Dräger

Dräger Group
Q3/2008
(amended version)

Q3

THE DRÄGER GROUP AT A GLANCE

		Q1–Q3 2006	Q1–Q3 2007	Q1–Q3 2008	Change vs. 2007 in %
Order intake	€ million	1,365.6	1,410.1	1,398.3	(0.8)
Orders on hand	€ million	401.3	448.4	502.7	12.1
Net sales	€ million	1,219.5	1,253.5	1,307.4	4.3
EBITDA before non-recurring expenses	€ million	111.5	109.3	121.0	10.7
EBIT before non-recurring expenses	€ million	75.0	70.3	79.5	13.1
in % of net sales (EBIT margin before non-recurring expenses)	%	6.2	5.6	6.1	
Non-recurring expenses	€ million	0.0	0.0	20.9	
EBIT	€ million	75.0	70.3	58.6	(16.6)
Net profit	€ million	32.9	30.7	26.0	(15.3)
Minority interests in net profit	€ million	12.1	6.7	6.9	1.5
Earnings per share after minority interests					
per preferred share	€	1.42	1.66	1.22	(26.6)
per common share	€	1.37	1.61	1.77	(27.4)
Equity	€ million	533.0	500.9	545.0	8.8
Equity ratio	%	33.9	30.7	33.3	
Capital employed	€ million	941.9	952.2	948.2	(0.4)
EBIT before non-recurring expenses/capital employed (ROCE)	%	8.0	7.4	8.4	
Net financial debt	€ million	263.8	304.3	281.8	(7.4)
Headcount as of September 30		9,897	10,248	10,796	5.3

CONTENTS

Letter from the Executive Board Chairman

Dear Shareholders,

The global financial crisis has started to spill over into the real economy in recent weeks. At the beginning of October, the International Monetary Fund (IMF) lowered its forecast for global growth in 2009 from 3.9 percent to 3.0 percent, which would be the lowest growth for six years. A recession is expected in the US with a 1 percent drop in gross domestic product (GDP). An even greater drop is forecast for the eurozone. The IMF now also anticipates losses totaling USD 1.4 trillion as a result of the financial crisis, far higher than had been feared. The credit crunch has thus not yet peaked. The International Labour Organization (ILO) expects that the crisis will cost around 20 million jobs worldwide. There is not yet any indication of a turnaround in the short term. It is therefore our job to guide our company through this crisis.

Although the Dräger Group has barely felt the effects of the downturn as yet, its shadow is looming over us. This may come as a surprise, bearing in mind that historically neither division has been significantly dependent on economic cycles. The financial crisis may, however, mean that public finances will be subject to a more restrictive investment policy than in the past, which could affect customer groups of ours such as public hospitals and fire services. Based on the developments in the first nine months, we still anticipate an EBIT before non-recurring expenses at prior-year level, but cannot rule out negative impacts on our result due to the rapidly deteriorating economic environment. We will monitor developments closely in the coming weeks and review whether or not we can retain our forecast.

The current stock market situation has not left us unscathed, our share has fallen in line with the indexes. We are focusing our energy on driving the company forward and being successful with our customers in our markets in order to justify the trust our investors have in us. The way we are structured, as a listed family-run company, guarantees continuity and reliability and upholds our company's core value: stable customer relationships. This benefits customers, shareholders and employees. We want our shareholders, and our customers and employees, to benefit from stable value appreciation in the medium and long term based on value-oriented corporate governance.

We are working on further strengthening our key success factors based on solid financing. Those key factors are innovation, not just in products and services but also in our processes, close customer relationships the world over, and high quality coupled with high efficiency. This requires fast, resolute reactions to a changing environment. We will not deviate from our aims of laying the foundations that will enable us to grow faster and generate greater net sales than our competitors in the medium and long term, and of ensuring that this equips our company to weather the storm and emerge stronger than before from a period of economic weakness which could also affect our markets.

Sincerely,

Stefan Dräger

The Dräger share

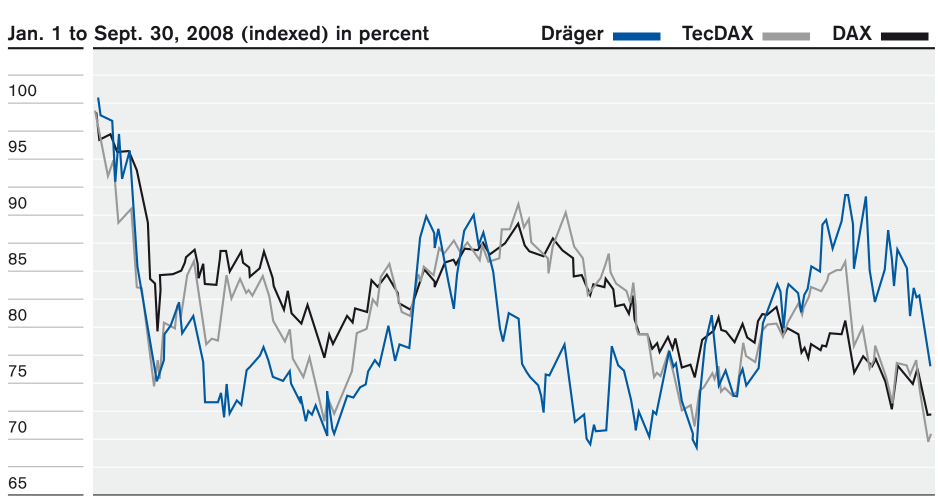
Share price

In an unusually volatile market environment, the price of the Dräger preferred share again developed unsatisfactorily in the first nine months of 2008. The closing price of EUR 37.95 on September 30, 2008 represents a drop in price of approximately 25 percent since the beginning of the year. However, Dräger's performance was slightly stronger than that of the DAX and the TecDAX, which fell by 27 percent and 29 percent respectively.

The Dräger preferred share opened at EUR 50.37 on the first trading day of 2008, and on January 3 it achieved its annual high to date of EUR 50.63. The stock exchanges were shaken up by the US subprime crisis and the increases in commodity and energy prices, which also affected the Dräger preferred share. Its price had fallen to EUR 35.82 by mid-February and on the day Dräger presented its preliminary figures for 2007, February 21, it stood at EUR 37.84. When the final figures for 2007 were presented at the annual accounts press conference on March 18, the share price was EUR 37.01. It rose to EUR 44.13 on the back of a slight improvement in the market and the publication of the figures for the first quarter on May 8, but due to another capital market downturn it reached its annual low to date of EUR 34.26 on July 16.

During a brief market recovery, the share price reached EUR 40.37 on August 7, 2008 (the day the results for the first half of 2008 were presented) and even rose to EUR 45.83

PERFORMANCE OF THE DRÄGER PREFERRED SHARE (WKN 555063 / ISIN DE0005550636)



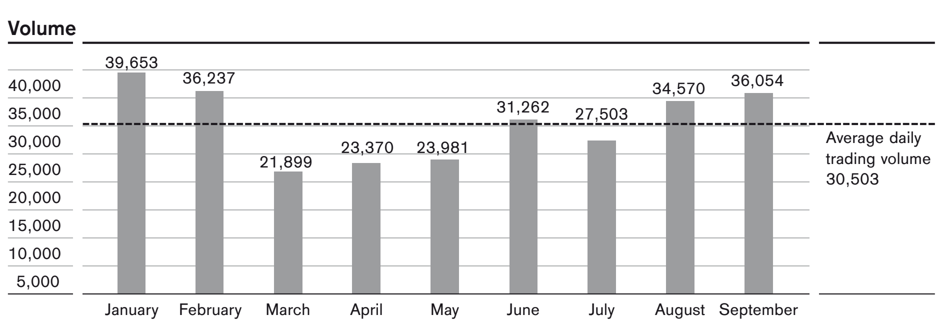
at the start of September. However, during September the share price dropped again in line with overall poor stock market performance due to the global financial crisis, and at the end of the first nine months of 2008 it stood at a disappointing EUR 37.95.

Market capitalization and trading volume

The price of the Dräger preferred share has almost halved in comparison with September 30, 2007, dropping from EUR 64.50 to EUR 37.95, primarily as a result of the weak market environment. The market capitalization of common and preferred shares therefore fell from around EUR 819 million to around EUR 482 million.

The average daily trading volume decreased from 38,334 shares in the first three quarters of 2007 to 30,503 shares in the same period in 2008.

AVERAGE DAILY TRADING VOLUME PER MONTH



Earnings per share

Earnings per preferred share for the first nine months of 2008 amounted to EUR 1.22 (Q1–Q3 2007: EUR 1.66). Earnings per common share are lower, as the dividend claim is lower than that of preferred shareholders (EUR 1.17; Q1–Q3 2007: EUR 1.61). Minority interests in net profit amounted to EUR 6.9 million in the first nine months of 2008 (Q1–Q3 2007: EUR 6.7 million).

Communication with capital market players

We continued our policy of providing clear information to capital market players in the first three quarters of fiscal year 2008, reporting on our current business performance as well as on strategic goals and measures. Roadshows held in Denmark, Germany, England, France, Scotland and Sweden formed one element of this. We also held a number of conference calls, and hosted investor meetings at our headquarters in Lübeck to provide a direct insight into operations and facilitate personal contact with management and employees.

All up-to-date information is available on the company website (www.draeger.com).

Tracking our development

Currently, our Company's performance is being observed and evaluated regularly by twelve analysts from the following institutions: Bankhaus Lampe, Berenberg Bank, CA Cheuvreux, Deutsche Bank, Dresdner Kleinwort, DZ Bank, equinet, HSBC, LBBW, Nord/LB, Sal. Oppenheim and UniCredit.

DRÄGER SHARE INDICATORS

		Q1–Q3 2006	Q1–Q3 2007	Q1–Q3 2008
Share figures				
No. of shares	No.	12,700,000	12,700,000	12,700,000
thereof common shares	No.	6,350,000	6,350,000	6,350,000
thereof preferred shares	No.	6,350,000	6,350,000	6,350,000
Free-float preferred shares	%	100	100	100
Trading figures				
Average daily trading volume	No.	30,049	38,334	30,503
High	€	58.00	73.80	50.63
Low	€	44.25	54.10	34.26
Share price as of September 30	€	46.70	64.50	37.95
Market capitalization as of September 30	€	593,090,000	819,150,000	481,965,000
Earnings figures as of September 30				
Earnings per preferred share	€	1.42	1.66	1.22
Earnings per common share	€	1.37	1.61	1.17
Cash flow (from operating activities) per share	€	0.35	8.49	6.06
Equity per share	€	41.97	39.44	42.91
Price-to-book ratio		1.1	1.6	0.9

Management report of the Dräger Group for the first three quarters of 2008 (amended version)

General economic conditions

Overall economic development: risks to the global economy are on the increase

According to the International Monetary Fund (IMF), the risks to the development of the global economy have ballooned since we published our H1/2008 report on August 7, 2008. The most recent figures published by the European Central Bank (ECB) confirm that the eurozone economy is weakening faced with muted domestic demand and tighter financing conditions. Indicators show that low growth rates in the eurozone have continued in the third quarter. Eurostat estimates that following growth of 0.7 percent in the first quarter of the year, in the second quarter the eurozone's real GDP fell by 0.2 percent against the first quarter. The US, one of the EU's main economic partners, recorded GDP growth of 0.7 percent in the second quarter of 2008 (Q1/2008: 0.2 percent). In Japan, GDP fell by 0.7 percent in the second quarter of 2008, in comparison with growth of 0.7 percent in the first quarter. Compared with the second quarter of 2007, GDP rose by 2.1 percent (2.5 percent in the prior quarter) in the US and by 0.8 percent (1.2 percent in the prior quarter) in Japan. Global economic development continues to be hampered by renewed financial market turmoil, sharp fluctuations in the price of crude oil and other commodities, and ongoing adjustments in housing markets.

Commodities markets

The oil price fluctuated considerably in September. On September 30, 2008, it stood at USD 97.80, which was 3.7 percent higher that at the start of the year. Translated into euros, this represents an increase of around 8.7 percent. During the second half of September, speculation triggered price fluctuations. The price of non-energy commodities continued to fall in September. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was approximately 10 percent higher at the end of September than in the previous year. Metal prices, in particular, fell due to fears of a global economic slowdown and in view of considerably cheaper freight costs.

Inflation

Global inflationary pressures remain high, although according to the ECB there have been signs of a letup in line with the recent decrease in commodity prices. Annual consumer price increases in the OECD countries declined slightly in August to 4.7 percent, following a peak of 4.8 percent in July. Excluding food and energy, consumer prices rose by 2.3 percent in the twelve-month period to August, unchanged against the prior month. Surveys on global input prices suggest that cost inflation is relenting visibly, which reflects recent falls in the cost of crude oil and other commodities.

Exchange rate

According to the ECB, the euro has depreciated against most major currencies in the past three months, with volatility increasing considerably. On September 30, 2008, it was about 4 percent lower, in relation to the currencies of all of our trading partners, than at the end of June, although it remained about 3.4 percent above its 2007 average.

Effects of the economy on the Dräger Group

The Dräger Group has barely felt the effects of the downturn as yet. Both divisions are only marginally dependent on economic cycles. The development of the oil price is currently only minimally affecting the Company's procurement activities. Dräger experienced a reduction in freight costs in the third quarter.

However, the US dollar exchange rate, which is around 13 percent weaker than in the first nine months of 2007 (based on average exchange rates), has had a detrimental effect on the safety division's exports. The medical division, where Dräger also has significant manufacturing capacity in the US, has benefitted from the weak US dollar.

Situation of the medical technology industry

The volume of the global market for medical division products is around EUR 18 billion and has grown by approximately 2 percent during the current fiscal year. This is stable year-on-year growth and in line with expectations. Competition has remained intense against the backdrop of further consolidation among manufacturers and customers. Hospital mergers have continued to lead to a greater pooling of demand. Competitive pressure in the hospital sector is leading to a preference for cost-effective process-based solutions. Demographic trends and rising demand for more technically advanced medical technology products in emerging economies continued to have a positive impact from which the medical division benefitted again in the current fiscal year. The division grew in line with the market in the first nine months (net sales up 2.2 percent).

Situation of the safety technology industry

The safety division's market volume totaled approximately EUR 5 billion in fiscal year 2007. Thanks to higher environmental awareness and an increased need for safety, year-on-year growth is expected to be between 2 and 5 percent in 2008. The various regions will, however, experience very disparate growth rates. Asia remains the region with the highest growth, primarily in China. The German market is also expanding slightly in the current fiscal year, however, following strong growth in 2007. State subsidies for municipal fire service investment in equipment had a positive impact in the US. The oil, gas and mining industries are greatly stimulating demand the world over. However, the considerable cost benefits enjoyed by US dollar-based competitors on the back of the weak US dollar against the euro intensified competition in the first nine months of 2008, in particular in project business and also in national tenders. The consolidation process continued through mergers and acquisitions. The global market performance in the first three quarters of the current fiscal year has therefore borne out the safety division's forecast in the 2007 annual report and the H1/2008 report. Despite unfavorable exchange rates and consolidation within the industry, the safety division has succeeded in growing its market share slightly.

BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Q3 2008	Q3 2007	Q1–Q3 2008	Q1–Q3 2007	Change in %
Order intake	**€ million**	**443.8**	**495.4**	**1,398.3**	**1,410.1**	**(0.8)**
Orders on hand	**€ million**	**502.7**	**448.4**	**502.7**	**448.4**	**12.1**
Net sales	**€ million**	**443.9**	**416.1**	**1,307.4**	**1,253.5**	**4.3**
EBITDA before non-recurring expenses	**€ million**	**34.6**	**32.6**	**121.0**	**109.3**	**10.7**
Depreciation	€ million	14.0	13.2	41.5	39.0	6.4
EBIT before non-recurring expenses	**€ million**	**20.6**	**19.4**	**79.5**	**70.3**	**13.1**
Non-recurring expenses	€ million	9.6	0.0	20.9	0.0	
EBIT	**€ million**	**11.0**	**19.4**	**58.6**	**70.3**	**(16.6)**
Net profit	**€ million**	**2.7**	**6.6**	**26.0**	**30.7**	**(15.3)**
Earnings per share						
per limited preferred share	€	0.04	0.32	1.22	1.66	(26.5)
per limited common share	€	0.02	0.30	1.17	1.61	(27.3)
R&D costs	**€ million**	**32.7**	**29.3**	**93.0**	**89.3**	**4.1**
Equity ratio	**%**	**33.3**	**30.7**	**33.3**	**30.7**	
Cash flow from operating activities	**€ million**	**37.4**	**58.9**	**76.9**	**107.8**	**(28.7)**
Net financial debt	**€ million**	**281.8**	**304.3**	**281.8**	**304.3**	**(7.4)**
Investments	**€ million**	**17.0**	**16.5**	**56.2**	**103.6**	**(45.8)**
Capital employed	**€ million**	**948.2**	**952.2**	**948.2**	**952.2**	**(0.4)**
Net working capital	**€ million**	**478.0**	**488.0**	**478.0**	**488.0**	**(2.0)**
EBIT before non-recurring expenses/net sales	**%**	**4.6**	**4.7**	**6.1**	**5.6**	
EBIT before non-recurring expenses/ capital employed (ROCE)	**%**	**2.2**	**2.0**	**8.4**	**7.4**	
Net financial debt/EBITDA	**%**	**8.1**	**9.3**	**4.8**	**2.8**	
Gearing	**Factor**	**0.5**	**0.6**	**0.5**	**0.6**	
Headcount as of September 30		**10,796**	**10,248**	**10,796**	**10,248**	**5.3**

Business performance of the Dräger Group in the first three quarters of 2008

ORDER INTAKE

in € million	Q3 2008	Q3 2007	Q1–Q3 2008	Q1–Q3 2007	Change in %
Germany	94.6	101.0	297.7	298.5	(0.3)
Rest of Europe	181.9	228.6	570.4	595.5	(4.2)
Americas	85.9	76.1	275.1	256.9	7.1
Asia/Pacific	51.5	54.8	156.8	158.9	(1.3)
Other	29.9	34.9	98.3	100.3	(2.0)
Total	**443.8**	**495.4**	**1,398.3**	**1,410.1**	**(0.8)**

Order intake fell by 0.8 percent to EUR 1,398.3 million in the first nine months of fiscal year 2008 (Q1–Q3 2007: EUR 1,410.1 million). Net of currency effects, the Dräger Group's order intake rose by 2.2 percent. In the medical division, order intake increased by 2.4 percent (net of currency effects: 5.6 percent), in part boosted by a large order from South America. Core business order intake rose by 3.3 percent in the safety division. As the prior-year figure included two deep-sea diving projects worth a total of EUR 49.5 million, total order intake has fallen by 6.2 percent (net of currency effects: 3.4 percent) against 2007.

ORDERS ON HAND

in € million	September 30, 2008	September 30, 2007	Change in %
Germany	90.9	105.1	(13.5)
Rest of Europe	234.8	215.3	9.1
Americas	102.1	58.1	75.7
Asia/Pacific	48.7	44.4	9.7
Other	26.2	25.5	2.7
Total	**502.7**	**448.4**	**12.1**

Orders on hand as at September 30, 2008 were 12.1 percent higher than in the prior year (EUR 502.7 million; September 30, 2007: EUR 448.4 million). The equipment orders on hand cover a 3.0-month period (September 30, 2007: 2.9 months). This figure is based on the average net sales over the past 12 months.

NET SALES

in € million	Q3 2008	Q3 2007	Q1–Q3 2008	Q1–Q3 2007	Change in %
Germany	97.7	89.4	282.3	253.9	11.2
Rest of Europe	189.9	168.6	553.1	514.5	7.5
Americas	76.9	84.6	230.6	255.4	(9.7)
Asia/Pacific	45.7	46.8	150.0	139.7	7.4
Other	33.7	26.7	91.4	90.0	1.6
Total	**443.9**	**416.1**	**1,307.4**	**1,253.5**	**4.3**

Net sales rose by 4.3 percent (net of currency effects: 7.4 percent) to EUR 1,307.4 million in the first nine months of 2008 (Q1–Q3 2007: EUR 1,253.5 million). Both divisions contributed to this rise. While the medical division increased net sales by 2.2 percent in the first nine months, the safety division generated a 7.5 percent increase in net sales against the prior-year period. The greatest net sales growth was recorded in Germany (up 11.2 percent to EUR 282.3 million), the rest of Europe (up 7.5 percent to EUR 553.1 million) and the Asia/Pacific region (up 7.4 percent to EUR 150.0 million). By contrast, net sales in the Americas region fell by 9.7 percent to EUR 230.6 million, largely as a result of exchange rate effects (net of currency effects: EUR 251.8 million).

Net sales in the third quarter exceeded the prior-year value by 6.7 percent (Q3/2007: drop of 1.4 percent), reaching EUR 443.9 million.

The rest of Europe region recorded the highest increase in net sales (EUR 21.3 million) in the third quarter. This was contrasted by a EUR 7.7 million drop in net sales in the Americas region (net of currency effects: 3.7 percent).

EBIT before non-recurring expenses

Due to changes in the product mix and a higher volume of long-term construction contracts in process (valued according to stage of completion), the gross margin decreased from 48.4 percent in the first nine months of 2007 to 47.0 percent a year later. The higher volume of net sales led to an increase in gross profit from EUR 607.1 million to EUR 614.5 million.

Excluding non-recurring expenses of EUR 20.9 million, functional costs (research and development costs, marketing and selling expenses, general administrative expenses and other operating income/expenses) of EUR 556.1 million are at the prior-year level (EUR 537.8 million). The reduction in the general administrative expenses (before non-recurring expenses) is contrasted by a rise in research and development costs and marketing and selling expenses. Functional costs as a proportion of net sales fell from 42.9 percent to 40.9 percent, excluding non-recurring expenses. The research and development costs contained therein totaled EUR 93.0 million, which represents 7.1 percent of net sales in the first nine months of 2008. This has remained on a par with the comparable prior-year period despite the depreciation of the US dollar, as the medical division carries out a considerable amount of research and development work in the US.

The Dräger Group increased EBIT before non-recurring expenses by 13.1 percent compared with the prior-year period, taking it to EUR 79.5 million (Q1–Q3 2007: EUR 70.3 million). As announced for fiscal year 2008, the Company recorded non-recurring expenses primarily for personnel measures and IT restructuring in the first nine months of EUR 20.9 million, of which EUR 19.0 million are contained in the general administrative expenses and EUR 1.9 million in research and development costs.

EBIT after non-recurring expenses came to EUR 58.6 million (Q1–Q3 2007: EUR 70.3 million) and net profit decreased to EUR 26.0 million (Q1–Q3 2007: EUR 30.7 million).

In the third quarter of 2008, EBIT before non-recurring expenses rose 6.2 percent in comparison with the prior-year quarter to EUR 20.6 million (Q3/2007: EUR 19.4 million).

Investments

Investment in intangible assets totaled EUR 3.8 million in the first nine months of 2008 (Q1–Q3 2007: EUR 51.8 million, due to goodwill of EUR 46.7 million in connection with the acquisition of a 10 percent stake in Dräger Medical AG & Co. KG). During the same period, Dräger invested EUR 52.4 million in property, plant and equipment (Q1–Q3 2007: EUR 51.8 million). EUR 10.6 million (Q1–Q3 2007: EUR 20.8 million) of this was for the medical division’s new administration building in Lübeck. Depreciation and amortization came to EUR 41.5 million and covered 74 percent of investment (Q1–Q3 2007: 69 percent excluding goodwill investment).

Cash flow statement

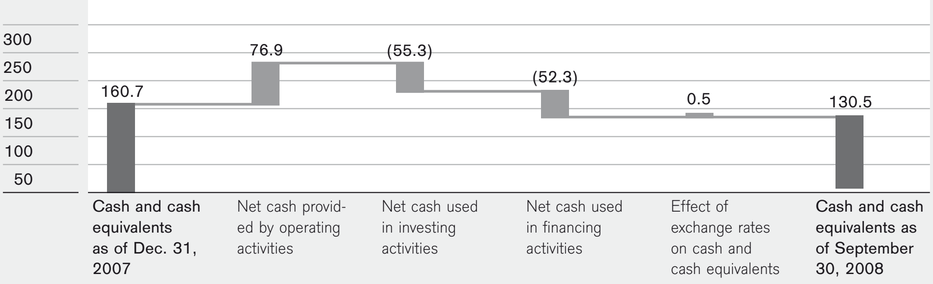
The cash inflow from operating activities was weaker in the first nine months of 2008 than in the same prior-year period, falling from EUR 107.8 million to EUR 76.9 million. The lower year-on-year increase in inventories was more than offset by the decrease in trade receivables, which was not as strong as in prior year due to payments received in 2007 for a major project invoiced in 2006, and the increase in other assets (chiefly as a result of the increase in receivables from the tax authorities, deferred taxes and prepaid expenses).

Cash outflow from investing activities decreased from EUR 101.4 million to EUR 55.3 million compared with the prior-year period, which included EUR 46.7 million in goodwill from the acquisition of a 10 percent stake in Dräger Medical AG & Co. KG. Net of this effect, cash outflow remained at the prior-year level.

Cash outflow from financing activities totaled EUR 52.3 million (Q1–Q3 2007: –EUR 32.7 million) and is shaped by the repayment of liabilities to banks (prior year: bank loans raised) as well as by lower distributions to minority interests.

CASH FLOW RECONCILIATION

January to September 2008 — in € million



Financial management

As a result of the reclassification of a note loan due in the first quarter of 2009 from non-current to current loans, the non-current interest-bearing loans decreased compared with December 31, 2007. This was contrasted by short-term financing for the new building being replaced by long-term financing.

After the medical building was officially accepted as of May 1, 2008, the short-term interim financing was replaced by non-current loans.

The long-term financing comprises a European Recovery Program (ERP) environmental protection loan of EUR 24 million granted by the Reconstruction Loan Corporation ("Kreditanstalt für Wiederaufbau": KfW) and around EUR 22 million from bank loans. These loans have been granted for a 15-year period.

The KfW funds carry a fixed interest rate of 4.45 percent for ten years.

The other loans are floating-rate loans. Medical's interest rate risk is hedged via an interest rate swap (variable to fixed) which also has a 15-year term.

Furthermore, through active cash management we succeeded in reducing current loans and liabilities to banks.

The Dräger Group's long-term bank financing of EUR 292.5 million is split between Drägerwerk AG & Co. KGaA (EUR 290.8 million) and real estate companies in Germany.

These companies' financing comprises note loans or bilateral agreements with reputable German banks and does not include any ordinary termination rights, so there is no potential risk of a follow-up financing.

Current liabilities to banks totaling EUR 92.4 million (of which EUR 29.0 million comprises amounts due from former non-current liabilities) can be refinanced at any time via credit facilities available at a number of German banks. Regular talks with these banks mean that we do not expect these credit facilities to be reduced.

Financing comprises drawings with fixed and floating interest rates. To hedge the interest rate risk of floating rate liabilities to banks totaling EUR 205 million, a portfolio of caps with strike prices of 4.0 percent and 5.5 percent exists with a nominal value of EUR 125 million, meaning that any impact on earnings from rising interest rates as a result of the financial market crisis is also limited. In addition, the liquid interest-bearing bank balances have a compensating effect, as these would benefit from any rise in interest rates.

Net assets

The Dräger Group's equity decreased by EUR 0.2 million to EUR 545.0 million in the first nine months, with the equity ratio remaining constant at 33.3 percent. Dividend payments and distributions to minority interests of EUR 26.3 million (Q1–Q3 2007: EUR 38.5 million) reduced equity. By contrast, the consolidated net profit of EUR 26.0 million (Q1–Q3 2007: EUR 30.7 million) boosted equity.

Total assets fell by EUR 1.6 million to EUR 1,635.9 million in the first nine months of 2008. An increase in inventories, current tax refund claims and prepaid expenses is contrasted by a reduction in trade receivables. At the same time, on the liabilities side of the balance sheet, current other provisions, prepayments received and deferred income increased, contrasted by a reduction in current liabilities to banks and trade payables. The higher level of receivables at the end of 2007 stemmed from the usual high volume of net sales in the fourth quarter. Furthermore, the Company discloses lower cash and cash equivalents as a result of offsetting with current liabilities to banks.

The non-current assets of EUR 574.8 million are fully funded by the total non-current capital.

On the liabilities side of the balance sheet, current other provisions increased due to interim cost allocations. Other current liabilities increased as a result of prepayments received and deferred income. This was contrasted by a lower volume of current loans and liabilities to banks as well as trade payables.

BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Q3 2008	Q3 2007	Q1–Q3 2008	Q1–Q3 2007	Change in %
Order intake	**€ million**	**284.8**	**295.1**	**907.8**	**886.1**	**2.4**
Orders on hand	**€ million**	**280.4**	**261.1**	**280.4**	**261.1**	**7.4**
Net sales	**€ million**	**284.5**	**273.0**	**835.7**	**817.4**	**2.2**
EBITDA before non-recurring expenses	**€ million**	**18.5**	**18.8**	**66.8**	**59.2**	**12.8**
Depreciation	€ million	6.1	5.9	18.4	17.4	5.7
EBIT before non-recurring expenses	**€ million**	**12.4**	**12.9**	**48.4**	**41.8**	**15.8**
Non-recurring expenses	€ million	6.7	0.0	9.3	0.0	
EBIT	**€ million**	**5.7**	**12.9**	**39.1**	**41.8**	**(6.5)**
Net profit	**€ million**	**3.7**	**7.3**	**27.2**	**27.5**	**(1.1)**
R&D costs	**€ million**	**23.3**	**21.4**	**67.6**	**67.0**	**0.9**
Cash flow from operating activities	**€ million**	**33.9**	**39.1**	**89.5**	**111.5**	**(19.7)**
Net financial debt	**€ million**	**(133.2)**	**(106.2)**	**(133.2)**	**(106.2)**	**25.4**
Investments	**€ million**	**8.6**	**5.5**	**76.2**	**15.9**	**379.2**
Capital employed	**€ million**	**619.8**	**592.8**	**619.8**	**592.8**	**4.6**
Net working capital	**€ million**	**338.9**	**364.9**	**338.9**	**364.9**	**(7.1)**
EBIT before non-recurring expenses/net sales	**%**	**4.4**	**4.7**	**5.8**	**5.1**	
EBIT before non-recurring expenses/ capital employed (ROCE)	**%**	**2.0**	**2.2**	**7.8**	**7.1**	
Gearing	**Factor**	**(0.2)**	**(0.2)**	**(0.2)**	**(0.2)**	
Headcount as of September 30		**6,299**	**6,072**	**6,299**	**6,072**	**3.7**

Business performance of the medical division

Products launched/new markets tapped

The enhanced “Evita XL” ventilator received worldwide approval during the third quarter of 2008 and was launched internationally. “Evita XL”, which includes improved mask functionality, updated software and the latest design, is one of the main ventilation products.

The “Fabius MRI” anesthesia device was also approved by the Food and Drug Administration (FDA) in the third quarter. The device was developed specifically for magnetic resonance imaging environments and completes the medical division’s portfolio, which now covers all areas of anesthesia.

We were able to grow the accessories and consumables business in the third quarter, adding newly developed filters and tubes to our product range. Due to the large number of our devices that are in use, the expansion of this product range opens up additional possibilities for tapping market potential.

The ambulatory telemetry system “Infinity M300”, a component of the Infinity Acute Care System (ACS) launched in the second quarter of 2008, was very well received by the market in the third quarter, in particular in North America. The ACS transmits the patient’s vital signs without restricting their movement, thus accelerating their recovery.

ORDER INTAKE

in € million	Q3 2008	Q3 2007	Q1–Q3 2008	Q1–Q3 2007	Change in %
Germany	63.8	65.3	194.0	189.9	2.2
Rest of Europe	114.5	119.8	357.3	346.5	3.1
Americas	59.1	50.5	196.9	175.9	11.9
Asia/Pacific	28.2	31.8	91.3	94.4	(3.3)
Other	19.2	27.7	68.3	79.4	(14.0)
Total	**284.8**	**295.1**	**907.8**	**886.1**	**2.4**

At EUR 907.8 million, order intake was 2.4 percent (net of currency effects: 5.6 percent) above the prior-year period (Q1–Q3 2007: EUR 886.1 million), primarily due to a major order from South America in the first quarter of 2008.

Accessories and consumables and architectural systems experienced the greatest growth, with other areas recording more modest growth.

At EUR 194.0 million, order intake in Germany was 2.2 percent above the prior-year figure (Q1–Q3 2007: EUR 189.9 million). Growth was considerably slower than in the first quarter of 2008 (up 15.4 percent) due to additional caution surrounding investment in the second and third quarters.

In the rest of Europe, order intake increased by a pleasing 3.1 percent to EUR 357.3 million (Q1–Q3 2007: EUR 346.5 million), primarily boosted by project business in Spain and tender business in southeast Europe.

In the Americas, order intake rose by 11.9 percent (net of currency effects: 21.5 percent) to EUR 196.9 million (Q1–Q3 2007: EUR 175.9 million), thanks primarily to the major order already mentioned and positive business performance in Brazil. In addition, an increase in monitoring project business led to a 3.1 percent (net of currency effects: 16.5 percent) increase in order intake in the US compared with the third quarter of 2007. Furthermore, a framework agreement was concluded with the US Department of Defense (DoD) to supply all DoD hospitals worldwide with the "Innovian Anesthesia" patient data management system (PDMS).

At EUR 91.3 million (down 3.3 percent), the Asia/Pacific region did not quite match the prior-year order intake volume (Q1–Q3 2007: EUR 94.4 million). Despite overcoming the problem of restrictive investment, sound performance in China was not sufficient to offset the lower year-on-year order intake, which was partly due to a lower project volume in Australia.

In other countries, order intake of EUR 68.3 million was 14.0 percent below the prior year (Q1–Q3 2007: EUR 79.4 million), as the same prior-year period saw strong project business.

Order intake of EUR 284.8 million in the third quarter of 2008 was 3.5 percent below the same prior-year period (Q3/2007: EUR 295.1 million). Order intake of EUR 59.1 million (up 17 percent from EUR 50.5 million in Q3/2007) in the Americas region was particularly encouraging, but was not able to offset a drop in order intake in the other regions in the third quarter. The drop of 30.7 percent to EUR 19.2 million (Q3/2007: EUR 27.7 million) in other countries was particularly noticeable, as it had seen strong project business in 2007.

ORDERS ON HAND

in € million	September 30, 2008	September 30, 2007	Change in %
Germany	57.2	62.1	(7.9)
Rest of Europe	103.6	111.4	(7.0)
Americas	79.2	43.5	82.1
Asia/Pacific	23.2	22.5	3.1
Other	17.2	21.6	(20.4)
Total	**280.4**	**261.1**	**7.4**

At EUR 280.4 million, orders on hand as of September 30, 2008 were a substantial 7.4 percent (net of currency effects: 8.2 percent) higher than the prior year (September 30, 2007: EUR 261.1 million). The equipment orders on hand cover a 3.1-month period (September 30, 2007: 2.9 months). Order intake increased in particular in the Americas region, thanks to high order intake in the US at the end of the third quarter. These orders are scheduled to be supplied in the fourth quarter.

NET SALES

in € million	Q3 2008	Q3 2007	Q1–Q3 2008	Q1–Q3 2007	Change in %
Germany	63.9	58.5	184.8	166.4	11.1
Rest of Europe	118.7	106.3	333.5	312.6	6.7
Americas	51.9	59.5	163.5	182.0	(10.2)
Asia/Pacific	25.6	28.6	88.8	85.6	3.7
Other	24.4	20.1	65.1	70.8	(8.1)
Total	**284.5**	**273.0**	**835.7**	**817.4**	**2.2**

Net sales rose by 2.2 percent (net of currency effects: 5.3 percent) to EUR 835.7 million in the first nine months of 2008 (Q1–Q3 2007: EUR 817.4 million). Accessories and consumables and architectural systems contributed to pleasing core business growth worldwide.

The 11.1 percent increase in net sales in Germany to EUR 184.8 million is particularly encouraging against the backdrop of the stagnating market. The good development of the accessories business, which is steadily growing, was responsible for the lion's share, with architectural systems also recording substantial growth.

Net sales in the rest of Europe (excluding Germany) grew by a total of 6.7 percent to EUR 333.5 million against the prior year (Q1–Q3 2007: EUR 312.6 million). The expanding market in Russia and tender business in southeast Europe were the main contributors.

At EUR 163.5 million, net sales in the Americas region were 10.2 percent below (net of currency effects: 0.8 percent above) the prior-year period (Q1–Q3 2007: EUR 182.0 million) as a result of the high project volume in the prior year, tender business won this year but not yet included in net sales, and the development of the US dollar exchange rate. Net sales in local currency in the US are on a par with the comparative prior-year figure after the first nine months.

Net sales increased by 3.7 percent to EUR 88.8 million (Q1–Q3 2007: EUR 85.6 million) in the Asia/Pacific region. This is primarily a result of positive developments in China following the letup in restrictive investment policies observed in 2007, which has increased China's importance for the Asia/Pacific region relative to its other countries.

At EUR 65.1 million, net sales in other countries were down 8.1 percent on the prior year (Q1–Q3 2007: EUR 70.8 million) chiefly due to a lower volume of projects.

Net sales rose by 4.2 percent to EUR 284.5 million in the third quarter of 2008 (Q3/2007: EUR 273.0 million). The main input in the third quarter came from architectural systems as well as accessories and consumables in global core business. Architectural systems recorded the strongest year-on-year growth in the third quarter of 2008, with positive contributions from almost every region.

Earnings

The gross margin was below the prior-year figure in the first nine months of 2008. This was chiefly due to disproportionate growth in the after sales business, the weak US dollar and intense competition in certain market segments. Bad debt allowances on customer receivables also had a negative impact on earnings. However, a slight increase in net sales (up 2.2 percent) due to a considerable reduction in functional costs (before non-recurring expenses) more than made up for this, aided by the weak US dollar.

In the first nine months, the medical division's EBIT before non-recurring expenses increased to EUR 48.4 million (up 15.8 percent) against the comparable prior-year period (Q1–Q3 2007: EUR 41.8 million) for the reasons mentioned above. The EBIT margin before non-recurring expenses rose from 5.1 percent to 5.8 percent during the period under review.

The medical division recorded non-recurring expenses of EUR 9.3 million for IT restructuring, costs from the new building project and personnel measures.

EBIT after non-recurring expenses totaled EUR 39.1 million (Q1–Q3 2007: EUR 41.8 million).

The division generated EBIT before non-recurring expenses of EUR 12.4 million in the third quarter of 2008, which represents a 3.9 percent decrease compared with the prior-year quarter (Q3/2007: EUR 12.9 million). This drop is due only to the aforementioned bad debt allowances. The EBIT margin before non-recurring expenses came to 4.4 percent (Q3/2007: 4.7 percent).

Investments

The medical division invested EUR 76.2 million in intangible assets and property, plant and equipment in the first nine months of 2008 (Q1–Q3 2007: EUR 15.9 million).

This is mainly due to the new administration building in Lübeck having been taken over from MOLVINA Vermietungsgesellschaft mbH und Co. Objekt Finkenstraße KG (Dräger Group real estate company) in May 2008. The investment in the building, in the form of a finance lease, totaled EUR 46.0 million plus improvements and operational facilities amounting to EUR 10.6 million. Departments such as sales, marketing, R&D and administration, which had previously been located in various places, have been brought together in the new building.

In the first nine months of 2008, Dräger invested EUR 3.4 million (Q1–Q3 2007: EUR 1.5 million) in the Chinese sales and manufacturing companies’ new building. Dräger strengthened its Chinese foothold with the official opening of this building in September 2008, which will enable Dräger to operate more efficiently in China, putting it on course for further growth.

EUR 1.4 million was invested in the modernization of company buildings in Spain.

Depreciation and amortization amounted to EUR 18.4 million in the first nine months of 2008, accounting for 24 percent of investments. In the comparable prior-year period, depreciation and amortization completely covered investment.

Cash flow and capital tie-up

At EUR 89.5 million, the cash flow from operating activities was EUR 22.0 million lower than in the comparative prior-year period. This development in 2008 was driven both by a lower cash inflow from customer receivables than in the prior-year period, which had been boosted by a large volume of payments received in 2007 due to the completion of a major project in 2006, and by improved receivables management. Total customer receivables at the end of 2007 were considerably lower than in the prior year. On the other hand, other assets increased, in particular notes receivable (chiefly in Japan and Spain), prepaid expenses and current tax refund claims. By contrast, a lower increase in inventories and a greater increase in other liabilities increased cash flow in the period under review. Prepayments received and liabilities in connection with currency hedging, which both decreased in 2007, increased.

Net working capital amounted to EUR 338.9 million on September 30, 2008 (September 30, 2007: EUR 364.9 million). The increase in trade payables and current liabilities, in particular derivatives, liabilities to affiliated companies and prepayments received, was the main contributory factor.

BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Q3 2008	Q3 2007	Q1–Q3 2008	Q1–Q3 2007	Change in %
Order intake	**€ million**	**166.0**	**206.8**	**509.2**	**542.6**	**(6.2)**
Orders on hand	**€ million**	**223.4**	**188.3**	**223.4**	**188.3**	**18.6**
Net sales	**€ million**	**166.1**	**150.2**	**490.5**	**456.2**	**7.5**
EBITDA before non-recurring expenses	**€ million**	**19.9**	**19.2**	**60.4**	**57.4**	**5.2**
Depreciation	€ million	5.6	5.4	16.6	15.6	6.4
EBIT before non-recurring expenses	**€ million**	**14.3**	**13.8**	**43.8**	**41.8**	**4.8**
Non-recurring expenses	€ million	0.9	0.0	6.5	0.0	
EBIT	**€ million**	**13.4**	**13.8**	**37.3**	**41.8**	**(10.8)**
Net profit (before profit/loss transfer)	**€ million**	**9.4**	**9.3**	**25.7**	**27.8**	**(7.6)**
R&D costs	**€ million**	**8.1**	**7.5**	**23.6**	**21.3**	**10.8**
Cash flow from operating activities	**€ million**	**15.5**	**21.0**	**36.3**	**23.8**	**52.5**
Net financial debt	**€ million**	**52.9**	**64.2**	**52.9**	**64.2**	**(17.6)**
Investments	**€ million**	**6.6**	**5.8**	**18.3**	**17.2**	**6.4**
Capital employed	**€ million**	**224.9**	**232.8**	**224.9**	**232.8**	**(3.4)**
Net working capital	**€ million**	**143.7**	**153.9**	**143.7**	**153.9**	**(6.6)**
EBIT before non-recurring expenses/net sales	**%**	**8.6**	**9.2**	**8.9**	**9.2**	
EBIT before non-recurring expenses/ capital employed (ROCE)	**%**	**6.4**	**5.9**	**19.5**	**18.0**	
Gearing	**Factor**	**0.3**	**0.4**	**0.3**	**0.4**	
Headcount as of September 30		**4,119**	**3,872**	**4,119**	**3,872**	**6.4**

Business performance of the safety division

Products launched/new markets tapped

The safety division tapped additional market potential in the first nine months of 2008 with the new “PSS 7000” self-contained breathing apparatus and its electronic modules “Bodyguard 7000” and “Sentinel 7000”. The devices are particularly comfortable to wear (light, sturdy, carbon fiber composite back plate), offer optimum weight distribution thanks to the patented sliding and swivelling waist belt, have improved airline positioning and include many other innovations to improve customer value.

A more cost-effective breath alcohol testing device was developed for the Swedish market based on the “Alcotest 6510”. The device, which is suitable for personal use and can be used preventatively, could also be marketed in other countries.

In addition, safety’s shutdown & rental management for the crude oil refining and chemical industry won new customers in Germany, the Netherlands and France. In this regard, Dräger offers end-to-end solutions ranging from providing safety compliance officers to a complete organization with staff and a management team as well as comprehensive safety equipment for their personal protection.

ORDER INTAKE

in € million	Q3 2008	Q3 2007	Q1–Q3 2008	Q1–Q3 2007	Change in %
Germany	37.8	42.2	122.4	127.2	(3.8)
Rest of Europe	67.4	108.8	213.1	249.0	(14.4)
Americas	26.8	25.6	78.2	81.0	(3.5)
Asia/Pacific	23.3	23.0	65.5	64.5	1.6
Other	10.7	7.2	30.0	20.9	43.5
Total	**166.0**	**206.8**	**509.2**	**542.6**	**(6.2)**

The safety division’s order intake came to EUR 509.2 million in the first nine months of fiscal year 2008 (Q1–Q3 2007: EUR 542.6 million). Adjusted for the impact of two deep-sea diving projects worth a total of EUR 49.5 million in the third quarter of 2007, order intake rose by 3.3 percent (net of currency effects: 6.3 percent). The safety division’s core business order intake (net of currency effects) is therefore growing faster than the market (2 to 5 percent). This core business growth was fueled by the development of business in the rest of Europe and Asia/Pacific regions as well as in parts of the other countries region. The innovative range of single and multi-gas detectors also performed excellently in the first nine months of 2008. This family of devices is contributing to the positive result in all relevant industrial applications the world over, as are large mining, chemicals and oil and gas business projects. Both the excellent value for money and the long-term stability of the “Dräger LongLife Sensor” in the devices play a crucial role in customer decisions.

At EUR 122.4 million, order intake in Germany was 3.8 percent below that of the prior year (EUR 127.2 million). This is chiefly due to the prior-year figure containing a major order which will be processed over a period of several years. Demand for respiratory protection equipment and training galleries for fire departments, industry and mines developed well in the first nine months of 2008. In addition, the Company took orders for shutdown & rental management from the petrochemical and chemical industries. The new generation of gas detection devices has been a roaring success.

After the abovementioned adjustment for the impact of the two deep-sea diving projects, order intake in other countries came to EUR 213.1 million in the first nine months of 2008, against EUR 199.5 million in the comparable prior-year period. This represents strong core business growth of around 6.8 percent (net of currency effects: 8.6 percent), primarily as a result of high demand for respiratory protection and gas detection equipment. The Norwegian offshore industry ordered stationary gas detection devices which were supplied in the third quarter. Dräger received a major order in Italy to supply the police and Carabinieri with the tried-and-tested “Dräger Alcotest 7110” breathalyzer. Polish mining companies ordered the “Dräger X-am 5000” gas detector.

Order intake in the Americas region fell by 3.5 percent to EUR 78.2 million (Q1–Q3 2007: EUR 81.0 million; net of currency effects: up 5.2 percent). In local currency, the Company has again proven its competitiveness in a difficult market environment. Dräger met the extremely tough National Fire Protection Association standards for the new self-contained breathing apparatus “PSS 7000” and the electronic module “Sentinel 7000” and received approval in May 2008. Both devices are expected to make a significant contribution to growth in the Americas in the future. The fire services in Phoenix and Vancouver have already placed large orders. The Canadian navy placed an order for the “PSS 100” breathing apparatus. Fire services showed particular interest in real fire training systems for firefighters. Business in Central and South America was also very pleasing, in particular at the subsidiaries in Mexico and Brazil. A petroleum corporation in Mexico will be using safety division breathing apparatus in the future.

In the Asia/Pacific region, order intake increased by 1.6 percent to EUR 65.5 million (Q1–Q3 2007: EUR 64.5 million). This region was hit by currency effects too, which masked its positive development: order intake rose 5.4 percent net of currency effects. In Australia, Dräger breathalyzers beat strong competitors in tenders. The New Zealand fire service ordered the new Dräger thermal imaging camera. For the first time, a large order for breathing apparatus was placed by the mining industry in New Caledonia. An order was also received from China for a large fire training system. An Indonesian oil and gas company ordered a fully integrated fire and gas detection system.

Growth of 43.5 percent (net of currency effects: 53.1 percent) has considerably increased the market share of the other countries region. It achieved order intake of EUR 30.0 million (Q1–Q3 2007: EUR 20.9 million), fueled by high demand in South Africa where the safety division won further orders for the “Oxyboks K35” oxygen self-rescuer and the “Dräger PSS BG4” breathing apparatus. The petrochemical industry in the Middle East placed an order for a respiratory air system for an entire plant. Saudi Arabia and the United Arab Emirates ordered breathing apparatus, some of which has already been supplied.

Order intake amounted to EUR 166.0 million (Q3/2007: EUR 206.8 million) in the third quarter. As the prior-year figure included two deep-sea diving projects worth a total of EUR 49.5 million, total order intake fell by 19.7 percent against 2007 while core business order intake increased by 5.5 percent.

ORDERS ON HAND

in € million	September 30, 2008	September 30, 2007	Change in %
Germany	34.8	44.0	(20.9)
Rest of Europe	131.2	103.9	26.3
Americas	22.9	14.6	56.8
Asia/Pacific	25.5	21.9	16.4
Other	9.0	3.9	130.8
Total	**223.4**	**188.3**	**18.6**

With orders on hand of EUR 223.4 million as of September 30, 2008 (September 30, 2007: EUR 188.3 million), representing year-on-year growth of 18.6 percent despite strong net sales growth, the safety division has a good foundation on which to build. In the rest of Europe, three orders totaling approx. EUR 73 million (prior year: EUR 56 million) were received for deep-sea diving systems. The equipment orders on hand cover a 3.0-month period (September 30, 2007: 2.8 months). Based on the orders on hand and the period they cover, the safety division is able to confirm its forecast of an increase in net sales for the fiscal year despite the difficult environment.

NET SALES

in € million	Q3 2008	Q3 2007	Q1–Q3 2008	Q1–Q3 2007	Change in %
Germany	40.5	38.0	116.3	107.6	8.1
Rest of Europe	71.2	62.3	219.6	201.9	8.8
Americas	25.0	25.1	67.1	73.4	(8.6)
Asia/Pacific	20.1	18.2	61.2	54.1	13.1
Other	9.3	6.6	26.3	19.2	37.0
Total	**166.1**	**150.2**	**490.5**	**456.2**	**7.5**

The safety division's net sales grew by 7.5 percent (net of currency effects: 10.5 percent) to EUR 490.5 million (Q1–Q3 2007: EUR 456.2 million). The division generated this growth on the back of its innovative products, which offer high customer value, and tailor-made solutions for customers, despite several countries such as Germany and Spain reducing public spending and competition intensifying due to the strong euro. Core business and successful business performance in Germany, the rest of Europe, Asia/Pacific, and other countries again made a significant contribution to the positive development. Global net sales growth was above the expected average market growth of 2 to 5 percent.

Against the backdrop of strained public finances and tougher competition, net sales in Germany rose by 8.1 percent to EUR 116.3 million (Q1–Q3 2007: EUR 107.6 million). The new portable single and multi-gas detection devices, stationary gas monitoring systems and breathing apparatus for fire services were key net sales drivers. The Company successfully implemented shutdown & rental management projects to manage safety aspects and ensure that occupational health and safety standards are maintained during the temporary shutdown of refineries or chemical production plants.

Net sales rose 8.8 percent (net of currency effects: 10.4 percent) to EUR 219.6 million in the rest of Europe. In Spain, Dräger came out top against competitors' devices with the portable multi-gas detection device "Dräger X-am 5000". The Swiss army ordered oxygen self-rescuers, and further orders for the "Dräger Alcotest 6810" breathalyzer were received from the UK. The Company invoiced the first deep-sea diving system worth around EUR 20 million to a customer in Norway in the second quarter of 2008.

At EUR 67.1 million, net sales in the Americas region were 8.6 percent below the prior year (Q1–Q3 2007: EUR 73.4 million; net of currency effects: down 0.4 percent). We were unable to achieve the budgeted growth in the US in the first six months of 2008 for regulatory reasons. Dräger has supplied a considerable number of the new "Dräger PSS 7000" self-contained breathing apparatus and the electronic module "Sentinel 7000" since their approval by the National Fire Protection Association. Orders to supply the North American market with the "Dräger Interlock XT" electronic immobilizer (which does not allow the car engine to be started until the driver's breath alcohol has been tested), breathalyzers, Dräger tubes and single and multi-gas detectors contributed to the ongoing successful performance of this business.

The safety division's market position was further expanded by its core and project business in the Asia/Pacific region, with growth of 13.1 percent (net of currency effects: 17.0 percent) to EUR 61.2 million. Large numbers of the long-term breathing apparatus "Dräger PSS BG4" were supplied to the Chinese mining industry. Further orders from the petrochemicals industry and the semi-conductor industry underscore the safety division's strong market position and customer confidence in gas detection systems equipment.

Net sales in the other countries region grew by 37.0 percent (net of currency effects: 47.4 percent) to EUR 26.3 million, not least thanks to the particularly successful South African subsidiary generating high order volume for the "Oxyboks K35" oxygen self-rescuer and the "Dräger PSS BG4" breathing apparatus. The tried-and-tested breathing apparatus was supplied to Saudi Arabia, the United Arab Emirates and also to Kazakhstan.

Net sales in the third quarter of 2008 amounted to EUR 166.1 million (Q3/2007: EUR 150.2 million), an increase of 10.6 percent year on year. The rest of Europe, Asia and other countries regions were the main contributors to this growth.

Earnings

Shifts in the product mix and the strong euro led to a weaker gross margin. The functional costs (excluding non-recurring expenses), which rose at a lower rate than net sales, helped to improve earnings.

EBIT before non-recurring expenses increased by 4.8 percent and came to EUR 43.8 million in the first nine months of 2008 (Q1–Q3 2007: EUR 41.8 million). The safety division's EBIT margin before non-recurring expenses was 8.9 percent in the first nine months (Q1–Q3 2007: 9.2 percent). Non-recurring expenses for IT restructuring and personnel measures amounted to EUR 6.5 million (Q1–Q3 2007: EUR 0.0 million).

The safety division increased EBIT before non-recurring expenses by 3.6 percent year on year to EUR 14.3 million in the third quarter of 2008 (Q3/2007: EUR 13.8 million). The EBIT margin before non-recurring expenses came to 8.6 percent (Q3/2007: 9.2 percent).

Investments

The safety division is investing increasingly in manufacturing technologies of the future, with investment in intangible assets and property, plant and equipment totaling EUR 18.3 million (2007: EUR 17.2 million). Depreciation and amortization of EUR 16.6 million cover 91 percent (2007: 91 percent) of the investment volume.

Cash flow and capital tie-up

The division's assets, equity and liabilities only changed to a minor extent despite the growth of business. Capital employed decreased year on year to EUR 224.9 million (September 30, 2007: EUR 232.8 million) due to the reduction in trade receivables coupled with the decrease in trade payables as well as in other current financial liabilities. Improved manufacturing and organizational processes helped to reduce capital employed.

The change in net assets and results of operations is also reflected in the cash flow statement. Cash flow from operating activities came to EUR 36.3 million (Q1–Q3 2007: EUR 23.8 million).

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

		Q3 2008	Q3 2007	Q1–Q3 2008	Q1–Q3 2007	Change in %
Order intake Germany	**€ million**	**2.9**	**2.1**	**9.8**	**5.6**	**75.0**
Orders on hand Germany	**€ million**					
Net sales Germany	**€ million**	**2.9**	**2.1**	**9.8**	**5.6**	**75.0**
EBITDA before non-recurring expenses	**€ million**	**3.4**	**3.4**	**49.2**	**58.7**	**(16.2)**
Depreciation	€ million	2.3	1.9	6.5	6.0	8.3
EBIT before non-recurring expenses	**€ million**	**1.1**	**1.5**	**42.7**	**52.7**	**(19.0)**
Non-recurring expenses	€ million	0.7	0.0	3.2	0.0	
EBIT	**€ million**	**0.4**	**1.5**	**39.5**	**52.7**	**(25.0)**
Net profit	**€ million**	**(6.3)**	**(3.3)**	**22.1**	**35.5**	**(37.7)**
R&D costs	**€ million**	**1.3**	**0.4**	**1.8**	**1.0**	**80.0**
Cash flow from operating activities	**€ million**	**(4.0)**	**5.5**	**6.2**	**37.1**	**(83.3)**
Net financial debt	**€ million**	**362.1**	**351.2**	**362.1**	**351.2**	**3.1**
Investments	**€ million**	**1.8**	**5.2**	**14.5**	**23.8**	**(39.1)**
Capital employed	**€ million**	**686.4**	**666.2**	**686.4**	**666.2**	**3.0**
Net working capital	**€ million**	**(15.3)**	**(37.5)**	**(15.3)**	**(37.5)**	**(59.2)**
Headcount as of September 30		**378**	**304**	**378**	**304**	**24.3**

Drägerwerk AG & Co. KGaA/other companies

Earnings of Drägerwerk AG & Co. KGaA/other companies

Drägerwerk AG & Co. KGaA provides services to the divisions and their subsidiaries. This includes the services provided by the legal, tax and insurance departments. Services provided by the treasury, corporate communications, investor relations, financial control, group accounting, corporate IT, HR, internal audit and basic research departments are also charged on. Real estate is managed by a real estate company listed under “other companies”. The services to our divisions are closely coordinated with them and invoiced in accordance with arm’s length principles, as between unrelated parties.

Corporate communications and corporate IT have already been established at Drägerwerk AG & Co. KGaA as shared services for all Group companies. In order to make better use of economies of scope it is planned to extend the shared service activities to other suitable functions.

EBIT before non-recurring expenses of EUR 42.7 million (Q1–Q3 2007: EUR 52.7 million) is the product of the operating results of the companies grouped here and the investment result of EUR 57.6 million (Q1–Q3 2007: EUR 67.4 million). It includes the distribution for fiscal year 2007 of EUR 34.4 million by Dräger Medical AG & Co. KG to Dräger Medical Holding GmbH in the first half of 2008 (Q1–Q3 2007: EUR 43.1 million for 2006). This is dependent on the medical division’s result. The result excluding investment income is negative, as Drägerwerk AG & Co. KGaA in particular performs Group functions.

Drägerwerk AG & Co. KGaA spent EUR 1.8 million (Q1–Q3 2007: EUR 1.0 million) on research and development in the first nine months of fiscal year 2008. 52 employees currently work in the development department in Lübeck (Q1–Q3 2007: 48 employees).

Investments

Investment in intangible assets and property, plant and equipment totaled EUR 14.5 million (Q1–Q3 2007: EUR 23.8 million) in the first nine months of 2008, of which EUR 10.6 million (Q1–Q3 2007: EUR 16.7 million) is attributable to the medical division’s new administration building in Lübeck.

Reconciliation of figures at group level

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

Research and development

Research and development (R&D) costs remained high in the first nine months of fiscal year 2008. The Dräger Group's total R&D expenditure amounted to EUR 93.0 million (Q1–Q3 2007: EUR 89.3 million), which continues to represent 7.1 percent of net sales (Q1–Q3 2007: 7.1 percent). In the first nine months of the year, the medical division spent EUR 67.6 million (Q1–Q3 2007: EUR 67.0 million), representing 8.1 percent (Q1–Q3 2007: 8.2 percent) of net sales, and the safety division spent EUR 23.6 million (Q1–Q3 2007: EUR 21.3 million), representing 4.8 percent (Q1–Q3 2007: 4.7 percent) of net sales.

The number of people employed in research and development at the Dräger Group rose to 992 as of June 30, 2008 (Q1–Q3 2007: 939). 709 of them work in the medical division (Q1–Q3 2007: 688), 231 in the safety division (Q1–Q3 2007: 203) and 52 in basic research at Drägerwerk AG & Co. KGaA (Q1–Q3 2007: 48).

The Dräger Group's basic research and research and development units filed a total of 90 international patents in the first nine months of 2008 (Q1–Q3 2007: 46). This highlights the Group's immense innovative strength, which is the foundation for healthy growth in the future.

The Dräger Group is currently realigning its patent and trademarks organization to ensure the protection of future products and technologies. In addition, the patent department will be supported by strategic managers in the medical and safety divisions in the future and patent and other protected property rights activities will be coordinated internationally by one person.

In the third quarter of 2008, research and development focused both on intensive development work for numerous medical and safety division products as well as on improving organizational project management structures and implementing portfolio management in basic research and the medical division.

Medical division

The ventilation strategic business segment has reached an important milestone in the development of the Infinity Acute Care System: "Evita Infinity V500", the new intensive care ventilator, has commenced clinical trials following CE mark approval.

Furthermore, VF5, the newest version of the “Innovian Web” patient data management system (PDMS), was completed and launched.

The Company has complemented and extended its range of accessories for Dräger ventilation and anesthesia devices with non-invasive mask ventilation and innovative breathing tubes approved by the FDA.

The medical division’s global research and development departments were placed under common management as of September 1, 2008, which paves the way for increased transparency and communication on key value-adding development projects.

New impetus is expected from the relocation completed in the third quarter of 2008 of all R&D departments in Germany to the new building in Lübeck. The departments used to be located in different buildings. The proximity to strategic procurement, quality, the regulatory affairs and the strategic business segments’ marketing departments optimizes the logistics of liaison and provides greater opportunities for close cooperation.

Safety division

The R&D department has developed additional features for the state-of-the-art “PSS 7000” self-contained air breathing apparatus which was launched recently, meaning that the complete series can now be marketed. Furthermore, a more cost-effective breath alcohol testing device based on the “Alcotest 6510” received approval for the Swedish market.

Personnel

WORKFORCE TREND OF THE DRÄGER GROUP

		Employees as of
	September 30, 2008	**September 30, 2007**
Medical	6,299	6,072
Safety	4,119	3,872
Drägerwerk AG & Co. KGaA/Other companies	378	304
Dräger Group total (excluding apprentices)	**10,796**	**10,248**
thereof		
in Germany	4,739	4,537
abroad	6,057	5,711
Turnover in % of employees	6.2	5.5
Sick days in % of work days	2.9	3.0

Headcount rose from 10,248 in 2007 to 10,796 in 2008 as a result of newly formed entities and the expansion of companies outside of Germany, and new hires at Dräger Safety AG & Co. KGaA and Drägerwerk AG & Co. KGaA in Germany.

A total of 56 percent of all employees work abroad (September 30, 2007: 56 percent). In Germany, the headcount of 4,739 employees as of September 30, 2008 exceeds that of twelve months earlier by 202.

39 employees were taken on in the corporate communications and corporate IT departments of Drägerwerk AG & Co. KGaA in Germany. The safety division increased the number of employees in Germany by 92, primarily in the R&D, manufacturing, marketing and sales and administration departments.

The establishment of companies in Colombia, India, Vietnam, Poland, Brazil and Turkey in the Dräger Group during the past 12 months has increased the number of employees working abroad by 138.

The ratio of sick days to work days remained at the pleasingly low level of 2.9 percent in the first nine months of the year (September 30, 2007: 3.0 percent). The metal and electronics industry average was 4.0 percent as at September 30, 2008.

Manufacturing, logistics and IT

Stefan Dräger, Chairman of the Executive Board, officially opened the medical division's new manufacturing site in Shanghai, China, on September 26, 2008. This has doubled the area in modern, air conditioned halls and is the foundation for further growth.

Dräger has successfully initiated an ongoing improvement process called Dräger PRIME (production improvement for excellence), which is intended to further increase the efficiency of the medical division's manufacturing. The aim is to improve processes and reduce costs by restructuring procedures with the help of employees and the works council in order to cater to customer requirements faster and more cost effectively. PRIME was piloted in the infrastructure projects business segment in Travemünde, Germany, and the Lübeck site followed in October 2008.

Locating the medical division's administrative areas within one building supports the organizational change in the manufacturing area which involves centralizing responsibility for processes and functions.

The particularly successful Technical Inspection Authority (TÜV) audit in September 2008 is further proof of the medical division's quality orientation and performance.

The first stage of the Infinity Acute Care System in manufacturing – installing hospital-specific software onto our monitors – has successfully commenced series production.

The safety division's manufacturing was able to meet the increased demand for Dräger products and increase productivity. It also improved the quality of manufacturing processes for key products by around 5 percent in comparison with the prior-year period.

Safety is running a project to optimize manufacturing warehouses in order to improve its return on investment. It aims to significantly increase the rate of turnover, and has set the strategic goal of increasing the turnover rate from the current 5 to 8 by 2013.

In the second quarter of 2008, the Company took a manufacturing facility for half and full-face masks into operation in São Paolo to be able to meet local market requirements, as Brazil is experiencing high growth.

As mentioned in the 2008 half-yearly report, manufacturing capacity for soda lime will be increased through a third manufacturing facility at the Lübeck site. The facility is currently being tested and is expected to be taken into operation in the first quarter of 2009.

The quality of Dräger products and services directly influences customer satisfaction and loyalty. To secure quality leadership and therefore meet customer expectations, the safety division is further expanding the Six Sigma program for systematic problem solving.

The medical division is focusing on refining its innovation process. One area the division is concentrating on is the early integration of suppliers to ensure that they achieve the highest possible quality standards, with our support.

The most important areas of action for IT at Dräger this year and in the coming years are to establish a standardized group-wide IT infrastructure, to harmonize and standardize the group-wide application landscape, to optimize the IT supplier portfolio and to establish a global IT organization.

The “it works” program was launched in 2008 as the first step towards standardizing IT infrastructure. It aims to modernize, standardize and optimize the hardware and software (PCs, notebooks and the relevant software) used by Dräger employees as well as user services and is currently being implemented.

The local IT network (LAN) has been enhanced in Germany, so the focus is now on standardizing and optimizing the international IT infrastructure.

Phoenix, a program which will run for several years, has been set up to standardize and harmonize the business processes and IT systems in the medical and safety divisions group-wide throughout the world. The first phase focuses on improving system support for sales and service processes. The customer relationship management speed (CRM speed) program set up to achieve this was successfully launched in October 2008 at our medical subsidiary in the US. The program will also be rolled out at other subsidiaries.

Environmental protection

The internal audits prescribed by the Dräger environmental management system took place systematically and on an ongoing basis in all areas of the Company at the Lübeck site. The realization of the potential for improvement they highlighted will be tracked. The German Dräger Safety AG & Co. KGaA companies are also covered by the environmental management system and were therefore included in the regular audit plan.

Pre-registration with the European Chemicals Agency (ECHA), the first step in implementing the requirements of the EU REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) legislation which apply to Dräger, has been completed. On publication of the ECHA's candidate list of substances of very high concern (SVHC), which contains certain softening agents and heavy metal compounds, the ingredients of selected Dräger product groups were evaluated to ensure timely compliance with the communication requirements of Article 33 of the REACH regulation on SVHC substances in products.

Dräger has also had to react to national and European guidelines on the marketing, collection and recycling of packaging and batteries. European medical and safety division companies will have to comply with new and additional registration and reporting obligations in the future. These include declarations of completeness for packaging brought into circulation and registration and labeling requirements for batteries and accumulators. The internal implementation of these new requirements has been prepared for the Group as a whole to ensure that our actions in the area of environmental protection are legally sound.

Risks relating to future development

The Group's opportunities and risks have changed since the publication of the 2007 annual report on March 18, 2008 due to the financial market crisis.

Economic and strategic risks

The financial crisis could have an indirect effect on key customer groups. Although the divisions have only been marginally dependent on economic cycles in the past, the financial crisis could have an indirect effect on key customer groups. The financial crisis may mean that public investment policy will be more restrictive than in the past, which could affect customer groups of ours such as public hospitals and fire services. For this reason, we cannot rule out that future order income and net sales may be impacted in both divisions.

Risks from financing

The Dräger Group has secured its financing arrangements in the long term, its liquidity remains sound and the equity ratio is 33.3 percent. However, there can be no guarantee that interest rate, currency and credit risk will not increase in the coming 12 months.

As banks are exercising a more restrictive lending policy, it cannot be ruled out that credit conditions may become less favourable. On September 30, 2008, the Dräger Group had current floating-rate liabilities to banks of EUR 63.5 million and floating-rate loans of EUR 122 million which entail an interest rate risk. Interest rate hedges of EUR 125 million have been concluded in this regard. Current liabilities to banks totaling EUR 92.4 million can be refinanced at any time using credit facilities available at a number or German banks.

Risks from foreign currencies

Foreign currency risks are hedged to a large extent, and are based on receivables and liabilities in a foreign currency.

The current situation on the financial markets bears the risk that certain exchange rates could become more volatile. Currency hedges for individual currencies are not possible or economically viable and would generate high hedging costs.

Income and expense in US dollars are almost balanced in the medical division.

Risks from customer receivables

We anticipate that the risk of extended payment terms, bad debt allowances and default will increase in the coming 12 months at least. This risk exists despite the fact that a large proportion of our customers are directly or indirectly publicly financed or are long-standing customers of Dräger. This is due both to the overall downward economic trend and to banks’ restrictive lending policies which could also affect working capital facilities. Bearing this in mind, sales and the administrative departments will monitor and review customers’ credit ratings even more closely and will implement appropriate measures to hedge receivables, for example prepayments and letters of credit, which generate additional cost.

Changed conditions after the close of the first three quarters of 2008

There were no significant changes between the end of the first nine months of 2008 and the time this Q3 report was prepared.

Outlook

Future market environment

The global economy grew by almost 5 percent in 2006 and 2007. Leading economic institutes had expected the growth rate to slow to between 3.5 percent and 3.9 percent in 2008 and 2009, but the outlook has clouded considerably since then. The International Monetary Fund (IMF) believes that, in the wake of the financial crisis, the US and Europe are on the brink of a rapid economic downturn next year. In October 2008, the only way to combat the global financial crisis which began in the US in the summer of 2007 was by means of colossal, concerted state rescue packages for the banking industry. The IMF now anticipates losses totaling USD 1.4 billion as a result of the financial crisis, far higher than had been feared. It believes that losses will be higher than forecast, bearing in mind the recent escalation of the crisis on the markets and the fact that credit default has not yet peaked.

Against this backdrop, the IMF reduced its prognosis for global economic growth in 2009 from 3.9 percent to 3.0 percent on October 8, 2008, which would be the lowest growth for six years. It is now forecasting growth of a mere 0.1 percent in the US and 0.2 percent in the eurozone. The IMF slashed its economic forecast for a number of countries and regions. While the IMF expects the German economy to be flat in 2009 (0 percent growth, compared with its forecast of 1 percent growth in July), it anticipates that the UK, Spanish and Italian economies will contract. By contrast, experts forecast sound growth of 9.3 percent in China in 2009, and 6.3 percent in India. Many large industrial countries are either already in a recession or are on the verge of one. The IMF warned that in the face of the most dangerous financial crisis on established markets since the 1930s, the global economy is at the start of a considerable downturn. The IMF anticipates that global trade in goods and services will slow dramatically as a result of the crisis, and has forecast growth of around 4 percent for 2009 compared with the 7.2 percent recorded in 2007.

Whereas attention was focused on worries about inflation, primarily due to rising energy prices in recent quarters, the risks which could arise if the financial crisis spills over into the real economy now top the agenda. Although neither of the Dräger Group's two divisions are directly dependent on the development of the economy, it is possible that the effects of the financial crisis could impact our customers' investment decisions.

Future situation of the Company

As detailed in the "Risks to future development" section of this interim report, the Dräger Group is also exposed to risks from the current financial market crisis.

The financial crisis could also have an indirect effect on key customer groups, for example if public investment is more restrictive than in the past. This would impact customer groups such as public hospitals and fire services. For this reason, dampened order intake and net sales from these customers in both divisions cannot be ruled out.

Based on business performance in the first three quarters, we stand by our last forecast that in fiscal year 2008 we will achieve a stable EBIT before non-recurring expenses compared with the prior year. However, we cannot rule out negative impacts on our result due to the rapidly deteriorating economic environment. We will monitor developments in the coming weeks and review whether or not we can retain our forecast.

Non-recurring expenses are expected to come to EUR 25 million. These non-recurring expenses will contribute to particularly strong income growth mid and long-term.

The medical division could be impacted by the global financial crisis, which could heighten the already strained financing situation of public and private healthcare systems in many countries. Bearing this in mind, it is possible that demand will become shaped by even greater cost awareness. It is not possible to predict the long-term effects this crisis could have on expenditure in the healthcare industry. The German government's decision to provide hospitals with additional financial means in 2009 may lead to a brief recovery on the stagnating German market. Based on its performance in the first nine months of 2008, the medical division expects a stable EBIT before non-recurring expenses. As in prior years, seasonal fluctuation will lead to stronger order intake and net sales in the fourth quarter. However, if the financial market crisis has a negative effect on customer orders in the fourth quarter, we will not be able to fully offset the impact on earnings. We will monitor developments closely and review whether or not we can retain our forecast.

The division is powering ahead with the internal process improvements. The non-recurring expenses incurred in connection with restructuring have remained within budget. At the same time, the medical division has been successful in proving its innovative strength by continuously updating its portfolio through launches of new devices.

The safety division anticipates further consolidation in its markets in 2008 and 2009. The deteriorating macroeconomic environment together with the financial market crisis could lead to a reduction in investment by public bodies and industry in the medium term. However, the safety division operates on all relevant markets and boasts an up-to-date product range which suits market requirements as well as a promising product pipeline. Investment in the mining, oil and gas industries is planned long term. The buoyant demand we are experiencing in 2008 is expected to continue in the coming fiscal year. For the current fiscal year, the division confirms its expectations of a slight increase in net sales and stabilization of the EBIT margin before non-recurring expenses at around 10 percent following its excellent performance in 2007. However, if the financial market crisis has a negative effect on customer orders in the fourth quarter, we will not be able to fully offset the impact on earnings. We will monitor developments closely and review whether or not we can retain our forecast.

Interim financial statements of the Dräger Group as of September 30, 2008 (amended version)

CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

	Note	Q3 2008	Q3 2007	Q1–Q3 2008	Q1–Q3 2007
		€ million	€ million	€ million	€ million
Net sales	**6**	**443.9**	**416.1**	**1,307.4**	**1,253.5**
Cost of sales		(237.9)	(217.6)	(692.9)	(646.4)
Gross profit		**206.0**	**198.5**	**614.5**	**607.1**
Research and development costs		(32.7)	(29.3)	(93.0)	(89.3)
Marketing and selling expenses		(122.1)	(119.5)	(361.1)	(357.7)
General administrative expenses		(36.3)	(29.1)	(99.3)	(88.6)
Other operating income		1.1	1.1	3.6	3.9
Other operating expenses		(4.2)	(2.4)	(6.3)	(6.1)
Functional costs		**(194.2)**	**(179.2)**	**(556.1)**	**(537.8)**
		11.8	**19.3**	**58.4**	**69.3**
Profit from investments in associates		0.0	0.0	0.3	0.2
Other financial result		(0.8)	0.1	(0.1)	0.8
Financial result (before interest result)	**7**	**(0.8)**	**0.1**	**0.2**	**1.0**
EBIT		**11.0**	**19.4**	**58.6**	**70.3**
Interest result [2]	**7**	**(7.0)**	**(8.8)**	**(19.6)**	**(20.8)**
Earnings before income taxes [2]		**4.0**	**10.6**	**39.0**	**49.5**
Income taxes [2]	8	(1.3)	(4.0)	(13.0)	(18.8)
Net profit [2]		**2.7**	**6.6**	**26.0**	**30.7**

Net profit[2]		**2.7**	**6.6**	**26.0**	**30.7**
minority interests in net profit		1.4	1.7	6.9	6.7
share in net profit for participation certificates (without minimum dividend) [2]		1.1	1.1	4.0	3.3
net profit to be allotted to shareholders [2]		0.2	3.8	15.1	20.7
Earnings per share [1]					
per preferred share (in €) [2]		0.04	0.32	1.22	1.66
per common share (in €) [2]		0.02	0.30	1.17	1.61

[1] The dividend premium of EUR 0.06 on preferred shares is recognized pro rata on a quarterly basis.
[2] The values were adjusted. See Note 4.

CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP

	Notes		September 30, 2008	December 31, 2007
		€ million	€ million	€ million
Assets				
Intangible assets	9	216.5		223.7
Property, plant and equipment	9	260.3		240.6
Investments in associates		0.7		0.7
Other non-current financial assets	10	13.5		19.5
Non-current tax refund claims		1.3		1.2
Deferred tax assets		70.3		70.6
Other non-current assets	11	12.2		10.1
Non-current assets			**574.8**	**566.4**
Inventories	12	358.7		308.2
Trade receivables and receivables from construction contracts		478.5		550.0
Other current financial assets	13	17.8		16.1
Cash and cash equivalents		130.5		160.7
Current tax refund claims		21.2		14.3
Other current assets	14	54.4		21.8
Current assets			**1,061.1**	**1,071.1**
Total assets			**1,635.9**	**1,637.5**

	Notes		September 30, 2008	December 31, 2007
		€ million	€ million	€ million
Equity and liabilities				
Capital stock		32.5		32.5
Capital reserves		38.9		38.9
Retained earnings [1]		256.2		262.0
Participation capital [1]		56.1		56.1
Other comprehensive income		(31.3)		(30.0)
Group net earnings [1]		19.1		6.6
Minority interests		173.5		179.1
Equity [1]			**545.0**	**545.2**
Obligations from participation certificates [1]		27.4		26.6
Provisions for pensions and similar obligations		169.2		169.9
Other non-current provisions	15	29.3		28.8
Non-current interest-bearing loans	16	292.5		300.7
Other non-current financial liabilities	17	6.4		7.3
Deferred tax liabilities [1]		18.5		18.8
Other non-current liabilities		0.1		0.1
Non-current liabilities [1]			**543.4**	**552.2**
Other current provisions	15	173.5		148.9
Current loans and liabilities to banks	16	92.4		107.3
Trade payables		103.0		113.8
Other current financial liabilities [1]	18	62.1		63.2
Current tax liabilities		28.8		34.0
Other current liabilities	19	87.8		72.9
Current liabilities [1]			**547.6**	**540.1**
Total equity and liabilities			**1,635.9**	**1,637.5**

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE OF THE DRÄGER GROUP

	Q1–Q3 2008 € million	Q1–Q3 2007 € million
Change in the fair value of financial instruments recognized directly in equity and actuarial gains/losses including deferred taxes	(1.0)	0.0
Currency translation adjustment for foreign subsidiaries	(0.1)	(6.8)
Changes in value recognized directly in equity	**(1.1)**	**(6.8)**
Net profit [1]	26.0	30.7
Earnings after taxes and changes in value recognized directly in equity [1]	**24.9**	**23.9**
net profit to be allotted to shareholders [1]	13.8	15.3
minority interests	7.1	5.3
share in net profit for participation certificates (without minimum dividend, after taxes) [1]	4.0	3.3

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

CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP

	Q3 2008 € million	Q3 2007 € million	Q1–Q3 2008 € million	Q1–Q3 2007 € million
Operating activities				
Group net profit [1]	2.7	6.6	26.0	30.7
Depreciation/amortization of non-current assets	14.0	13.2	41.5	39.0
Increase (+)/decrease (–) in provisions	24.9	25.1	22.9	22.1
Other non-cash expenses (+)/income (–) [1]	(6.6)	12.1	5.6	19.2
Gain (–)/loss (+) on the disposal of non-current assets	0.3	0.0	0.3	0.0
Increase (–)/decrease (+) in inventories	(23.2)	(24.1)	(49.7)	(71.4)
Increase (–)/decrease (+) in trade receivables	27.6	38.0	79.0	108.6
Increase (–)/decrease (+) in other assets	(14.8)	(8.3)	(44.5)	(23.3)
Increase (+)/decrease (–) in trade payables	3.0	(16.4)	(11.3)	(23.9)
Increase (+)/decrease (–) in other liabilities [1]	9.5	12.7	7.1	6.8
Net cash provided by operating activities [1]	**37.4**	**58.9**	**76.9**	**107.8**
Investing activities				
Cash outflow for investments in intangible assets	(1.1)	(0.8)	(4.0)	(51.9)
Cash inflow from the disposal of intangible assets	0.0	0.0	0.4	0.2
Cash outflow for investments in property, plant and equipment	(15.7)	(15.7)	(52.0)	(51.5)
Cash inflow from disposals of property, plant and equipment	(0.3)	0.2	0.9	1.2
Cash outflow for investments in financial assets	(0.1)	(0.3)	(1.7)	(0.4)
Cash inflow from the disposal of financial assets	0.1	0.2	1.1	1.0
Net cash used in investing activities	**(17.1)**	**(16.4)**	**(55.3)**	**(101.4)**
Financing activities				
Distribution of dividends [1]	0.0	0.0	(13.8)	(13.8)
Net balance of bank loans raised (+)/redeemed (–) and other liabilities to banks	(4.3)	4.3	(25.6)	69.5
Net balance of finance lease liabilities incurred (+)/repaid (–)	(0.1)	(0.1)	(0.4)	(0.4)
Cash outflows (–) from capital decreases/ inflows (+) from capital increases	0.0	0.0	0.1	(63.3)
Profit distributed to minority interests	0.0	(0.6)	(12.6)	(24.7)
Net cash used in financing activities [1]	**(4.4)**	**3.6**	**(52.3)**	**(32.7)**
Change in cash and cash equivalents in the period under review	**15.9**	**46.1**	**(30.7)**	**(26.3)**
Effect of exchange rates on cash and cash equivalents	4.7	(3.4)	0.5	(5.8)
Cash and cash equivalents at the beginning of the reporting period	109.9	110.8	160.7	185.6
Cash and cash equivalents as of September 30 of the fiscal year	**130.5**	**153.5**	**130.5**	**153.5**

For further notes to the cash flow statement, please see Note 20.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

	Contributed capital			Earned equity			Minority interests	Equity
	Capital stock	Capital reserves	Partici-pation capital [1]	Retained earnings	Group net earnings	Other compre-hensive income		
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
January 1, 2007 [1]	**32.5**	**38.9**	**56.1**	**219.2**	**6.6**	**(27.9)**	**251.5**	**576.9**
Distributions [1]				(7.2)	(6.6)		(24.7)	(38.5)
Currency translation differences						(5.4)	(1.4)	(6.8)
Group net profit [1]					30.7			30.7
Minority interests in net profit					(6.7)		6.7	0.0
Buyback of 10 percent interest in Dräger Medical AG & Co. KG							(63.3)	(63.3)
Change in scope of consolidation/other [1]				1.5		(1.6)	2.0	1.9
September 30, 2007 [1]	**32.5**	**38.9**	**56.1**	**213.5**	**24.0**	**(34.9)**	**170.8**	**500.9**
January 1, 2008 [1]	**32.5**	**38.9**	**56.1**	**262.0**	**6.6**	**(30.0)**	**179.1**	**545.2**
Distributions [1]				(7.2)	(6.6)		(12.5)	(26.3)
Change in fair values and actuarial gains/losses including deferred taxes recognized directly in equity						(0.9)	(0.1)	(1.0)
Currency translation differences						(0.4)	0.3	(0.1)
Group net profit [1]					26.0			26.0
Minority interests in net profit					(6.9)		6.9	0.0
Change in scope of consolidation/other [1]				1.4			(0.2)	1.2
September 30, 2008 [1]	**32.5**	**38.9**	**56.1**	**256.2**	**19.1**	**(31.3)**	**173.5**	**545.0**

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

Notes of the Dräger Group as of September 30, 2008 (amended version)

1 Basis of preparation of the interim financial statements

As in 2006, Drägerwerk AG & Co. KGaA, Lübeck, prepared its Group financial statements for fiscal year 2007 in accordance with the International Financial Reporting Standards (IFRSs) promulgated by the International Accounting Standards Boards (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). Accordingly, in fiscal year 2008, the interim financial statements of the Dräger Group will also be prepared in accordance with IFRSs 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 Q3 report was not audited or reviewed by an auditor.

The Q3 report was prepared in euros. Unless stated otherwise, all figures are disclosed in millions of euros (EUR million); rounding differences may arise as a result.

2 Accounting policies

The same accounting principles as in the Group financial statements for 2007 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 annual report for 2007. The report may be downloaded on the internet at www.draeger.com.

In preparing the interim financial statements, use was made of the option 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.

Items of accrual and deferral were recognized where claims or obligations partially arose in the period under review.

3 Scope of consolidation and consolidation principles

There were no changes to the scope of consolidation compared to December 31, 2007 and the changes compared to September 30, 2007 were insignificant. The same consolidation principles as in the Group financial statements for 2007 were applied.

4 Changes to reporting methods for participation certificates

In order to comply with the new statutory provisions of IAS 32 on the classifications of equity and debt, Dräger evaluated its reporting methods for participation capital and decided they should be amended. To allow for an easier comparison, previous years' figures were adjusted accordingly. Earnings after income taxes for the first nine months of 2008 increased, going up to a net profit of EUR 26.0 million (Q1–Q3 2007: EUR 30.7 million) due to the interest result enhancing by EUR 4.7 million (Q1–Q3 2007: EUR 4.6 million) and the income taxes increasing by EUR 1.2 million (Q1–Q3 2007: EUR 1.7 million). The increase in equity attributable to participation certificates came to EUR 37.4 million as of September 30, 2008 (December 31, 2007: EUR 39.7 million).

Please refer to Note 3 in the notes to the 2007 annual report (page 102) for more information.

5 Segment report

BUSINESS PERFORMANCE OF THE SEGMENTS

		Medical	
		Q1–Q3 2008	Q1–Q3 2007
Order intake	**€ million**	**907.8**	**886.1**
Orders on hand	**€ million**	**280.4**	**261.1**
Net sales	**€ million**	**835.7**	**817.4**
thereof intersegment net sales	€ million	0.9	1.0
EBITDA before non-recurring expenses	**€ million**	**66.8**	**59.2**
Depreciation	€ million	18.4	17.4
EBIT before non-recurring expenses	**€ million**	**48.4**	**41.8**
Non-recurring expenses	€ million	9.3	–
EBIT	**€ million**	**39.1**	**41.8**
Net profit (Safety: before profit/loss transfer)	**€ million**	**27.2**	**27.5**
thereof profit/loss from investments in associates	€ million	–	–
Net profit after minority interests	€ million	–	–
Earnings per share			
per limited preferred share	€	–	–
per limited common share	€	–	–
R&D costs	**€ million**	**67.6**	**67.0**
Cash flow from operating activities	**€ million**	**89.5**	**111.5**
Capital employed	**€ million**	**619.8**	**592.8**
Assets	**€ million**	**913.7**	**847.4**
thereof investments in associates	€ million	–	–
Liabilities	**€ million**	**269.6**	**222.4**
Net financial debt	**€ million**	**(133.2)**	**(106.2)**
Investments	**€ million**	**76.2**	**15.9**
Non-cash expenses	€ million	68.0	64.6
EBIT before non-recurring expenses/net sales	**%**	**5.8**	**5.1**
EBIT before non-recurring expenses/capital employed	**%**	**7.8**	**7.1**
Gearing	**Factor**	**(0.2)**	**(0.2)**
Headcount as of September 30		**6,299**	**6,072**

Consolidation amounts essentially relate to the elimination of order intake and net sales between segments, the elimination of income from investments and, in the case of assets, capital consolidation effects.

The negative amount disclosed under investments in the consolidation column for fiscal year 2008 arises from the elimination of the new administration building from

Safety		Drägerwerk AG & Co. KGaA Other companies		Consolidation		Dräger Group	
Q1–Q3 2008	Q1–Q3 2007	Q1–Q3 2008	Q1–Q3 2007	Q1–Q3 2008	Q1–Q3 2007	Q1–Q3 2008	Q1–Q3 2007
509.2	542.6	9.8	5.6	(28.5)	(24.2)	1,398.3	1,410.1
223.4	188.3	–	–	(1.1)	(1.0)	502.7	448.4
490.5	456.2	9.8	5.6	(28.6)	(25.7)	1,307.4	1,253.5
21.0	20.5	6.7	4.1	(28.6)	(25.6)	–	–
60.4	57.4	49.2	58.7	(55.4)	(66.0)	121.0	109.3
16.6	15.6	6.5	6.0	–	0.0	41.5	39.0
43.8	41.8	42.7	52.7	(55.4)	(66.0)	79.5	70.3
6.5	–	3.2	–	1.9	–	20.9	–
37.3	41.8	39.5	52.7	(57.3)	(66.0)	58.6	70.3
25.7	27.8	22.1	35.5	(49.0)	(60.1)	26.0	30.7
–	–	0.2	0.2	–	–	0.2	0.2
–	–	–	–	–	–	19.1	24.0
–	–	–	–	–	–	1.22	1.66
–	–	–	–	–	–	1.17	1.61
23.6	21.3	1.8	1.0	–	–	93.0	89.3
36.3	23.8	6.2	37.1	(55.1)	(64.6)	76.9	107.8
224.9	232.8	686.4	666.2	(582.9)	(539.4)	948.2	952.4
370.3	360.4	728.4	716.0	(604.0)	(551.8)	1,408.4	1,372.0
0.5	0.5	0.2	0.3	–	–	0.7	0.8
136.7	122.4	38.7	41.2	(22.3)	(13.5)	422.7	372.5
52.9	64.2	362.1	351.2	0.0	(4.9)	281.8	304.3
18.3	17.2	14.5	23.8	(52.8)	46.7	56.2	103.6
35.5	38.9	13.8	18.1	–	–	117.3	121.6
8.9	9.2	–	–	–	–	6.1	5.6
19.5	18.0	–	–	–	–	8.4	7.4
0.3	0.4	–	–	–	–	0.5	0.6
4,119	3,872	378	304	–	–	10,796	10,248

Medical's assets due to a finance lease concluded with the real estate company MOLVINA, which is included in the Group financial statements.

In fiscal year 2007, investments in the consolidation column comprise goodwill of EUR 46.7 million from the acquisition of a 10 percent interest in Dräger Medical AG & Co. KG.

The key figures from the segment report are as follows:

EBIT / EBITDA

in € million	Q1–Q3 2008	Q1–Q3 2007
Net profit	26.0	30.7
+ Interest result	19.6	20.8
+ Income taxes	13.0	18.8
EBIT	**58.6**	**70.3**
+ Non-recurring expenses	20.9	0.0
EBIT before non-recurring expenses	**79.5**	**70.3**
+ Depreciation/amortization	41.5	39.0
EBITDA before non-recurring expenses	**121.0**	**109.3**

CAPITAL EMPLOYED

in € million	September 30, 2008	September 30, 2007
Total assets	1,635.9	1,630.5
– Deferred tax assets	(70.3)	(68.3)
– Current securities	0.0	(12.8)
– Cash and cash equivalents	(130.5)	(153.5)
– Non-interest-bearing liabilities	(486.9)	(443.5)
Capital employed	**948.2**	**952.4**

ASSETS

in € million	September 30, 2008	September 30, 2007
Total assets	1,635.9	1,630.5
– All other financial assets	(4.2)	(3.9)
– Deferred tax assets	(70.3)	(68.3)
– Tax refund claims (current and non-current)	(22.5)	(20.0)
– Current securities	0.0	(12.8)
– Cash and cash equivalents	(130.5)	(153.5)
Assets	**1,408.4**	**1,372.0**

LIABILITIES

in € million	September 30, 2008	September 30, 2007
Liabilities recognized in the balance sheet	1,091.0	1,129.6
– Provisions for pensions and similar obligations	(169.2)	(196.5)
– Tax liabilities, tax provisions, tax accruals and deferred tax liabilities	(82.9)	(98.5)
– Interest-bearing liabilities	(416.2)	(462.1)
Liabilities	**422.7**	**372.5**

NET FINANCIAL DEBT

in € million	September 30, 2008	September 30, 2007
Participation capital	27.4	26.3
+ Non-current interest-bearing loans	292.5	275.3
+ Current loans and liabilities to banks	92.4	156.2
– Cash and cash equivalents	(130.5)	(153.5)
Net financial debt	**281.8**	**304.3**

NON-CASH EXPENSES

in € million	Q1–Q3 2008	Q1–Q3 2007
Write-downs on inventories	14.8	14.2
+ Losses from bad debt allowances	4.3	4.5
+ Allocations to provisions	98.2	102.9
Non-cash expenses	**117.3**	**121.6**

Gearing is the ratio of net financial debt to equity. Tax accruals and deferrals during the year are taken into account in the capital employed, assets and liabilities items of the segment report.

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

6 Net sales

NET SALES

in € million	Q1–Q3 2008	Q1–Q3 2007
Medical	835.7	817.4
Safety	490.5	456.2
Drägerwerk AG & Co. KGaA/Other companies	9.8	11.3
Segment net sales	**1,336.0**	**1,284.9**
Intersegment net sales	(28.6)	(31.4)
Net sales	**1,307.4**	**1,253.5**

A breakdown of net sales by region is shown in the sections covering the performance of the Group and the medical and safety divisions.

7 Financial result

FINANCIAL RESULT

in € million	Q1–Q3 2008	Q1–Q3 2007
Financial result (before interest result)	**0.2**	**1.0**
Interest and similar income	5.1	5.2
Interest and similar expenses	(24.7)	(26.0)
Interest result	**(19.6)**	**(20.8)**

8 Income taxes

The income taxes for the first three quarters of 2008 were calculated on the basis of an anticipated Group tax rate of 38 percent.

9 Non-current assets (selected items)

NON-CURRENT ASSETS (SELECTED ITEMS)

in € million	Carrying value January 1, 2008	Additions	Disposals/ other changes	Depreciation/ amortization	Carrying value September 30, 2008
Intangible assets	223.7	3.8	(0.6)	10.4	216.5
Property, plant and equipment	240.6	52.4	(1.6)	31.1	260.3

EUR 10.6 million (Q1–Q3 2007: EUR 20.8 million) of additions to property, plant and equipment was for Medical's new administration building in Lübeck.

10 Other non-current financial assets

OTHER NON-CURRENT FINANCIAL ASSETS

in € million	September 30, 2008	December 31, 2007
Trade receivables	2.9	8.2
Finance lease receivables	3.2	5.6
Other loans	3.3	2.7
Positive fair values of derivatives	2.3	2.1
All other non-current financial assets	1.8	0.9
	13.5	**19.5**

11 Other non-current assets

OTHER NON-CURRENT ASSETS

in € million	September 30, 2008	December 31, 2007
Equipment leased out	4.1	3.7
All other non-current assets	8.1	6.4
	12.2	**10.1**

12 Inventories

INVENTORIES

in € million	September 30, 2008	December 31, 2007
Finished products and merchandise	182.1	151.4
Work in process	60.3	48.2
Raw materials, consumables and supplies	105.0	96.2
Prepayments made	11.3	12.4
	358.7	**308.2**

The increase in work in process and finished products and merchandise is chiefly connected to the rise in order volume.

13 Other current financial assets

OTHER CURRENT FINANCIAL ASSETS

in € million	September 30, 2008	December 31, 2007
Positive fair values of derivatives	3.1	4.9
Receivables from investment allowances	0.6	4.1
Notes receivable	7.1	2.6
Receivables from employees	2.7	2.3
Finance lease receivables	1.0	1.2
Receivables from associates	0.8	0.9
Other current financial assets	2.5	0.1
	17.8	**16.1**

Receivables from investment allowances for medical's new administration building in Lübeck were reduced by a further instalment of EUR 3.5 million by Investitionsbank Schleswig-Holstein in the second quarter of 2008.

As of September 30, 2008, notes receivable mainly relate to subsidiaries in Japan and Spain.

14 Other current assets

OTHER CURRENT ASSETS

in € million	September 30, 2008	December 31, 2007
Prepaid expenses and tax accruals	43.7	10.2
All other current assets	10.7	11.6
	54.4	**21.8**

The increase in prepaid expenses and tax accruals is largely attributable to interim cut-offs.

15 Other non-current and current provisions

Other non-current provisions as of September 30, 2008 mainly comprise provisions for personnel obligations of EUR 17.6 million (December 31, 2007: EUR 16.9 million).

Other current provisions as of September 30, 2008 also include monthly cut-offs and chiefly consist of tax provisions of EUR 35.6 million (December 31, 2007: EUR 26.7 million), provisions for personnel obligations of EUR 51.6 million (December 31, 2007: EUR 53.8 million) and warranty provisions of EUR 23.3 million (December 31, 2007: EUR 21.7 million).

16 Non-current interest-bearing loans/current loans and liabilities to banks

Non-current interest-bearing loans rose by EUR 21.4 million in comparison to December 31, 2007 due to a refinancing of medical's administration building in Lübeck. At the same time, non-current interest bearing loans decreased as a result of the reclassification of loans of EUR 29.6 million, due in the first quarter of 2009, from non-current to current.

17 Other non-current financial liabilities

OTHER NON-CURRENT FINANCIAL LIABILITIES

in € million	September 30, 2008	December 31, 2007
Finance lease liabilities (lessee)	1.4	2.7
Other liabilities to employees	3.2	4.6
All other non-current financial liabilities	1.8	0.0
	6.4	**7.3**

18 Other current financial liabilities

OTHER CURRENT FINANCIAL LIABILITIES

in € million	September 30, 2008	December 31, 2007
Other liabilities to employees and for social security	34.0	36.4
Distribution for participation capital	0.0	7.8
Finance lease liabilities	2.5	1.4
Negative fair values of derivatives	5.1	0.4
Other liabilities	20.5	17.2
	62.1	**63.2**

19 Other current liabilities

OTHER CURRENT LIABILITIES

in € million	September 30, 2008	December 31, 2007
Prepayments received	59.9	51.1
Deferred income	27.6	21.8
Other	0.3	0.0
	87.8	**72.9**

20 Notes to the cash flow statement

The consolidated cash flow statement is presented separately in this quarterly report before the notes to the financial statements.

The cash flows are broken down according to net cash provided by/used in operating activities (using the indirect method), investing activities and financing activities. Changes in the balance sheet items recognized in the cash flow statement are translated into euros net of currency effects and cannot, therefore, be reconciled with the published balance sheet figures.

Net cash provided by operating activities includes EUR 23.6 million (Q1–Q3 2007: EUR 13.0 million) in income taxes paid, EUR 4.6 million (Q1–Q3 2007: EUR 4.7 million) in interest received, and EUR 16.6 million (Q1–Q3 2007: EUR 14.3 million) in interest paid.

Cash and cash equivalents as of September 30, 2008 exclusively comprise cash, of which EUR 4.2 million (September 30, 2007: EUR 2.6 million) is subject to restrictions.

The changes in the cash flow statement are explained in the management report accompanying this quarterly report.

21 Contingent liabilities and other financial obligations

There were no significant changes in contingent liabilities and other financial obligations as of September 30, 2008 compared to those disclosed in the annual report for 2007.

22 Changes in the Supervisory Board

The annual general meeting of Drägerwerk AG & Co. KGaA on May 9, 2008 appointed the following six persons as members of the Supervisory Board representing the shareholders effective as of the close of the meeting:

- Senator Hon. Prof. Dr. h. c. mult. Nikolaus Schweickart, lawyer with his own law practice and former Chairman of the Executive Board of Altana AG, Bad Homburg, Germany
- Dr. Thorsten Grenz, self-employed management consultant, Strande, Germany
- Uwe Lüders, Chairman of the Executive Board of L. Possehl GmbH & Co., Lübeck, Germany
- Jürgen Peddinghaus, self-employed management consultant, Hamburg, Germany
- Dr. Klaus Rauscher, former Chairman of the Executive Board of Vattenfall Europe AG, Berlin, Germany
- Dr. Reinhard Zinkann, managing partner of Miele & Cie. KG, Gütersloh, Germany

The six Supervisory Board members representing the employees were elected on April 8, 2008 in accordance with the provisions of the German Codetermination Act ("Mitbestimmungsgesetz": MitbestG). The following persons were appointed as employee representatives to the Supervisory Board effective as of the close of the annual general meeting on May 9, 2008:

- Daniel Friedrich, District Secretary IG Metall Küste, Hamburg, Germany
- Siegfrid Kasang, Works Council Chairman of Dräger Medical AG & Co. KG, Lübeck, Germany; Group Works Council Chairman of the medical division; Group Works Council Chairman of Drägerwerk AG & Co. KGaA, Lübeck, Germany
- Bernd Mussmann, Works Council Vice-Chairman and Group Works Council Vice-Chairman of Dräger Safety AG & Co. KGaA, Lübeck, Germany
- Walter Neundorf, Senior Executive of Dräger Medical AG & Co. KG, Lübeck, Germany
- Thomas Rickers, 1st Delegate of IG Metall, Lübeck/Wismar, Lübeck, Germany
- Ulrike Tinnefeld, Technical Editor of Dräger Safety AG & Co. KGaA

At its constituent meeting on May 9, 2008, the newly appointed Supervisory Board elected Prof. Dr. Nikolaus Schweickart as Chairman.

23 Changes in the Executive Board

On March 17, 2008, the Supervisory Board of Drägerwerk Verwaltungs AG appointed three new members to the Executive Board effective as of April 1, 2008:

- Dr. Herbert Fehrecke, Production and Logistics
- Gert-Hartwig Lescow, CFO
- Dr. Dieter Pruss, Sales and Marketing, safety division

Prof. Dr. Albert Jugel and Hans-Oskar Sulzer resigned as members of the Executive Board as of March 31, 2008.

24 Related party transactions

Business was transacted in 2008 with the following related companies that are part of the widespread share portfolio of the Dräger family, including Executive Board member Stefan Dräger and Supervisory Board member (until May 9, 2008) Theo Dräger. Dräger GmbH, Dräger Objekt Finkenstraße GmbH & Co. KG and Dräger Objekt Lachswehrallee GmbH & Co. KG have leased various real properties to Drägerwerk AG & Co. KGaA which are located close to the latter's Moislinger Allee head office. Rental payments came to EUR 1,286 thousand in the first three quarters of 2008 (Q1–Q3 2007: EUR 1,259 thousand).

Services were rendered for companies and foundations related to the Dräger family for EUR 41 thousand (Q1–Q3 2007: EUR 33 thousand). In addition, Herbert Rehn GmbH generated net sales of EUR 1,411 thousand (Q1–Q3 2007: EUR 1,262 thousand) from glass products and assembly contracts. This resulted in receivables of EUR 201 thousand (September 30, 2007: EUR 147 thousand) from Dräger Group companies. Mrs. Claudia Dräger is an employee of Drägerwerk AG & Co. KGaA.

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

Lübeck, Germany, April 28, 2010

The general partner
Drägerwerk Verwaltungs AG
represented by its Executive Board

Stefan Dräger
Herbert Fehrecke
Gert-Hartwig Lescow
Dieter Pruss
Ulrich Thibaut

Forward-looking statements

This report contains forward-looking statements. The statements are based on the current expectations, presumptions, and forecasts of the Executive Board as well as the information available to it to date. The forward-looking statements do not provide any warranty for the future developments and results contained therein. Rather, the future developments and results are dependent on a number of factors; they entail various risks and uncertainties and are based on assumptions which could prove to be incorrect. We are under no obligation to update the forward-looking statements contained in this report.

FINANCIAL CALENDAR

Report as of September 30, 2008, conference call, Lübeck	November 6, 2008
Report as of March 31, 2009, conference call, Lübeck	May 6, 2009
Annual general meeting, Lübeck	May 8, 2009
Report as of June 30, 2009, conference call, Lübeck	August 6, 2009
Report as of September 30, 2009, conference call, Lübeck	November 5, 2009

Glossary

Anesthesia work stations
Systems for administering anesthetic gas including the related monitoring, alarm and protection equipment.

Arm's length principle
Principle used in tax law for business conducted as if between unrelated parties.

Audit Committee
Supervisory Board committee which deals with audit matters.

Black belt
Black belts are responsible for quality improvement; they take over project management tasks and are experts in applying various Six Sigma methods.

Capital employed
The interest-bearing capital used in a company. At Dräger, this is total assets less deferred tax assets, cash and cash equivalents, other interest-bearing assets, and non-interest-bearing liabilities.

Cash flow
Shows the change in cash and cash equivalents during a specific reporting period, and provides information on a company's financial strength.

Cash management
All measures taken as part of short-term financial management of cash investments with the aim of safeguarding liquidity and achieving the highest possible efficiency in payment transactions.

Change management
All tasks, measures and activities which are intended to bring about comprehensive, cross-departmental and substantial change within the company (e.g. the implementation of new strategies or structures).

Closed-circuit breathing apparatus
A closed-circuit breathing apparatus supplies the user with up to four hours of breathable air irrespective of the ambient atmosphere. It is particularly suitable for lengthy operations in toxic environments.

Corporate compliance
Corporate compliance is the adherence by a company, its bodies and employees to all legal obligations and prohibitions, corporate values and policies, and general morals and ethics.

Corporate governance
International parlance, meaning the responsible governance and control of a company with the sustained creation and addition of shareholder value in mind.

Currency option
Risks from exchange rate fluctuations can be hedged using a currency option. When purchasing a currency option, the buyer acquires the right, but not the obligation, to buy or sell a currency at a defined exchange rate on a defined date.

Declaration of conformity
Declaration by the Executive Board and Supervisory Board on the current and future extent of conformity with the German Corporate Governance Code.

Derivatives
Instruments whose value is mainly derived from a specified price as well as the price fluctuations and expectations of an underlying asset (e.g. shares, foreign currency, interest securities).

Directors' dealings
Director's dealings are securities transactions conducted by persons with management functions at a listed stock corporation in that corporation's own shares or in related financial instruments. According to Sec. 15a WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act), these persons, including those who are closely related to them, must report securities transactions of this kind immediately.

Dividends
Portion of net earnings distributed to shareholders.

EBIT
Abbreviation of "Earnings before interest and taxes". Earnings before net interest result and income taxes. Any earnings from discontinued operations are not included in this item.

EBITDA
Abbreviation of "Earnings before interest, taxes, depreciation and amortization". Earnings before net interest result, income taxes, depreciation, amortization and non-recurring expenses. Any earnings from discontinued operations are not included in this item.

EBIT margin
Figure used to evaluate the profitability of a company. The EBIT margin is given in percent and is the EBIT (if applicable, before non-recurring expenses) divided by net sales.

Emerging markets

Up-and-coming market, emerging economy “Second world” countries usually have an emerging market. This includes large countries such as Brazil, the People’s Republic of China and India, but also smaller countries in eastern Europe such as Bulgaria and Romania.

Environmental management system

An environmental management system is the part of a company’s management system which defines in a structured manner areas of responsibility, conduct, processes and provisions for the implementation of the corporate environmental policy.

Equity

A company’s net assets equal to the balance of assets and liabilities. Equity is made available by the owners on the foundation of a company and changes over time, mainly as a result of retained earnings.

Equity ratio

The equity ratio is the ratio of equity to total capital. The more equity a company has, the better its credit rating, the greater its financial stability and independence from external lenders.

Firefighting and rescue trains

Firefighting and rescue trains are firefighting, equipment and rescue containers mounted on railcars. They are used by the fire service in the event of fires in railroad tunnels to transport firefighters to the scene and evacuate people safely.

Forward exchange contract

Risks from exchange rate fluctuations can be hedged using a forward exchange contract. This is a binding agreement to exchange one currency for another currency on a date and at an exchange rate fixed when the contract is entered into.

Free float

Shares of a company which are traded freely on the stock exchange.

Gearing

Indicator of the debt co-efficient, i.e., the ratio of debt to equity financing. At Dräger, the gearing factor is the ratio of net financial debt to equity.

General partner

Partner of a limited partnership with full personal liability.

German Corporate Governance Code

The German Corporate Governance Code is an important piece of legislation governing the management and monitoring of German listed companies and contains nationally and internationally recognized standards for proper and responsible corporate governance. The purpose of the Code is to make the corporate governance system clearer and easier to understand and to foster the trust of investors, customers, employees and the public in the management and oversight of German stock corporations.

Goodwill

Goodwill is any excess of the cost of the acquisition in an asset deal over the fair value of the identifiable assets and liabilities acquired on the date of acquisition.

Green belt

Green belts participate in projects or lead smaller projects themselves, reporting to black belts. They are experts in applying various Six Sigma methods.

Gross margin

Gross profit as a percentage of net sales.

HGB

Abbreviation of “Handelsgesetzbuch” (German Commercial Code).

IFRSs

Abbreviation of “International Financial Reporting Standards”. Standards for the preparation of financial statements by companies. In the EU, the application of IFRSs for the Group financial statements of listed companies has been mandatory since 2005.

Income statement

The income statement is a comparison of expenses and income used to determine the earnings of a company. It is a mandatory element of the financial statements under HGB and IFRSs.

Incubator

Self-contained incubator for premature and sick babies which regulates the microclimate (including temperature, humidity, concentration of oxygen, light, noise level).

Interest rate caps

Interest rate caps are interest derivatives which offer an upper ceiling on the variable interest rate on underlying transactions.

Interest rate swaps

An interest rate swap is an agreement between two contractual parties to exchange different interest cash flows with each other. As an interest rate derivative, it can be used both to hedge interest rate risk and as a speculative investment which benefits from certain changes in interest rates.

Joint venture

In this instance, the term joint venture refers to the collaboration with Siemens in the Medical division, in which Siemens has a 25 percent stake via Dräger Medical Holding GmbH.

KonTraG

Abbreviation of “Gesetz zur Kontrolle und Transparenz im Unternehmensbereich” (German Act on Corporate Control and Transparency).

Limited common share

Limited shares are shares issued by a partnership limited by shares (KGaA). Common shares guarantee the shareholder rights defined in the German Stock Corporation Act, in particular the right to vote at the annual general meeting.

Limited preferred share

Limited shares are shares issued by a partnership limited by shares (KGaA). The preferred share grants the bearer preferences compared to a common share, which can involve a certain type of voting right (but not a majority voting right), the dividend claim or the distribution of liquidation assets. The Dräger preferred shares traded on the stock exchange are non-voting preferred shares with a cumulative preferential right to the distribution of profit. No more than half of the capital stock may be issued as non-voting preferred shares.

Market capitalization

Current stock market value of a company. The stock market value is calculated by multiplying the share price by the number of tradable shares. At Dräger, these are the limited preferred shares.

“Mark-to-market” valuation

The valuation of financial instruments at current market prices.

Monitoring

Displaying and monitoring patient data.

Net earnings

Net earnings (or accumulated loss) pursuant to Sec. 158 AktG (“Aktiengesetz”: German Stock Corporation Act) is the net profit/loss for the year plus/minus the following items:

+/– Profit brought forward from the prior year
+ Transfers from the capital reserves
+/– Transfers from/to reserves retained from earnings

Net financial debt

Interest-bearing debt (e.g. participation capital, loans, other liabilities to banks) less cash and cash equivalents and interest-bearing assets.

Net profit

The net profit is the positive result of a fiscal year disclosed in the income statement.

Net profit margin

The net profit margin is the ratio of net profit to net sales. It is the percentage share of net sales left over as profit for a company.

Net working capital

Current, non-interest-bearing assets less current non-interest-bearing debt.

Outsourcing

Subcontracting company services or functions to specialized service providers.

Participation certificate

Participation certificates are a type of investment somewhere between a share and a bond. They entitle the bearer to redeem the nominal amount and usually also grant a share in net profits or liquidation proceeds. Voting and other rights granted to shareholders, however, are excluded. The profit participation of these certificates usually exceeds the return on fixed-interest securities. Participation capital is subordinate to all other company creditors. Consequently, in the event of liquidation all of the company’s other creditors are satisfied first. Under HGB, participation certificates are recognized in equity; under IFRSs, they are disclosed in debt.

Partnership limited by shares

A partnership limited by shares (“Kommanditgesellschaft auf Aktien”: KGaA) is a form of corporation of which at least one partner (general partner), which can also be a legal entity such as a stock corporation, is fully liable. The remaining partners (limited shareholders) have an interest in the capital stock, which is divided into shares, and are only liable up to the amount of their investment. The company is managed and represented by the general partner.

Percentage of completion

Percentage of completion is the method according to IFRSs of accounting for long-term construction contracts specifically negotiated for the construction of individual assets or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. Net sales and profits from construction contracts are recognized by reference to the stage of completion.

Premium
Premium is a markup on the nominal value of a security and is generally quoted in percent.

Retained earnings
Retained earnings are undistributed profits recognized in the current or a prior fiscal year which are disclosed in equity.

R&D
Abbreviation for “Research and development”.

REACH
Abbreviation of “Registration, evaluation, authorization and restriction of chemicals”. EU regulation.

Resource allocation
The allocation of scarce resources (e.g. commodities, energy, cash) to various uses.

Risk management
Systematic approach to identifying and evaluating potential risks and selecting and implementing steps to address such risks.

ROCE
Abbreviation of “Return on capital employed”. The figure shows how effectively and profitably a company employs its capital. It is the ratio of EBIT before non-recurring expenses to capital employed.

RoHS
Abbreviation of “Restriction of the use of certain hazardous substances in electrical and electronic equipment”. EC directive.

Shared services
Centralized service processes within a company. Similar processes from different areas of a company are pooled and provided by a centralized department.

Six Sigma
Method to increase productivity by consistently reducing the error rate of processes, products and services. Six Sigma improvement projects are carried out by specially trained employees. Their level of training and their management function correspond with the belt colors of Japanese martial arts.

Supply chain management
Process-oriented, effective and efficient management of the supply chain. The aim is to optimize the procurement, production and supply of products and services to the customer.

TecDAX
Leading stock index for the technology sector, which reflects the value growth of the 30 largest technology stocks, in terms of trading volume and market capitalization, on the Prime Standard of the Frankfurt Stock Exchange.

Warming therapy
Support for premature babies in regulating their body temperature provided by radiant warmers, heated mattresses or incubator.

Xetra
Electronic trading platform operated by Deutsche Börse AG for shares, exchange-traded funds and subscription rights.

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