2013
Non-current interest-bearing loans	168,332	249,593
+ Current loans and liabilities to banks	117,306	71,949
+ Finance leases (current and non-current)	8,658	3,598
– Cash and cash equivalents	–175,356	–236,381
Net financial debt	**118,941**	**88,759**

NON-CASH EXPENSES

in € thousand	Nine months 2014	Nine months 2013 [1]
Write-downs on inventories	16,295	17,366
+ Losses from bad debt allowances	6,963	3,698
+ Allocations to provisions	154,612	166,653
Non-cash expenses	**177,870**	**187,716**

[1] Previous year`s figures of non-cash expenses were adjusted by tax provisions.

DVA

in € thousand	September 30, 2014	September 30, 2013
EBIT (of the last twelve months)	170,731	204,189
– Cost of capital (Basis: average of capital employed in the past twelve months)	–94,491	–84,266
DVA	**76,240**	**119,923**

Tax accruals and deferrals formed during the year are taken into account in the "Capital employed," "Assets" and "Liabilities" items of the segment report.

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

6 FINANCIAL RESULT

FINANCIAL RESULT

in € thousand	Nine months 2014	Nine months 2013
Financial result (before interest result)	**8,158**	**–2,754**
Interest and similar income	1,342	1,952
Interest and similar expenses	–19,175	–21,171
Interest result	**–17,834**	**–19,219**

7 INCOME TAXES

Income taxes for the first nine months of 2014 were calculated on the basis of an anticipated Group tax rate of 32.5 percent (9 months 2013: 31.5 percent).

8 INTANGIBLE ASSETS/PROPERTY, PLANT AND EQUIPMENT

INTANGIBLE ASSETS/PROPERTY, PLANT AND EQUIPMENT

in € thousand	Carrying value January 1, 2014	Additions	Disposals/ other changes	Depreciation/ amortization	Carrying value September 30, 2014
Intangible assets	283,002	11,478	1,153	6,869	288,765
Property, plant and equipment	310,768	72,668	4,157	47,725	339,867

9 INVENTORIES

INVENTORIES

in € thousand	September 30, 2014	December 31, 2013
Finished goods and merchandise	254,163	189,771
Work in progress	61,031	63,970
Raw materials, consumables and supplies	121,290	116,887
Payments made	2,269	1,668
	438,753	**372,297**

10 OTHER CURRENT ASSETS

OTHER CURRENT ASSETS

in € thousand	September 30, 2014	December 31, 2013
Prepaid expenses	22,350	23,332
Other tax refund claims	36,986	23,073
Other	16,949	6,145
	76,284	**52,550**

The increase in prepaid expenses is largely attributable to deferred expenses in the current year. Other tax refund claims primarily included VAT claims. Remaining other current assets increased as a result of reporting date factors.

11 EQUITY

Capital Stock

February 2014 saw two of a total of 25 options that Dräger had issued in the form of warrants on August 30, 2010 being exercised (also see our comments in Note 4 of these notes).

In order to exercise the option rights issued to Siemens, the annual shareholders' meeting on May 7, 2010 resolved to conditionally increase the Company's capital stock by up to EUR 3,200,000 by issuing up to 1,250,000 new no-par preferred bearer shares (no-par shares) in return for cash and/or contributions in kind (conditional capital).

The exercise price amounted to EUR 63.51 per preferred share. The nominal value of these 100,000 new preferred shares amounts to EUR 2.56 and increased the capital stock by a total of EUR 256 thousand.

Capital reserves

The portion of the exercise price that exceeds the nominal value following the exercising of the two options (EUR 6,095 thousand), less transaction fees of EUR 2 thousand, was added to the capital reserves (also see our comments in Note 4 of these notes).

Retained earnings

The drop in interest rates to 2.5 percent (December 31, 2013: 3.5 percent) affected provisions for pensions and similar obligations as well as retained earnings. Please also see our explanations in Note 12 of these notes.

Non-controlling interests

Of the EUR 5,118 thousand rise in non-controlling interests, EUR 3,689 thousand is due to a capital increase by Draeger Arabia Co. Ltd., Saudi Arabia; this did not affect the interests in the company held by Dräger and the holders of the non-controlling interests.

A further EUR 875 thousand is attributable to the initial consolidation of Dräger-Simsa S.A. Please also see our information in Note 3 of these notes.

12 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations increased by EUR 47,783 thousand in the first nine months of fiscal year 2014. The underlying interest rate for German pension entitlements was adjusted from 3.5 percent to 2.5 percent. This resulted in a loss from the remeasurement of pension plans of EUR 47,748 thousand. The net amount of EUR 32,984 thousand is recognized directly in equity under other comprehensive income and offset against retained earnings.

13 OTHER NON-CURRENT AND CURRENT PROVISIONS

Other non-current provisions as of September 30, 2014 mainly comprised provisions for personnel obligations of EUR 32,821 thousand (December 31, 2013: EUR 32,169 thousand).

Other current provisions as of September 30, 2014 also included monthly accruals and chiefly consisted of provisions for personnel obligations of EUR 79,342 thousand (December 31, 2013: EUR 79,890 thousand), provisions for unpaid invoices of EUR 32,832 thousand (December 31, 2013: EUR 22,048 thousand) and warranty provisions of EUR 23,137 thousand (December 31, 2013: EUR 23,093 thousand).

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

Two note loans of in total EUR 86,500 thousand have been reclassified from non-current interest-bearing loans to current loans and liabilities to banks.

A note loan of EUR 50,000 thousand recognized in current loans and liabilities to banks was redeemed in February 2014.

15 MEASUREMENT OF ASSETS AND LIABILITIES REPORTED AT FAIR VALUE

Regular fair value measurement of financial instruments

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

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

€ thousand	Level	September 30, 2014	December 31, 2013
Assets measured at fair value			
Derivatives with positive fair value (non-current)	2	82	138
Derivatives with positive fair value (current)	2	12,076	881
Securities (non-current)	1	630	628
Liabilities measured at fair value			
Derivatives with negative fair value (non-current)	2	3,550	2,553
Derivatives with negative fair value (current)	2	14,813	178

Level 1:

Prices in the active markets are assumed for identical financial assets or liabilities. The fair values of non-current securities are based on current stock market prices.

Level 2:

Uses largely observable input factors that can be directly (i.e. price) or indirectly (i.e. derived from prices) observed for financial assets or financial liabilities; these do not include any listed prices taken into consideration in level 1.

Dräger applies the discounted cash flow method when measuring derivatives. Expected cash flows are determined on the basis of secured prices and/or interest rates and the observable closing rates and/or interest rates, which are then discounted using an interest rate that takes into account Dräger's Company-related risks.

Level 3:

Uses factors not based on observable market data for the measurement of financial assets and liabilities (unobservable input factors). These are classified as level 3 when there is an unobservable input factor present that significantly influences the measurement. The Dräger Group does not hold any level 3 financial instruments.

There was no material interchange between levels 1 and 2.

Fair value of financial instruments not regularly recognized at fair value

The fair value of level 2 financial assets and liabilities measured at amortized cost is determined using the discounted cash flow method by replacing the interest rates used in the initial calculation of non-current financial assets and liabilities with interest rates derived from current Company-related interest rate curves as of the balance sheet date.

The fair value of the note loans is approximately EUR 3.5 million up on the corresponding carrying value. The fair value of the remaining assets and liabilities largely corresponds with their carrying value.

16 RELATED PARTY TRANSACTIONS

Services were rendered for Stefan Dräger and companies related to him, the Dräger-Stiftung and the Dräger-Familienstiftung (Dräger Foundation and Dräger Family Foundation) totaling EUR 15 thousand (9 months 2013: EUR 59 thousand as well as EUR 94 thousand for services rendered in 2012) in the first nine months of 2014. Receivables in this respect amounted to EUR 4 thousand as of September 30, 2014 (September 30, 2013: EUR 20 thousand).

Drägerwerk AG & Co. KGaA rendered rental services and other services totaling EUR 73 thousand for associate MAPRA Assekuranzkontor GmbH in the first nine months of 2014. This did not result in any receivables as of September 30, 2014.

The disclosure obligations of IAS 24 also apply to the close family members of related parties within the meaning of IAS 24. In 2014, this applies to Claudia Dräger, who is actively employed by the Dräger Group. Her employment contract was concluded at arm's length terms and conditions.

The remuneration of the employee representatives on the Supervisory Board for work performed in addition to the Supervisory Board activities was also concluded at arm's length terms and conditions. Overall, remuneration is of immaterial importance for the Dräger Group.

Dräger Verwaltungs AG is the general partner of Drägerwerk AG & Co. KGaA and holds 0 percent of the capital. Only a few transactions are conducted with the general partner as it only exercises administrative functions. The general partner is entitled to compensation for all expenses incurred in association with the management of Drägerwerk AG & Co. KGaA, including the contractually agreed remuneration for its executive bodies. These expenses comprise the remuneration of the Executive Board, the remuneration of its Supervisory Board, liability remuneration, as well as other expenses.

Liabilities to Drägerwerk Verwaltungs AG amounted to EUR 1.7 million as of September 30, 2014 (September 30, 2013: EUR 3.3 million).

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

17 SUBSEQUENT EVENTS

There were no significant changes between the end of the first nine months of 2014 and the time this interim financial report was prepared

Lübeck, Germany, October 28, 2014

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Anton Schrofner

FINANCIAL CALENDAR

Report as of September 30, 2014, Conference call	October 30, 2014
Annual accounts press conference	March 11, 2015
Analysts' meeting	March 11, 2015
Report as of March 31, 2015, Conference call	April 29, 2015
Annual shareholders' meeting, Lübeck, Germany	April 30, 2015
Report as of June 30, 2015, Conference call	July 30, 2015
Report as of September 30, 2015, Conference call	November 5, 2015

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