

Quarterly Report  
January 1 to September 30, 2009  
Dräger Group  
(revised version)



## THE DRÄGER GROUP AT A GLANCE

		Nine months 2006	Nine months 2007	Nine months 2008	Nine months 2009	Change on 2008 in %
Order intake	€ million	1,365.6	1,410.1	1,398.3	1,414.5	+1.2
Orders on hand	€ million	401.3	448.4	502.7	463.0	-7.9
Net sales	€ million	1,219.5	1,253.5	1,307.4	1,348.3	+3.1
EBITDA <sup>1</sup>	€ million	111.5	109.3	121.0	73.5	-39.3
EBIT						
before non-recurring expenses <sup>2</sup>	€ million	75.0	70.3	79.5	28.4	-64.3
in % of net sales (EBIT margin)	%	6.2	5.6	6.1	2.1	
Non-recurring expenses	€ million	0.0	0.0	20.9	0.0	-100.0
EBIT <sup>2</sup>	€ million	75.0	70.3	58.6	28.4	-51.5
Net profit	€ million	32.9	30.7	26.0	4.8	-81.6
Minority interests in net profit	€ million	12.1	6.7	6.9	2.9	-58.0
Earnings per share after minority interests						
per preferred share <sup>3</sup>	€	1.42	1.66	1.22	0.01	-99.2
per common share <sup>3</sup>	€	1.37	1.61	1.17	-0.04	-103.4
Equity	€ million	533.0	500.9	545.0	542.3	-0.5
Equity ratio	%	33.9	30.7	33.3	31.0	
Capital employed <sup>4</sup>	€ million	941.9	952.2	948.1	864.2	-8.8
EBIT before non-recurring expenses/ capital employed (ROCE)	%	8.0	7.4	8.4	3.3	
Net financial debt	€ million	263.8	304.3	281.8	202.5	-28.2
Headcount as of June 30		9.897	10.248	10.796	10.924	+1.2

<sup>1</sup> EBITDA = Earnings before net interest result, income taxes, depreciation, amortization and non-recurring expenses

<sup>2</sup> EBIT = Earnings before net interest result and income taxes

<sup>3</sup> Conversion to a partnership limited by shares on December 14, 2007

<sup>4</sup> Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities

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## Letter from the Executive Board Chairman

Dear Shareholders,

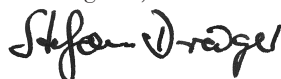
In the third quarter, we have made excellent progress in striking a balance between all aspects of value-driven corporate management and sustainably increasing the value of the Company for our customers, employees, shareholders and the public. Our turnaround program is about more than just cost-cutting measures, it also focuses on enhancing revenue and improving processes.

In the third quarter of 2009, operating cash flow recorded outstanding development compared to the prior year with increased net cash of almost EUR 50 million. However, EBIT before non-recurring expenses does not yet completely reflect the full positive effects of our turnaround program due to the corresponding implementation costs and impacts from the valuation of manufacturing orders in the safety division. It is vital that we implement the necessary structural adjustments with our sights firmly fixed on the long-term effects. The extremely positive development of order intake in the third quarter of 2009 gives us great momentum – this key figure has increased by 9.5 percent (net of currency effects) year-on-year. On the back of the currently high capacity utilization and progress we have already made in enhancing productivity, we have reversed our plans to cancel the Christmas bonus and vacation pay. The significant improvement in operating cash flow and high liquidity now allow us to forego these short-term measures. After all, we are not looking to achieve a one-off effect but are instead dedicated to making our capacity and especially our costs more flexible in the long term, allowing us to react better to fluctuations in demand. That will be our focus in the upcoming negotiations with the works council and unions.

We are certain that our sustainable strategy will lead to constant growth in the Company's value – for our customers, employees, shareholders and the public. Companies that succeed in being among the best in all aspects of value-driven business are consistently in the lead when it comes to competing for customers, capital and talent.

And that is where we are aiming for!

Best regards,



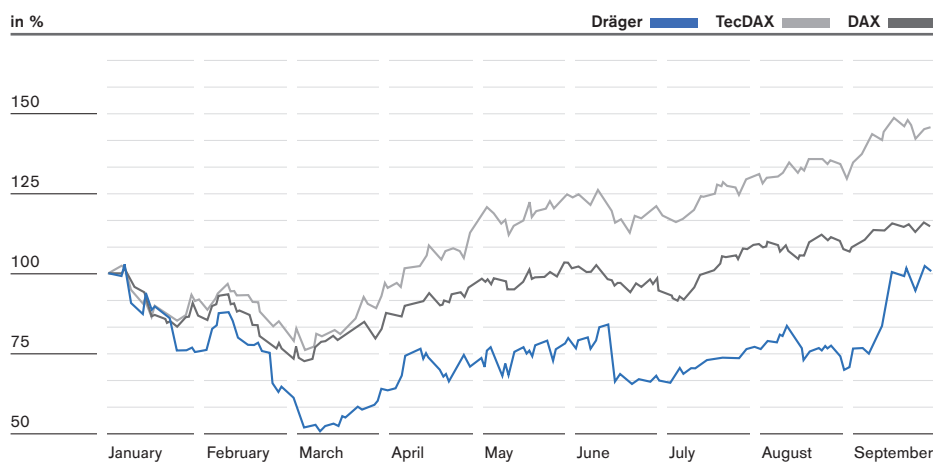
Stefan Dräger

## The Dräger share

### SHARE PRICE

In the third quarter 2009, the Dräger share recorded markedly positive development, increasing 47 percent from EUR 17.79 (June 30, 2009) to EUR 26.20 (September 30, 2009). However, in the first nine months of 2009 the Dräger share developed weaker than the market in general. Although the share price on September 30, 2009 was at the same level as at the beginning of the year (+0 percent), it was unable to keep pace with the development of the DAX (+14 percent) and the TecDAX (+44 percent).

### DRÄGER GROUP SHARE PRICE PERFORMANCE 2009 (VERSUS TECDAX + DAX)



On the first trading day of the year, the Dräger share opened at EUR 26.08 and had reached EUR 26.78 by January 6, 2009, its highest mark during the first nine months of 2009. On February 19, 2009, Dräger published an ad hoc release outlining the possible buy-back of the 25 percent stake in Dräger Medical AG & Co. KG. At this point, the share had a price of EUR 20.69. On the back of reporting the preliminary figures for 2008 on February 24, 2009, the share price fell further to EUR 17.54. Although the stock markets recovered somewhat in March, the Dräger share was unable to latch on to this development and recorded its low for the first nine months on March 11, 2009 with EUR 13.28. On March 19, 2009, the day the final figures for 2008 were published, the share was trading at EUR 14.86. Up to the publication of the report for the first quarter on May 6 and the annual shareholders' meeting on May 8, 2009, the price rose to around EUR 20 with volatile

**DRÄGER SHARE INDICATORS**

		Six months 2006	Six months 2007	Six months 2008	Six months 2009
<b>Share figures</b>					
No. of shares	No.	12,700,000	12,700,000	12,700,000	12,700,000
thereof common shares	No.	6,350,000	6,350,000	6,350,000	6,350,000
thereof preferred shares	No.	6,350,000	6,350,000	6,350,000	6,350,000
Free-floating preferred shares	%	100	100	100	100
<b>Trading figures</b>					
Average daily trading volume	No.	30,049	38,334	30,503	31,559
High	€	58.00	73.80	50.63	26.78
Low	€	44.25	54.10	34.26	13.28
Share price as of September 30	€	46.70	64.50	37.95	26.20
Market capitalization	€	593,090,000	819,150,000	481,965,000	332,740,000
<b>Earnings figures as of the reporting date</b>					
Earnings per preferred share	€	1.42	1.66	1.22	0.01
Earnings per common share	€	1.37	1.61	1.17	-0.04
Cash flow (from operating activities) per share	€	0.35	8.49	6.06	10.27
Equity per share	€	41.97	39.44	42.91	42.70
Price-to-book ratio		1.1	1.6	0.9	0.6

overall development. Due to the rollout of the turnaround program on June 15, 2009, and the renewed downturn in market development, the Dräger share price initially then fell to EUR 17.59, but recovered to EUR 20.40 with the publication of the half-yearly financial report on August 6, 2009. The Dräger share closed the nine month period at EUR 26.20, after particularly upbeat share price development in September.

# Management report of the Dräger Group for the first three quarters of 2009 (revised version)

## General economic conditions

The pace of the economic downturn in the eurozone slowed considerably in the second quarter of 2009. On October 7, 2009, Eurostat published its second estimate of the year which calculates that the real gross domestic product (GDP) of the eurozone contracted by 0.2 percent in the second quarter compared to the prior quarter.

The ifo Institute anticipates GDP growth of 0.4 percent for the third quarter. It also estimated that industrial production grew for the first time this year, up slightly by 0.1 percent. According to the economic barometer of the German Institute for Economic Research, the recession in Germany ended in the third quarter of 2009 with economic growth of 0.7 percent. However, due to the massive slump in the prior quarters, domestic economic performance is now on a par with the level of ten years ago. While GDP in the USA contracted by 0.7 percent in the second quarter – and therefore less strongly than anticipated by the Bureau of Economic Analysis – Japanese GDP recorded growth of 0.6 percent compared to the prior quarter. In the second quarter in Germany, capacity utilization in manufacturing industries was at 69.9 percent, mechanical engineering at 69 percent in July according to VDMA information, while order intake between May and July 2009 was down 46 percent year-on-year.

## MONETARY POLICY

The interest rate for main refinancing operations has remained unchanged at 1.0 percent since May 13, 2009. The interest rate for the marginal lending facility remained at 1.75 percent; the interest rate for the deposit facility remained unchanged at 0.25 percent.

## EXCHANGE RATE

After stabilizing during the summer of 2009, the euro's nominal effective exchange rate crystallized in September, particularly due to the single currency gaining ground against the pound sterling and the US dollar. At the same time, exchange rates became less volatile in comparison to a number of other currencies. In the past three months, the euro increased against the US dollar, a currency which is vitally important to Dräger. On September 30, 2009, the euro was up by around 4 percent against the end of June and was worth USD 1.4652.

## TURNAROUND PROGRAM

In June 2009, Dräger began implementing the turnaround program, which was adopted on June 15. In the third quarter, savings of EUR 18.2 million from the turnaround program were able to more than offset earnings impacts from exchange rates, shifts in the product mix and deep-sea diving projects. Implementation costs amounting to EUR 14.8 million were incurred for measures that will mostly affect earnings from 2010 onwards. Therefore EBIT before non-recurring expenses in the third quarter of 2009 was down EUR 7.3 million on the figure from the third quarter of 2008. After taking 2008's non-recurring expenses of EUR 9.6 million into account, EBIT was up EUR 2.3 million year-on-year.

Thanks to improved order and net sales development in the second and third quarters, Dräger is foregoing the planned non-recurring employee contribution totaling EUR 10 million in 2009. The Company is therefore expecting savings of around EUR 50 million for 2009, EUR 35 million of which are set to be lasting savings for the future. In 2009, implementation costs of an estimated EUR 25 million will be incurred, which will also pave the way for lasting savings in years to come. In addition, the Executive Board is currently negotiating with the works council and union in an effort to achieve ongoing flexibility of capacity and costs.

Set off against implementation expenses of EUR 18.3 million, the savings effects of EUR 32.3 million achieved by the end of September are not large enough to have a significantly positive impact on the level of income generated in the first nine months. Up to now, turnaround savings measures have focused on procurement, travel and telecommunications costs, marketing and sales as well as logistics. The product development process is to increase the proportion of net sales generated from new products by improving efficiency and adherence to delivery dates while still maintaining a constant budget. It is expected that this will in turn increase the gross margin. In 2009, Dräger will launch 13 new products in the medical division and 16 in the safety division. Production is continuing its program PRIME (Production Improvement for Excellence), which focuses on improving production processes together with employees. This is in turn aimed at enhancing efficiency, cutting costs, reducing through-put times and space requirements as well as improving quality. In addition, Dräger is currently conducting a global review of its production sites and processes based on internal and external benchmarks. This could result in site closures internationally.

Expenses in the first nine months for the turnaround program totaling EUR 18.3 million break down as follows: cost of sales (EUR 4.4 million), research and development costs (EUR 5.7 million), marketing and sales expenses (EUR 3.4 million) and administrative expenses (EUR 4.8 million). The majority of the 400 total measures should show their full impact in 2010. As of 2011, a positive effect of EUR 100 million per year will be realized (measured against the net sales, cost structure and exchange rates in 2008).

#### **WAIVER OF DIVIDENDS**

At the 2009 annual shareholders' meeting, majority shareholder Stefan Dräger waived his indirect entitlement to dividends. Stefan Dräger paid back the dividends of EUR 581,492 in the third quarter of 2009. Capital reserves have increased accordingly.

#### **AMENDMENT TO SUPERVISORY BOARD REMUNERATION FOR 2008**

The Supervisory Board resolved to forego making a decision on a variable remuneration component for the fiscal year 2008. Remuneration of the Supervisory Board for fiscal year 2008 therefore amounts to EUR 224,267.50 instead of EUR 310,360 as disclosed in the 2008 annual report.

#### **SITUATION OF THE MEDICAL TECHNOLOGY INDUSTRY**

The effects of the global economic crisis are still evident in the market development of the medical division, although the downward trend slowed slightly in the third quarter of 2009. This was partially offset by stimulus measures in individual countries as well as investments in ventilation devices for treating patients suffering from swine flu. However, demand remains weak in the US market. In contrast, Asia and parts of Europe including Germany were able to sustain the upbeat market development of recent months.

There are still signs of the market trend towards a shift in demand from devices towards services and consumables.

#### **SITUATION OF THE SAFETY TECHNOLOGY INDUSTRY**

In the fiscal year to date, global demand on the safety technology market has been dominated by the current economic crisis. A stable flow of government orders is contrasted by a considerable drop in industrial orders. In addition, the development of orders in some industries has been particularly negative, including the steel, automotive and supplier industries as well as the mechanical engineering sector. Government investment programs are able to partly balance out this effect. Due to the shift in demand affecting the product portfolio, net profit margins are also falling throughout the industry in the current fiscal year.



## BUSINESS PERFORMANCE OF THE DRÄGER GROUP

		Third quarter			Nine months		
		Third quarter 2009	Third quarter 2008	Change in %	Nine months 2009	Nine months 2008	Change in %
<b>Order intake</b>	€ million	481.7	443.8	+8.5	1,414.5	1,398.3	+1.2
<b>Orders on hand <sup>1</sup></b>	€ million	463.0	502.7	-7.9	463.0	502.7	-7.9
<b>Net sales</b>	€ million	454.4	443.9	+2.4	1,348.3	1,307.4	+3.1
<b>EBITDA <sup>2</sup></b>	€ million	27.5	34.6	-20.5	73.5	121.0	-39.3
Depreciation/amortization <sup>3</sup>	€ million	14.2	14.0	+1.4	45.1	41.5	+8.7
<b>EBIT <sup>4</sup> before non-recurring expenses</b>	€ million	13.3	20.6	-35.4	28.4	79.5	-64.3
Non-recurring expenses	€ million	0.0	9.6		0.0	20.9	
<b>EBIT <sup>4</sup></b>	€ million	13.3	11.0	+20.9	28.4	58.6	-51.5
<b>Net profit</b>	€ million	3.5	2.7	+29.6	4.8	26.0	-81.6
<b>Earnings per share</b>							
per preferred share	€	0.14	0.04	+250.0	0.01	1.22	-99.2
per common share	€	0.12	0.02	+500.0	-0.04	1.17	-108.4
<b>R&amp;D costs</b>	€ million	36.6	34.5 *	+6.1	111.8	98.3 *	+13.7
<b>Equity ratio <sup>1</sup></b>	%	31.0	33.3		31.0	33.3	
<b>Cash flow from operating activities</b>	€ million	86.2	37.4	+130.5	130.4	76.9	+69.5
<b>Net financial debt <sup>1</sup></b>	€ million	202.5	281.9	-28.2	202.5	281.9	-28.2
<b>Investments</b>	€ million	10.6	17.0	-37.6	33.9	56.2	-39.7
<b>Capital employed <sup>1, 5</sup></b>	€ million	864.2	948.1	-8.9	864.7	948.2	-8.9
<b>Net working capital <sup>1, 6</sup></b>	€ million	409.2	478.0	-14.4	409.2	478.0	-14.4
<b>EBIT before non-recurring expenses/net sales</b>	%	2.9	4.6		2.1	6.1	
<b>EBIT before non-recurring expenses/capital employed</b>	%	1.5	2.2		3.3	8.4	
<b>Gearing <sup>7</sup></b>	Factor	0.4	0.5		0.4	0.5	
<b>Total headcount <sup>1</sup></b>		10,924	10,796	+1.2	10,924	10,796	+1.2

<sup>1</sup> Value as of September 30

<sup>2</sup> EBITDA = Earnings before net interest result, income taxes, depreciation, amortization and non-recurring expenses

<sup>3</sup> Depreciation and amortization excluding non-recurring expenses

<sup>4</sup> EBIT = Earnings before net interest result and income taxes

<sup>5</sup> Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities

<sup>6</sup> Net working capital = Current, non-interest-bearing assets less current, non-interest-bearing debt

<sup>7</sup> Gearing = Net financial debt/equity

\* Due to restructuring in the medical division, some cost centers were assigned to other functional areas. The prior-year figures were adjusted to improve comparability.

## The Dräger Group's business performance in the first three quarters of 2009

### ORDER INTAKE

in € million	Third quarter				Nine months			
	Third quarter 2009	Third quarter 2008	Change in %	Net of currency effects in %	Nine months 2009	Nine months 2008	Change in %	Net of currency effects in %
Germany	107.0	94.6	+13.1	+13.1	310.6	297.7	+4.3	+4.3
Rest of Europe	191.2	181.9	+5.1	+9.0	549.8	570.4	-3.6	0.0
Americas	85.5	85.9	-0.5	0.0	251.3	275.1	-8.7	-10.9
Asia/Pacific	64.2	51.5	+24.7	+18.0	193.6	156.8	+23.5	+15.1
Other	33.8	29.9	+13.0	+13.0	109.2	98.3	+11.1	+10.1
<b>Total</b>	<b>481.7</b>	<b>443.8</b>	<b>+8.5</b>	<b>+9.5</b>	<b>1,414.5</b>	<b>1,398.3</b>	<b>+1.2</b>	<b>+1.2</b>

As a result of the positive increase in order intake in the third quarter of 2009 (net of currency effects: 9.5 percent) compared to the prior year, order intake in the first nine months of 2009 rose by 1.2 percent. Germany and Asia/Pacific generated the majority of these orders. While order intake in the medical division was up 2.1 percent net of currency effects in the first nine months, order intake in the safety division was down 0.3 percent net of currency effects.

### ORDERS ON HAND

in € million	September 30, 2009	September 30, 2008	Change in %	Net of currency effects in %
Germany	90.0	90.9	-1.0	-1.0
Rest of Europe	215.0	234.8	-8.4	-6.3
Americas	56.9	102.1	-44.3	-41.6
Asia/Pacific	60.5	48.7	+24.2	+21.6
Other	40.6	26.2	+55.0	+55.3
<b>Total</b>	<b>463.0</b>	<b>502.7</b>	<b>-7.9</b>	<b>-6.6</b>

The equipment orders on hand cover a 2.7 month period – almost equaling the prior year level (September 30, 2008: 2.8 months\*).

\* The allocation of orders on hand was adjusted due to the reorganization of the medical division.

## NET SALES

in € million	Third quarter				Nine months			
	Third quarter 2009	Third quarter 2008	Change in %	Net of currency effects in %	Nine months 2009	Nine months 2008	Change in %	Net of currency effects in %
Germany	92.8	97.7	-5.0	-5.0	281.4	282.3	-0.3	-0.3
Rest of Europe	178.7	189.9	-5.9	-3.0	528.5	553.1	-4.4	-1.1
Americas	87.9	76.9	+14.3	+15.5	261.5	230.6	+13.4	+10.4
Asia/Pacific	59.8	45.7	+30.9	+26.8	175.7	150.0	+17.1	+10.0
Other	35.2	33.7	+4.5	+3.3	101.2	91.4	+10.7	+9.5
<b>Total</b>	<b>454.4</b>	<b>443.9</b>	<b>+2.4</b>	<b>+3.3</b>	<b>1,348.3</b>	<b>1,307.4</b>	<b>+3.1</b>	<b>+3.1</b>

Stable development in the third quarter of 2009 helped net sales increase by 3.1 percent in the first nine months of 2009 compared with the same period in the prior year. As in the second quarter of 2009, the dynamic growth of the medical division, particularly in the Asia/Pacific and Americas regions, was the driving force behind the Group's net sales growth.

## EARNINGS

In the first nine months of 2009, the gross margin of 43.7 percent was down on the prior year level (9 months 2008: 46.7 percent). This was largely due to currency effects and shifts in the product mix. In addition, the cost of sales increased within the single-digit million range due to the valuation of manufacturing contracts as part of production progress on the three deep-sea diving systems on the order books of the safety division.

Research and development costs increased slightly to 8.3 percent of net sales (9 months 2008: 7.5 percent\*). The average exchange rate of the US dollar was up by around 7 percent in 2009, and this was one of the main reasons for this increase. Currency effects of EUR 2.9 million were generated by the medical division, as it carries out significant research and development in the US. The increase (net of currency effects) was due to the scheduled continuation of projects dedicated to freshening up the product portfolio.

In the first nine months of fiscal year 2009, general administrative expenses rose year-on-year by EUR 11.8 million excluding the non-recurring expenses of EUR 19.0 million in fiscal year 2008. This is mainly attributable to increased headcount, a rise in purchased IT services, higher consulting fees for projects as well as implementation costs of the turnaround program totaling EUR 4.8 million.

Due to the cancellation of a development project in the medical division, an impairment loss of EUR 1.9 million was charged on trademarks and patent rights. Of this amount, EUR 1.3 million is attributable to sales and marketing and EUR 0.6 million to

\* Due to restructuring in the medical division, some cost centers were assigned to other functional areas. The prior-year figures were adjusted to improve comparability.

research and development. In the third quarter, savings from the turnaround program of EUR 18.2 million were able to more than offset negative effects on earnings from currency translations, shifts in the product mix and deep-sea diving projects. Implementation costs of EUR 14.8 million were incurred for measures that will mainly improve earnings from 2010 onward. Therefore EBIT before non-recurring expenses for the third quarter of 2009 was down EUR 7.3 million on EBIT before non-recurring expenses for the third quarter in 2008. After taking non-recurring expenses of EUR 9.6 million in 2008 into account, EBIT was up EUR 2.3 million year-on-year.

In the nine-month period, it was not possible to offset the negative effects: EBIT before non-recurring expenses was down 64.3 percent to EUR 28.4 million compared with the prior year (9 months 2008: EUR 79.5 million). As a result, EBIT margin before non-recurring expenses came in at 2.1 percent (9 months 2008: 6.1 percent).

Exchange gains from non-operating financial assets and liabilities improved the financial result by EUR 1.7 million year-on-year.

#### INVESTMENTS

In the first nine months of 2009, Dräger invested EUR 5.7 million (9 months 2008: EUR 3.8 million) in intangible assets and EUR 28.2 million (9 months 2008: EUR 52.4 million) in property, plant and equipment. In the prior-year period, the high figures were attributable to the medical division's new administration building in Lübeck: From the prior year's investments, EUR 10.6 million were spent on construction work and EUR 10.6 million on interior fittings and operating equipment. Depreciation and amortization amounted to EUR 45.1 million, including impairment losses of EUR 1.9 million (see page 20), and covered investments in full (9 months 2008: 73.8 percent).

#### CASH FLOW STATEMENT

Measures to improve working capital have had a very positive effect in the third quarter of 2009. Net cash provided by operating activities in the first nine months of 2009 was up EUR 53.5 million year-on-year – the third quarter alone contributed EUR 48.8 million to this figure. This is due to intensive inventories management. In the third quarter of 2009, inventories decreased by EUR 6.7 million, while in the third quarter of 2008 they increased by EUR 23.1 million. In addition, Dräger reduced the amount of receivables by EUR 32.0 million in the third quarter (third quarter 2008: EUR -27.6 million).

Net cash used in investing activities decreased from EUR 55.3 million to EUR 31.2 million year-on-year.

Compared with the prior year, net cash provided by financing activities was up by a total of EUR 124.6 million to EUR 72.3 million despite the repayment of a note loan amounting to EUR 25.0 million, as new note loans totaling a nominal amount of EUR 140.0 million were taken out.

Net cash provided by operating activities included EUR 16.4 million (9 months 2008: EUR 23.6 million) in income taxes paid, EUR 3.1 million (9 months 2008: EUR 4.6 million) in interest received, and EUR 14.8 million (9 months 2008: EUR 16.6 million) in interest paid.

Cash and cash equivalents as of September 30, 2009 exclusively comprised cash, of which EUR 8.7 million (September 30, 2008: EUR 4.2 million) was subject to restrictions.

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.

## Financial management

### BORROWING

During the financial crisis, the Company is monitoring the credit ratings of the main banks it works with in an effort to identify potential financing risks and take appropriate action. The credit facilities available to Dräger remained unchanged in the period under review.

At the end of September, Drägerwerk AG & Co. KGaA entered into an investment loan agreement with a total volume of EUR 50 million. Up to the reporting date, this loan had not yet been used. If untaken, the offer expires on August 25, 2010. The interest rate is fixed at 5.95 percent until September 30, 2012. After this date, the interest rate until March 30, 2017 will be renegotiated.

### NET ASSETS

Equity decreased by 2.1 percent to EUR 542.3 million in the first nine months of 2009 mainly as a result of distributions to shareholders of Drägerwerk AG & Co. KGaA, participation certificates holders and minority interests amounting to EUR 19.4 million, which were only partly offset by the net profit of EUR 4.8 million. Also due to the EUR 93.9 million increase in total assets compared with December 31, 2008, the equity ratio fell to 31.0 percent (December 31, 2008: 33.5 percent).

The increase in total assets is mainly attributable to the note loans raised for a nominal total of EUR 140.0 million, which led to a rise in non-current interest-bearing loans. EUR 115.5 million of these note loans was invested in a three-month time deposit with various banks, therefore increasing cash.



## BUSINESS PERFORMANCE OF THE MEDICAL DIVISION

		Third quarter			Nine months		
		Third quarter 2009	Third quarter 2008	Change in %	Nine months 2009	Nine months 2008	Change in %
Order intake	€ million	323.0	284.8	+13.4	928.4	907.8	+2.3
Orders on hand <sup>1</sup>	€ million	278.2	280.4	-0.8	278.2	280.4	-0.8
Net sales	€ million	293.6	284.5	+3.2	871.7	835.7	+4.3
<b>EBITDA <sup>2</sup></b>	<b>€ million</b>	<b>15.3</b>	<b>18.5</b>	<b>-17.3</b>	<b>41.6 ***</b>	<b>66.8</b>	<b>-37.7</b>
Depreciation/amortization <sup>3</sup>	€ million	6.3	6.1	+3.3	21.5 ***	18.4	+16.8
<b>EBIT <sup>4</sup> before non-recurring expenses</b>	<b>€ million</b>	<b>9.0</b>	<b>12.4</b>	<b>-27.4</b>	<b>20.1</b>	<b>48.4</b>	<b>-58.5</b>
Non-recurring expenses	€ million	0.0	6.7		0.0	9.3	
<b>EBIT <sup>4</sup></b>	<b>€ million</b>	<b>9.0</b>	<b>5.7</b>	<b>+57.9</b>	<b>20.1</b>	<b>39.1</b>	<b>-48.6</b>
<b>Net profit</b>	<b>€ million</b>	<b>5.3</b>	<b>3.7</b>	<b>+43.2</b>	<b>12.9</b>	<b>27.2</b>	<b>-52.6</b>
R&D costs	€ million	27.1	25.1 *	+8.0	83.0	72.9 *	+13.9
Cash flow from operating activities	€ million	58.4	33.9	+72.3	114.8	89.5	+28.3
Net financial debt <sup>1</sup>	€ million	-192.8	-133.2	+44.7	-192.8	-133.2	+44.7
Investments	€ million	4.9	8.6	-43.0	15.2	76.2	-80.1
Capital employed <sup>1, 5</sup>	€ million	597.0	663.5 **	-10.0	597.0	663.5 **	-10.0
Net working capital <sup>1, 6</sup>	€ million	278.3	338.9	-17.9	278.3	338.9	-17.9
EBIT before non-recurring expenses/net sales	%	3.1	4.4		2.3	5.8	
EBIT before non-recurring expenses/capital employed	%	1.5	1.9 **		3.4	7.3 **	
Gearing <sup>7</sup>	Factor	-0.3	-0.2		-0.3	-0.2	
<b>Total headcount <sup>1</sup></b>		<b>6,214</b>	<b>6,299</b>	<b>-1.3</b>	<b>6,214</b>	<b>6,299</b>	<b>-1.3</b>

<sup>1</sup> Value as of September 30

<sup>2</sup> EBITDA = Earnings before net interest result, income taxes, depreciation, amortization and non-recurring expenses

<sup>3</sup> Depreciation and amortization excluding non-recurring expenses

<sup>4</sup> EBIT = Earnings before net interest result and income taxes

<sup>5</sup> Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities

<sup>6</sup> Net working capital = Current, non-interest-bearing assets less current, non-interest-bearing debt

<sup>7</sup> Gearing = Net financial debt/equity

\* Due to restructuring in the medical division, some cost centers were assigned to other functional areas. The prior-year figures were adjusted to improve comparability.

\*\* The goodwill from the acquisition of the 10 percent share in Dräger Medical AG & Co. KG from Siemens in 2007 is recognized in the medical segment. The prior-year figures were adjusted accordingly.

\*\*\* The figure was adjusted as of June 30, 2009.

## Business performance of the medical division

### PRODUCTS LAUNCHED/NEW MARKETS TAPPED

Numerous innovations reinforced the medical division's product portfolio in the third quarter of 2009. One example is the new surgical light ›Polaris‹, which stands out in its field thanks to its user-friendliness and high energy-efficiency. The system's LED technology optimally illuminates the operating table, making it as shadow-free as possible as well as providing natural colors, brightly lit and in full depth. In the neonatal care field, the new incubator ›Isolette 8000‹ gives medical professionals even more thermoregulation options with features like the continual monitoring of both the central and peripheral temperature with measuring points on the sole of the foot for example. On top of that, the device is easy to clean and straightforward to operate. The range of accessories and consumables was also extended in the third quarter.

### ORDER INTAKE

	Third quarter				Nine months			
	Third quarter 2009	Third quarter 2008	Change in %	Net of currency effects in %	Nine months 2009	Nine months 2008	Change in %	Net of currency effects in %
in € million								
Germany	71.6	63.8	+12.2	+12.2	208.0	194.0	+7.2	+7.2
Rest of Europe	124.2	114.5	+8.5	+12.8	347.6	357.3	-2.7	+1.1
Americas	60.9	59.1	+3.0	+4.5	172.7	196.9	-12.3	-13.7
Asia/Pacific	43.1	28.2	+52.8	+42.8	125.8	91.3	+37.8	+25.7
Other	23.2	19.2	+20.8	+20.8	74.3	68.3	+8.8	+7.3
<b>Total</b>	<b>323.0</b>	<b>284.8</b>	<b>+13.4</b>	<b>+14.5</b>	<b>928.4</b>	<b>907.8</b>	<b>+2.3</b>	<b>+2.1</b>

Thanks to strong order intake in the third quarter of 2009 (net of currency effects: +14.5 percent), the medical division was able to more than balance out the shortfall from the first six months of the year. Overall, order intake in the first nine months (net of currency effects) was up 2.1 percent compared with the first nine months of 2008. In terms of products, order intake increased, particularly in ventilation, as more orders were received in connection with the outbreak of swine flu. In addition, upbeat growth was also recorded in the units service, accessories and consumables, and architectural systems.

The positive order intake in Germany in the third quarter 2009 (12.2 percent up on prior year) is in part attributable to an order for equipping the operating theatres and ICU of a Berlin hospital, the positive development in architectural systems and technical device management.

The rest of Europe region also recorded strong order intake in the third quarter of 2009, which is partially due to the large orders placed in Great Britain, Norway, France and Spain in connection with swine flu.

In the first nine months of 2009, order intake was extremely weak in the Americas region. The main factors behind this were the prior year's major order from Latin America, and a sharp drop of 27.9 percent in orders in the US (net of currency effects). Thanks to large orders in Mexico and a recovery of business in Brazil, the region achieved growth of 4.5 percent (net of currency effects) in the third quarter of 2009 in spite of the weak US market. As a result, the order shortfall from the first quarter of 2009 was reduced further.

In the third quarter of 2009 the particularly high order entry in Japan contributed to growth in the Asia/Pacific region, as part of the usual orders for end of year business were brought forward. The excellent market developments and sales in China were sustained. In Australia, Dräger benefitted from several orders in connection with the swine flu.

Growth in the other countries region was primarily driven by orders for ceiling supply units from a distribution partner, orders from various product areas in Kazakhstan and an order for the neonatal care unit of an Egyptian hospital in the third quarter of 2009.

#### ORDERS ON HAND

in € million	September 30, 2009	September 30, 2008	Change in %	Net of currency effects in %
Germany	57.4	57.2	+0.3	+0.3
Rest of Europe	110.4	103.6	+6.6	+9.4
Americas	43.4	79.2	-45.2	-42.4
Asia/Pacific	42.5	23.2	+83.2	+78.0
Other	24.5	17.2	+42.4	+43.0
<b>Total</b>	<b>278.2</b>	<b>280.4</b>	<b>-0.8</b>	<b>+0.6</b>

As of September 30, 2009, orders on hand (net of currency effects) were up 0.6 percent against the prior-year period. The increase in the Asia/Pacific region was able to offset the weak Americas business. Equipment orders on hand cover a 3.0 month period (September 30, 2008: 2.6 months)\*.

\* The allocation of orders on hand was adjusted due to the reorganization of the medical division.

## NET SALES

in € million	Third quarter				Nine months			
	Third quarter 2009	Third quarter 2008	Change in %	Net of currency effects in %	Nine months 2009	Nine months 2008	Change in %	Net of currency effects in %
Germany	62.0	63.9	-3.0	-3.0	191.0	184.8	+3.4	+3.4
Rest of Europe	109.5	118.7	-7.8	-4.5	320.5	333.5	-3.9	-0.3
Americas	59.9	51.9	+15.4	+17.2	177.2	163.5	+8.4	+6.2
Asia/Pacific	35.9	25.6	+40.2	+34.6	108.2	88.8	+21.8	+11.9
Other	26.3	24.4	+7.8	+6.7	74.8	65.1	+14.9	+13.3
<b>Total</b>	<b>293.6</b>	<b>284.5</b>	<b>+3.2</b>	<b>+4.3</b>	<b>871.7</b>	<b>835.7</b>	<b>+4.3</b>	<b>+4.1</b>

The medical division increased net sales by 4.3 percent in the third quarter of 2009 (net of currency effects). With this, net sales for the first nine months (net of currency effects) were up 4.1 percent year-on-year. The units service, accessories and consumables as well as architectural systems were the driving force behind this development. Net sales in Monitoring also continued their upbeat development.

Significant for positive growth in net sales in the Americas region were the net sales from the aforementioned major order from a customer in Latin America as well as the invoicing of monitoring projects for Brazilian customers, as this offset the continuing weak US business. Despite the decline in net sales in the first quarter 2009, this resulted in net sales growth in the nine month period of 6.2 percent (net of currency effects).

In the third quarter, the Asia/Pacific region was the major driver behind net sales, similar to order intake.

Net sales in the other countries region continued their upbeat development in the third quarter. Here, the medical division billed the ceiling supply units mentioned in order intake as well as a major order from Uzbekistan for anesthesia devices among others.

## EARNINGS

The gross margin in the first three quarters of 2009 was below the prior-year figure, primarily due to currency effects.

Increased functional costs also impacted earnings. Research and development expenditure rose 13.9 percent compared with the same period in 2008 (net of currency effects: 9.6 percent). The negative impact of currency effects on functional costs is due to the strong US dollar, which has had an average exchange rate around 7 percent higher in 2009. This is particularly important as approximately 35 percent of research and development costs are incurred in the US.

Expenses amounting to EUR 18.3 million were incurred in the first nine months of 2009 for cost-cutting measures as part of the turnaround program. As the medical division decided to stop pursuing a development project due to the changed market environment, the division carried out an impairment on trademark and patent rights totaling EUR 1.9 million. This decision came as part of the research and development process, in which future cash in-flows anticipated from a project are constantly compared and evaluated against the associated costs.

For these reasons, the medical division's EBIT before non-recurring expenses declined by 58.5 percent to EUR 20.1 million. The EBIT margin before non-recurring expenses came to 2.3 percent, substantially lower than in the prior year (9 months 2008: 5.8 percent).

#### **INVESTMENTS**

The medical division invested EUR 15.2 million in intangible assets and property, plant and equipment in the first nine months of 2009 (9 months 2008: EUR 76.2 million). While the construction of an administration building in Lübeck and a building for sales and production in China caused investments to increase in the prior year, investments this year mainly related to replacements. Due to these investments in new buildings as well as impairment losses on trademark and patent rights amounting to EUR 1.9 million, depreciation/amortization was up 16.8 percent compared to the same period in 2008. Depreciation and amortization amounted to EUR 21.5 million in the first nine months of 2009 and covered the investments in full (9 months 2008: 24.1 percent due to the new buildings).

#### **NET ASSETS**

As of September 30, 2009, measures from the turnaround program significantly reduced the amount of capital employed by EUR 66.5 million to EUR 597.0 million (September 30, 2008: EUR 663.5 million). A lower level of receivables and inventories played a major role in this reduction.



## BUSINESS PERFORMANCE OF THE SAFETY DIVISION

		Third quarter			Nine months		
		Third quarter 2009	Third quarter 2008	Change in %	Nine months 2009	Nine months 2008	Change in %
Order intake	€ million	166.1	166.0	+0.1	506.0	509.2	-0.6
Orders on hand <sup>1</sup>	€ million	186.3	223.4	-16.6	186.3	223.4	-16.6
Net sales	€ million	167.7	166.1	+1.0	496.4	490.5	+1.2
<b>EBITDA <sup>2</sup></b>	<b>€ million</b>	<b>15.4</b>	<b>19.9</b>	<b>-22.6</b>	<b>44.4</b>	<b>60.4</b>	<b>-26.5</b>
Depreciation/amortization <sup>3</sup>	€ million	5.3	5.6	-5.4	16.3	16.6	-1.8
<b>EBIT <sup>4</sup> before non-recurring expenses</b>	<b>€ million</b>	<b>10.1</b>	<b>14.3</b>	<b>-29.4</b>	<b>28.1</b>	<b>43.8</b>	<b>-35.8</b>
Non-recurring expenses	€ million	0.0	0.9		0.0	6.5	
<b>EBIT <sup>4</sup></b>	<b>€ million</b>	<b>10.1</b>	<b>13.4</b>	<b>-24.6</b>	<b>28.1</b>	<b>37.3</b>	<b>-24.7</b>
<b>Net profit (before profit/loss transfer)</b>	<b>€ million</b>	<b>6.7</b>	<b>9.4</b>	<b>-28.7</b>	<b>18.1</b>	<b>25.7</b>	<b>-29.6</b>
R&D costs	€ million	9.1	8.1	+12.3	27.5	23.6	+16.5
Cash flow from operating activities	€ million	33.1	15.5	+113.5	42.7	36.3	+17.6
Net financial debt <sup>1</sup>	€ million	41.6	52.9	-21.4	41.6	52.9	-21.4
Investments	€ million	3.5	6.6	-47.0	12.9	18.3	-29.5
Capital employed <sup>1, 5</sup>	€ million	215.8	224.9	-4.0	215.8	224.9	-4.0
Net working capital <sup>1, 6</sup>	€ million	139.0	143.7	-3.3	139.0	143.7	-3.3
EBIT before non-recurring expenses/net sales	%	6.0	8.6		5.7	8.9	
EBIT before non-recurring expenses/capital employed	%	4.7	6.4		13.0	19.5	
Gearing <sup>7</sup>	Factor	0.3	0.3		0.3	0.3	
<b>Total headcount <sup>1</sup></b>		<b>4,285</b>	<b>4,119</b>	<b>+4.0</b>	<b>4,285</b>	<b>4,119</b>	<b>+4.0</b>

<sup>1</sup> Value as of September 30<sup>2</sup> EBITDA = Earnings before net interest result, income taxes, depreciation, amortization and non-recurring expenses<sup>3</sup> Depreciation and amortization excluding non-recurring expenses<sup>4</sup> EBIT = Earnings before net interest result and income taxes<sup>5</sup> Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities<sup>6</sup> Net working capital = Current, non-interest-bearing assets less current, non-interest-bearing debt<sup>7</sup> Gearing = Net financial debt/equity

## Business performance of the safety division

### PRODUCTS LAUNCHED/NEW MARKETS TAPPED

In shutdown and rental business, the newly launched ›Dräger Rental Robot‹ automates issuing and returning safety equipment. The device holds equipment ready for customers around the clock, allowing registered users – in person – to take respiratory protection masks or portable gas detection devices without the need for rental personnel. It also allows users to return the equipment after use. In addition, automatically generated trend analyses allow long-term and cost effective material procurement planning.

### ORDER INTAKE

in € million	Third quarter				Nine months			
	Third quarter 2009	Third quarter 2008	Change in %	Net of currency effects in %	Nine months 2009	Nine months 2008	Change in %	Net of currency effects in %
Germany	42.8	37.8	+13.2	+13.2	122.5	122.4	+0.1	+0.1
Rest of Europe	67.0	67.4	-0.6	+2.5	202.2	213.1	-5.1	-1.7
Americas	24.6	26.8	-8.2	-9.7	78.6	78.2	+0.5	-4.1
Asia/Pacific	21.1	23.3	-9.4	-12.0	67.8	65.5	+3.5	+0.3
Other	10.6	10.7	-0.9	-0.9	34.9	30.0	+16.3	+16.3
<b>Total</b>	<b>166.1</b>	<b>166.0</b>	<b>+0.1</b>	<b>0.7</b>	<b>506.0</b>	<b>509.2</b>	<b>-0.6</b>	<b>-0.3</b>

After a slightly negative first half, order intake in the third quarter of 2009 was up 0.7 percent (net of currency effects) compared to the prior year. Therefore, order intake in the safety division by the end of the first nine months was roughly on a par with the prior year (net of currency effects). After six months, the division's order intake was almost 1 percent down on the prior year level.

The Germany region also remained around the prior year level after the nine month period. Extremely buoyant development among fire services together with the improved order situation in the third quarter of 2009 offset the lack of order intake from sectors particularly hard hit by the economic crisis (this includes the chemical, steel production and automotive industries). Leipzig Airport ordered an aircraft fire simulator for the airport fire service.

In the rest of Europe region, Dräger's breathalyzer systems and breathing apparatus for fire services were again well received by the market. In the third quarter of 2009, the Company received an order from the French Gendarmerie Nationale to deliver in excess of 9,000 breathalyzers, while the oil and gas industry in Great Britain ordered large volumes of stationary gas detection devices.

The upbeat development in the USA and Latin America was largely thanks to business with the electronic vehicle immobilizer ›Dräger Interlock XT‹, an order for breathalyzers in Brazil as well as orders for well established gas detection devices from utility companies (electricity and gas) and the petrochemicals industry. However positive development in the Americas region was not quite able to match the orders received from the Canadian Navy and a Mexican oil group in the region in the prior year.

In the Asia/Pacific region, Dräger received orders from the Indonesian oil and gas industry for stationary gas detection devices. Meanwhile, the Indian coal mining industry came in with an order for a large amount of ›Dräger Oxy SR IS‹ respiratory protection devices.

A significant portion of the increase in the other countries region in the third quarter of 2009 was due to an order received from a petrochemical company in Oman for adding mobile compressed air stations to a pressure-reduced supply system the company had already ordered.

#### ORDERS ON HAND

in € million	September 30, 2009	September 30, 2008	Change in %	Net of currency effects in %
Germany	34.1	34.8	-2.0	-2.0
Rest of Europe	104.6	131.2	-20.3	-18.8
Americas	13.5	22.9	-41.0	-38.9
Asia/Pacific	18.0	25.5	-29.4	-29.8
Other	16.1	9.0	+78.9	+78.9
<b>Total</b>	<b>186.3</b>	<b>223.4</b>	<b>-16.6</b>	<b>-15.5</b>

Orders on hand fell significantly despite stable order intake. This was mainly due to the disclosure of services relating to deep-sea diving systems as net sales from production orders in line with IAS 11.

The figure for the rest of Europe includes orders of approximately EUR 58.0 million (prior year: EUR 73.8 million) for deep-sea diving systems in the orders on hand for 2009.

The decrease in orders on hand in the Americas region largely relates to the aforementioned delivery for projects in Canada, Mexico, Brazil and the USA. The increase in the other countries region includes the aforementioned contracts from Oman. Equipment orders on hand cover a 2.4 month period (September 30, 2008: 3.1 months).

## NET SALES

in € million	Third quarter				Nine months			
	Third quarter 2009	Third quarter 2008	Change in %	Net of currency effects in %	Nine months 2009	Nine months 2008	Change in %	Net of currency effects in %
Germany	37.7	40.5	-6.9	-6.9	110.2	116.3	-5.2	-5.2
Rest of Europe	69.2	71.2	-2.8	-0.6	208.0	219.6	-5.3	-2.4
Americas	28.0	25.0	+12.0	+12.0	84.3	67.1	+25.6	+20.6
Asia/Pacific	23.9	20.1	+18.9	+16.9	67.5	61.2	+10.3	+7.2
Other	8.9	9.3	-4.3	-5.4	26.4	26.3	+0.4	0.0
<b>Total</b>	<b>167.7</b>	<b>166.1</b>	<b>+1.0</b>	<b>+1.6</b>	<b>496.4</b>	<b>490.5</b>	<b>+1.2</b>	<b>+1.4</b>

In the third quarter 2009, the safety division achieved net sales growth of 1.6 percent (net of currency effects) and was therefore up 1.4 percent (net of currency effects) on the prior year after nine months.

Despite the improved order intake situation, net sales in Germany remained below the prior-year level due to a lack of orders from sectors hit particularly hard by the financial and economic crisis as well as fiercer competition. Breathing apparatus for fire services, portable single and multi-gas detection devices and stationary gas monitoring systems continued to be key drivers of net sales.

The negative year-on-year performance in the rest of Europe region, despite the strong core business, was broadly attributable to the fact that a deep-sea diving project was invoiced in the second quarter of 2008. In Slovenia, Dräger delivered and invoiced a mobile hyperbaric chamber system with special features for treating patients at their bedside. In the Netherlands, Dräger successfully completed a shutdown project for the petrochemicals industry. The Company continued to deliver significant volumes of the new ›Dräger PSS 7000‹ self-contained breathing apparatus and ›Dräger Sentinel 7000‹ electronic module in the Americas region. As far as supplies of the ›Dräger Interlock XT‹ electronic immobilizer are concerned, the North American market continued to perform well. The New York State Police were supplied with significant volumes of the new ›Dräger Alcotest 9510‹, while the vast majority of orders for breathalyzers from Brazil were billed by the Company in the first nine months of 2009.

With solid core and project business, the safety division slightly expanded its market position in the Asia/Pacific region. Dräger delivered monitoring systems to the petrochemical and semi-conductor industries in this region. In Australia, customers were supplied with breathalyzers, while breathing apparatus was supplied in large quantities in China.

In the other countries region, Dräger successfully supplied stationary gas detection products and systems to the oil and gas industry in Oman and the United Arab Emirates.

Despite the economic crisis, business in South Africa is only slightly behind that of the prior year.

#### **EARNINGS**

Shifts in the product mix and competition again led to a lower gross margin. In addition, further negative effects came from the valuation of construction contracts as a result of the stage of completion of the three deep-sea diving systems included in orders on hand. This pushed down the margin of the safety division by more than two percentage points.

As planned, research and development costs rose 16.5 percent to EUR 27.5 million year-on-year. Before non-recurring expenses, marketing, sales and administrative expenses stabilized at the same level as in the prior year. As a result, the safety division achieved EBIT before non-recurring expenses of EUR 28.1 million in the first nine months of 2009, down 35.8 percent compared to the prior year. The EBIT margin before non-recurring expenses totaled 5.7 percent (9 months 2008: 8.9 percent).

#### **INVESTMENTS**

As planned, the safety division invested EUR 12.9 million in intangible assets and property, plant and equipment (9 months 2008: EUR 18.3 million). Depreciation and amortization of EUR 16.3 million covered the investment volume in full (9 months 2008: 90.7 percent).

#### **NET ASSETS**

The safety division's assets, equity and liabilities are in line with the 2008 financial statements. As expected, the capital employed fell by 4.0 percent due to lower receivables, coming in at EUR 215.8 million at the end of the third quarter of 2009 (September 30, 2008: EUR 224.9 million).



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

		Third quarter			Nine months		
		Third quarter 2009	Third quarter 2008	Change in %	Nine months 2009	Nine months 2008	Change in %
Order intake Germany	€ million	3.9	2.9	+34.5	12.2	9.8	+24.5
Orders on hand Germany <sup>1</sup>	€ million			+0.0			+0.0
Net sales Germany	€ million	3.9	2.9	+34.5	12.2	9.8	+24.5
<b>EBITDA <sup>2</sup></b>	<b>€ million</b>	<b>5.2</b>	<b>3.4</b>	<b>+52.9</b>	<b>32.2</b>	<b>49.2</b>	<b>-34.6</b>
Depreciation/amortization <sup>3</sup>	€ million	2.5	2.3	+8.7	7.3	6.5	+12.3
<b>EBIT <sup>4</sup> before non-recurring expenses</b>	<b>€ million</b>	<b>2.7</b>	<b>1.1</b>	<b>+145.5</b>	<b>24.9</b>	<b>42.7</b>	<b>-41.7</b>
Non-recurring expenses	€ million	0.0	0.7		0.0	3.2	
<b>EBIT <sup>4</sup></b>	<b>€ million</b>	<b>2.7</b>	<b>0.4</b>	<b>+575.0</b>	<b>24.9</b>	<b>39.5</b>	<b>-37.0</b>
<b>Net profit</b>	<b>€ million</b>	<b>-2.9</b>	<b>-6.3</b>	<b>-54.0</b>	<b>8.6</b>	<b>22.1</b>	<b>-61.1</b>
<b>R&amp;D costs</b>	<b>€ million</b>	<b>0.4</b>	<b>1.3</b>	<b>-69.2</b>	<b>1.3</b>	<b>1.8</b>	<b>-27.8</b>
<b>Cash flow from operating activities</b>	<b>€ million</b>	<b>5.5</b>	<b>-3.6</b>		<b>21.9</b>	<b>-39.3*</b>	
<b>Net financial debt <sup>1</sup></b>	<b>€ million</b>	<b>353.7</b>	<b>362.1</b>	<b>-2.3</b>	<b>353.7</b>	<b>362.15</b>	<b>-2.3</b>
<b>Investments</b>	<b>€ million</b>	<b>2.2</b>	<b>1.8</b>	<b>+22.2</b>	<b>6.0</b>	<b>14.5</b>	<b>-58.6</b>
<b>Capital employed <sup>1, 5</sup></b>	<b>€ million</b>	<b>672.8</b>	<b>686.4</b>	<b>-2.0</b>	<b>672.8</b>	<b>686.4</b>	<b>-2.0</b>
<b>Net working capital <sup>1, 6</sup></b>	<b>€ million</b>	<b>-18.6</b>	<b>-15.3</b>	<b>+20.8</b>	<b>-18.6</b>	<b>-15.3</b>	<b>+21.6</b>
<b>Total headcount <sup>1</sup></b>		<b>425</b>	<b>378</b>	<b>+12.4</b>	<b>425</b>	<b>378</b>	<b>+12.4</b>

<sup>1</sup> Value as of September 30

<sup>2</sup> EBITDA = Earnings before net interest result, income taxes, depreciation, amortization and non-recurring expenses

<sup>3</sup> Depreciation and amortization excluding non-recurring expenses

<sup>4</sup> EBIT = Earnings before net interest result and income taxes

<sup>5</sup> Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest-bearing liabilities

<sup>6</sup> Net working capital = Current, non-interest-bearing assets less current, non-interest-bearing debt

\* Net cash provided by operating activities in connection with the rental of the medical division's new buildings is reported as part of the Drägerwerk AG & Co. KGaA/ other companies segment. The prior-year figure was adjusted by EUR 45.5 million accordingly.

## Drägerwerk AG & Co. KGaA/other companies

### EARNINGS OF DRÄGERWERK AG & CO. KGAA/OTHER COMPANIES

As discussed in the 2008 annual report, Drägerwerk AG & Co. KGaA provides services to the divisions and their subsidiaries.

EBIT before non-recurring expenses of EUR 24.9 million (9 months 2008: EUR 42.7 million) is the product of the operating results of the companies grouped here and investments totaling EUR 45.1 million (9 months 2008: EUR 57.6 million). This figure contained the distribution by Dräger Medical AG & Co. KG to Dräger Medical Holding GmbH for fiscal year 2008 of EUR 32.1 million (9 months 2008: EUR 34.4 million for fiscal year 2007). The distribution is dependent on the medical division's earnings. The result excluding investment income was negative as Drägerwerk AG & Co. KGaA mainly performs group functions.

### INVESTMENTS

In the first nine months of 2009, investments in intangible assets and property, plant and equipment amounted to EUR 6.0 million (9 months 2008: EUR 14.5 million), of which EUR 10.6 million was attributable to the new administration building of the medical division in Lübeck in the prior year.

## Reconciliation of figures at group level

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

## Research and development

Research and development (R&D) costs in Dräger Group came to EUR 111.8 million (9 months 2008: EUR 98.3 million\*). This is equivalent to 8.3 percent of net sales (9 months 2008: 7.5 percent\*). Dräger recorded the most significant increase in research and development costs in the medical division. At EUR 83.0 million (9 months 2008: EUR 72.9 million), this figure increased to 9.5 percent of net sales (9 months 2008: 8.7 percent\*). This was mainly due to the planned higher research and development costs and also the around 7 percent higher average rate of the US dollar in 2009. The safety division spent EUR 27.5 million on R&D, which corresponds to 5.5 percent of net sales (9 months 2008: EUR 23.6 million, 4.8 percent of net sales). In the third quarter in

\* Due to restructuring in the medical division, some cost centers were assigned to other functional areas. The prior-year figures were adjusted to improve comparability.

2009, as in the prior reporting periods, product development activities focused on the production of further components for the Infinity Acute Care System.

### PATENTS

Dräger Group filed a total of 76 new patent applications to German and international patent offices in the first nine months of 2009.

## Personnel

### PERSONNEL EXPENSES

in € thousand	Nine months 2009	Nine months 2008
Wages and salaries	421,776	395,960
Social security taxes and related employee benefits	70,607	64,656
Pension expenses	10,208	9,746
	<b>502,591</b>	<b>470,362</b>

In the period under review, personnel expenses increased due to measures from the turn-around program, the rise in the number of employees in the second half of 2008, the collective agreement signed in Germany and the around 7 percent stronger average rate of the US dollar in 2009. Personnel expenses include the remuneration of Executive Board members of the general partner, Drägerwerk Verwaltungs AG, Lübeck.

### HEADCOUNT AS OF THE BALANCE SHEET DATE

	September 30, 2009	December 31, 2008	September 30, 2008
Medical division	6,214	6,326	6,299
Safety division	4,285	4,194	4,119
Drägerwerk AG & Co. KGaA and other companies	425	389	378
<b>Dräger Group total</b>	<b>10,924</b>	<b>10,909</b>	<b>10,796</b>
Germany	4,821	4,817	4,739
Other countries	6,103	6,092	6,057
Turnover in % of employees (average over the past 12 months)	6.6	6.8	6.2
Sick days in % of work days (average over the past 12 months)	3.0	3.0	2.9

On September 30, 2009, employee numbers in the medical division fell by a total of 112 people compared to December 31, 2008. As a result of the turnaround program, employee numbers were down by 193 – mainly in the US subsidiaries and administration and marketing departments. This was offset by an increase of 81 employees from the initial consolidation of the new subsidiary in the Czech Republic, Danisevský spol. s.r.o.

In the safety division, the start of new helmet production and the expansion of the Company in the Czech Republic led to an increase of 29 employees compared to December 31, 2008. The growth of service departments in the US, the Netherlands and Great Britain as well as of production in Sweden added 40 employees to total headcount. In Germany, employee numbers in the safety division remained largely the same as on December 31, 2008.

In 2009, Drägerwerk AG & Co. KGaA hired 15 employees for group IT projects and, due to additional international work, twelve in the field of marketing communications.

At 439, the number of temporary employees on September 30, 2009 was almost on a par with December 31, 2008 (466). After reducing temporary employee numbers to 319 by June 30, 2009, this number was increased again in the third quarter to handle bottlenecks in production due to the buoyant order intake.

## Production, procurement and quality

### PRODUCTION AND LOGISTICS

The introduction of SAP at Dräger Medical Schweiz AG represented another step forward in standardizing the IT infrastructure of the production network. After the introduction of SAP in Shanghai, which is planned for 2010, all production sites of the medical division will be linked up to one joint system. This will provide a completely transparent view of the entire materials supply chain and enable the automated exchange of invoices and materials across multiple sites.

In the third quarter of 2009, the materials supply chain and production proved their great flexibility. By introducing variable working hours and using flexible suppliers, production output went up significantly within the space of just a few weeks, and therefore handling the increased order intake. Despite the insolvency and closure of one important supplier as well as the increased orders, the supply of materials was maintained thanks to the decision to shift the affected components to strategic suppliers.

In addition, employees in all production segments continued to implement the PRIME initiative. By saving large amounts of floor space, it was possible to accommodate new production lines, e.g. »Evita Infinity V500«, in existing buildings.

Dräger has reduced the number of transport service providers from more than 25 to just eight strategic partners, cutting costs by around 20 percent. By further consolidating

warehouse space in Lübeck, costs for warehouse rentals, transport and personnel costs went down by about 6 percent.

Dräger employed an optimized order strategy for managing transport to central warehouses abroad, switching from expensive air freight to more cost-effective sea freight, reducing costs even further.

### **Risks to future development**

The structure of our risk management system and significant risks to our net assets, financial position and results of operations are outlined in the annual report for fiscal year 2008.

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

There were no significant changes between the end of the first nine months of 2009 and the time this interim financial report was prepared.

## Outlook

### FUTURE MARKET ENVIRONMENT

The International Monetary Fund (IMF) raised its growth expectations for the world economy in 2010 by 0.6 percent to 3.1 percent in its October forecast compared to its July forecast (for 2009 now -1.1 percent after -1.4 percent). However, the IMF anticipates low inflation, as increased prices and wages are likely to be cushioned by low capacity utilization. The IMF sees a re-intensification of the situation in the financial sector as the biggest risk to recovery. The prerequisites for a strong, sustained recovery are said to be reducing government deficits and addressing imbalances between the US trade deficit and the trade surpluses in countries like Germany and China.

The IMF has substantially increased its growth forecast for the USA in 2010 in particular: +1.5 percent (July forecast: 0.9 percent). For 2009, the Fund expects a reduction of 2.7 percent (previously: -2.8 percent). The IMF's expects the eurozone economy to fall 4.2 percent (previously: -4.8 percent) in 2009 and slight growth of 0.3 percent for 2010 (previously: -0.3 percent). The German economy is even predicted to contract by 5.3 percent (previously -6.1 percent) in 2009, growing again by a slight 0.3 percent in 2010 (previously: +0.2 percent). For Japan, the 2009 forecast improved to -5.4 percent (previously: -6.8 percent) while it remains unchanged at +0.7 percent for 2010.

### FUTURE SITUATION OF THE COMPANY

The effects of the financial crisis and weaker economic development continued to negatively impact individual markets. In the medical division, Dräger anticipates net sales at the same level as the prior year, despite the continued weakness of the US market. In the safety division, no revitalization of industrial business is expected in the short term despite the first signs of more stable economic development. Therefore, net sales for the full year are likely to fall short of prior year figures. The turnaround program will only cushion the negative effects on earnings resulting from the change in the product mix, changed exchange rates, negative effects from project business and the impacts of the forecast lower net sales. Dräger will maintain its high level of expenditure on research and development despite the difficult economic situation in order to keep

investing in its product portfolio, which promises strong growth and earnings for the future.

For 2009, the Executive Board anticipates that net sales will be slightly down and consolidated EBIT considerably lower than in the prior year. Despite the lower consolidated EBIT, the Executive Board is expecting net profit.

In the medium term, Dräger expects sustained growth in both divisions.

#### **FORWARD-LOOKING STATEMENTS**

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





## Interim financial statements of the Dräger Group as of September 30, 2009 (revised version)

### CONSOLIDATED INCOME STATEMENT OF THE DRÄGER GROUP

	Note	Third quarter 2009	Third quarter 2008 <sup>2</sup>	Nine months 2009	Nine months 2008 <sup>2</sup>
		€ thousand	€ thousand	€ thousand	€ thousand
Net sales		454,355	443,905	1,348,300	1,307,433
Cost of sales		-256,611	-239,083	-758,629	-696,645
<b>Gross profit</b>		<b>197,744</b>	<b>204,822</b>	<b>589,671</b>	<b>610,788</b>
Research and development costs		-36,601	-34,420	-111,769	-98,287
Marketing and selling expenses		-120,302	-124,737	-374,105	-368,723
General administrative expenses		-26,162	-30,709	-75,451	-82,623
Other operating income		1,390	1,058	4,275	3,570
Other operating expenses		-3,123	-4,165	-6,353	-6,292
		<b>-184,798</b>	<b>-192,973</b>	<b>-563,403</b>	<b>-552,355</b>
		<b>12,946</b>	<b>11,849</b>	<b>26,268</b>	<b>58,433</b>
Profit from investments in associates		0	1	279	249
Profit from other investments		80	0	80	0
Other financial result		280	-817	1,763	-75
<b>Financial result (before interest result)</b>	<b>6</b>	<b>360</b>	<b>-816</b>	<b>2,122</b>	<b>174</b>
<b>EBIT</b>		<b>13,306</b>	<b>11,033</b>	<b>28,390</b>	<b>58,607</b>
Interest result <sup>3</sup>	6	-7,219	-7,059	-21,793	-19,644
<b>Earnings before income taxes <sup>3</sup></b>		<b>6,009</b>	<b>3,974</b>	<b>6,597</b>	<b>38,963</b>
Income taxes <sup>3</sup>	7	-2,479	-1,210	-1,813	-12,948
<b>Net profit <sup>3</sup></b>		<b>3,530</b>	<b>2,764</b>	<b>4,784</b>	<b>26,015</b>
<b>Net profit <sup>3</sup></b>		<b>3,530</b>	<b>2,764</b>	<b>4,784</b>	<b>26,015</b>
thereof minority interests in net profit		1,255	1,360	2,948	6,870
share in net profit for participation certificates (without minimum dividend) <sup>3</sup>		681	1,124	2,045	4,053
net profit to be allotted to shareholders <sup>3</sup>		1,594	280	-209	15,092
<b>Earnings per share <sup>1</sup></b>					
per preferred share (in €) <sup>3</sup>		0.14	0.04	0.01	1.22
per common share (in €) <sup>3</sup>		0.12	0.02	-0.04	1.17

<sup>1</sup> The dividend premium of EUR 0.06 on preferred shares is recognized pro rata on a quarterly basis.

<sup>2</sup> Due to restructuring in the medical division, some cost centers were assigned to other functional areas. To improve comparability, the prior-year figures were adjusted.

<sup>3</sup> The values were adjusted. See Note 4.

**CONSOLIDATED BALANCE SHEET OF THE DRÄGER GROUP**

	Note	September 30, 2009	December 31, 2008
		€ thousand	€ thousand
<b>Assets</b>			
Intangible assets	8	205,844	211,561
Property, plant and equipment	8	252,341	260,499
Investments in associates		702	702
Other non-current financial assets		13,229	13,774
Non-current tax refund claims		0	1,302
Deferred tax assets		72,064	70,621
Other non-current assets		20,470	18,912
<b>Non-current assets</b>		<b>564,650</b>	<b>577,371</b>
Inventories	9	340,880	329,022
Trade receivables and receivables from construction contracts		444,000	542,811
Other current financial assets	10	21,392	25,865
Cash and cash equivalents		296,065	125,168
Current tax refund claims		22,610	26,187
Other current assets	11	59,113	28,353
<b>Current assets</b>		<b>1,184,060</b>	<b>1,077,406</b>
<b>Total assets</b>		<b>1,748,710</b>	<b>1,654,777</b>

	Note	September 30, 2009	December 31, 2008
		€ thousand	€ thousand
<b>Equity and liabilities</b>			
Capital stock		32,512	32,512
Capital reserves	12	39,448	38,867
Retained earnings <sup>1</sup>	13	285,773	290,913
Participation capital <sup>1</sup>		56,086	56,086
Other comprehensive income		-42,437	-43,717
Minority interests		170,901	179,142
<b>Equity<sup>1</sup></b>		<b>542,283</b>	<b>553,803</b>
Obligations from participation certificates <sup>1</sup>		28,461	27,628
Provisions for pensions and similar obligations		167,242	167,621
Other non-current provisions	14	33,177	32,676
Non-current interest-bearing loans	15	427,815	292,135
Other non-current financial liabilities		7,444	6,764
Deferred tax liabilities <sup>1</sup>		19,840	20,359
Other non-current liabilities		107	243
<b>Non-current liabilities<sup>1</sup></b>		<b>684,086</b>	<b>547,426</b>
Other current provisions <sup>1</sup>	14	180,296	159,919
Current loans and liabilities to banks	15	42,276	87,999
Trade payables and liabilities from construction contracts		112,174	134,173
Other current financial liabilities <sup>1</sup>		65,178	57,676
Current tax liabilities		32,488	35,867
Other current liabilities	16	89,929	77,914
<b>Current liabilities<sup>1</sup></b>		<b>522,341</b>	<b>553,548</b>
<b>Total equity and liabilities</b>		<b>1,748,710</b>	<b>1,654,777</b>

<sup>1</sup> The values were adjusted. See Note 4.

**CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE OF THE DRÄGER GROUP**

	Nine months 2009	Nine months 2008
	€ thousand	€ thousand
<b>Net profit <sup>1</sup></b>	<b>4,784</b>	<b>26,015</b>
Currency translation adjustment for foreign subsidiaries	485	-246
Change in the fair value of financial instruments recognized directly in equity	-271	-289
Actuarial gains/losses from defined benefit pension plans	580	-765
Deferred taxes on changes in value recognized directly in equity	-73	10
<b>Total income and expense recognized directly in equity after taxes</b>	<b>721</b>	<b>-1,290</b>
<b>Net profit and total income and expense recognized directly in equity after taxes <sup>1</sup></b>	<b>5,505</b>	<b>24,725</b>
net profit to be allotted to shareholders <sup>1</sup>	1,071	13,690
thereof minority interests	2,389	6,982
share in net profit for participation certificates (without minimum dividend, after taxes) <sup>1</sup>	2,045	4,053

The deferred taxes relate to changes in the fair value of financial instruments recognized directly in equity.  
No amounts were reclassified from equity to profit or loss in the first half of 2009 (9 months 2008: EUR 40 thousand).

<sup>1</sup> The values were adjusted. See Note 4.

**CONSOLIDATED CASH FLOW STATEMENT OF THE DRÄGER GROUP**

	Third quarter 2009	Third quarter 2008	Nine months 2009	Nine months 2008
	€ thousand	€ thousand	€ thousand	€ thousand
<b>Operating activities</b>				
Group net profit <sup>1</sup>	3,530	2,764	4,784	26,015
+ Depreciation/amortization of non-current assets	14,203	13,974	45,094	41,507
+ Increase in provisions <sup>1</sup>	36,281	24,913	21,112	22,915
-/+ Other non-cash income/expenses <sup>1</sup>	-905	-6,784	-4,493	5,565
-/+ Gain/loss from the disposal of non-current assets	26	296	-29	286
+/- Decrease/increase in inventories	6,671	-23,144	-10,573	-49,682
+ Increase in trade receivables	32,029	27,567	103,742	78,975
- Decrease in other assets	-12,539	-14,935	-20,611	-44,627
+/- Increase/decrease in trade payables	5,416	3,089	-22,942	-11,251
+ Increase in other liabilities <sup>1</sup>	1,443	9,660	14,304	7,234
<b>Net cash provided by operating activities <sup>1</sup></b>	<b>86,155</b>	<b>37,400</b>	<b>130,388</b>	<b>76,937</b>
<b>Investing activities</b>				
- Cash outflow for investments in intangible assets	-1,895	-1,039	-5,352	-3,987
+ Cash inflow from the disposal of intangible assets	0	8	59	377
- Cash outflow for investments in property, plant and equipment	-8,746	-15,672	-27,896	-51,921
+ Cash inflow from disposals of property, plant and equipment	2,468	-378	3,176	859
- Cash outflow for investments in non-current financial assets	-24	-30	-260	-1,672
+ Cash inflow from the disposal of non-current financial assets	41	36	41	1,078
- Cash outflow from the acquisition of subsidiaries	109	0	-930	0
<b>Net cash used in investing activities</b>	<b>-8,047</b>	<b>-17,075</b>	<b>-31,162</b>	<b>-55,266</b>
<b>Financing activities</b>				
- Distribution of dividends <sup>1</sup>	0	0	-8,464	-13,831
+ Cash provided by raising loans	85	3	139,867	10,361
- Cash used to redeem loans	-3,420	-2,697	-31,015	-42,872
-/+ Decrease/increase in the net balance of other bank liabilities	-9,010	-1,613	-18,780	6,903
+/- Net balance of finance lease liabilities repaid/incurred	1,051	-103	813	-369
+ Cash inflows from capital increases	581	0	786	62
- Profit distributed to minority interests	-3	-29	-10,894	-12,583
<b>Net cash provided by/used in financing activities <sup>1</sup></b>	<b>-10,716</b>	<b>-4,439</b>	<b>72,313</b>	<b>-52,329</b>
<b>Change in cash and cash equivalents in the fiscal year</b>	<b>67,392</b>	<b>15,886</b>	<b>171,539</b>	<b>-30,657</b>
+/- Effect of exchange rates on cash and cash equivalents	-1,150	4,737	-642	384
+ Cash and cash equivalents at the beginning of the fiscal year	229,823	109,851	125,168	160,747
<b>Cash and cash equivalents as of September 30 of the fiscal year</b>	<b>296,065</b>	<b>130,474</b>	<b>296,065</b>	<b>130,474</b>

For notes to the cash flow statement, please see page 13.

<sup>1</sup> The values were adjusted. See Note 4.

## STATEMENT OF CHANGES IN EQUITY OF THE DRÄGER GROUP

	Capital stock	Capital reserves	Retained earnings	Participation capital <sup>1</sup>	Other comprehensive income				Total equity interest held by shareholders of Drägerwerk AG & Co, KGaA	Minority interests	Equity
					Actuarial gains and losses recognized directly in equity	Currency translation differences	Derivative financial instruments	Total other comprehensive income			
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
<b>January 1, 2008 <sup>1</sup></b>	<b>32,512</b>	<b>38,867</b>	<b>268,645</b>	<b>56,086</b>	<b>-7,024</b>	<b>-23,780</b>	<b>809</b>	<b>-29,995</b>	<b>366,115</b>	<b>179,085</b>	<b>545,200 <sup>1</sup></b>
Total income and expense recognized directly in equity <sup>1</sup>			20,503		-661	-527	-214	-1,402	19,121	6,982	26,103
Distributions <sup>1</sup>			-13,831					0	-13,831	-12,583	-26,414
Change in scope of consolidation/ other			-2					0	-2	75	73
<b>September 30, 2008</b>	<b>32,512</b>	<b>38,867</b>	<b>275,335</b>	<b>56,086</b>	<b>-7,685</b>	<b>-24,307</b>	<b>595</b>	<b>-31,397</b>	<b>371,403</b>	<b>173,559</b>	<b>544,962</b>
<b>January 1, 2009 <sup>1</sup></b>	<b>32,512</b>	<b>38,867</b>	<b>290,914</b>	<b>56,086</b>	<b>-6,335</b>	<b>-37,034</b>	<b>-349</b>	<b>-43,718</b>	<b>374,661</b>	<b>179,142</b>	<b>553,803</b>
Total income and expense recognized directly in equity <sup>1</sup>			1,836		483	1,062	-265	1,280	3,166	2,389	5,505
Capital increase		581						0	581		581
Distributions <sup>1</sup>			-8,464					0	-8,464	-10,894	-19,358
Change in scope of consolidation/ other <sup>1</sup>			1,488					0	1,488	264	1,752
<b>September 30, 2009 <sup>1</sup></b>	<b>32,512</b>	<b>39,448</b>	<b>285,774</b>	<b>56,086</b>	<b>-5,852</b>	<b>-35,972</b>	<b>-614</b>	<b>-42,438</b>	<b>371,382</b>	<b>170,901</b>	<b>542,283</b>

<sup>1</sup> The values were adjusted. See Note 4.

# Notes of the Dräger Group as of September 30, 2009 (revised version)

## 1 BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

Drägerwerk AG & Co. KGaA, Lübeck, prepared its group financial statements for fiscal year 2008 in accordance with the International Financial Reporting Standards (IFRS) as defined by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). In fiscal year 2009, the interim financial statements of Dräger Group have therefore also been prepared in accordance with IFRS and the interim reports in compliance with IAS 34 as well as German Accounting Standard No. 16 (GAS 16 – Interim Financial Reporting) of the German Accounting Standards Committee (GASC). The interim financial report was not audited or reviewed by an auditor.

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

## 2 ACCOUNTING POLICIES

The group applied the same accounting principles as in the 2008 group financial statements in preparing the interim financial statements and calculating the comparative figures. A detailed description of these methods is published in the notes to the group financial statements in the 2008 annual report. The report is available for download online at [www.draeger.com](http://www.draeger.com).

In preparing the interim financial statements, the group opted to present condensed financial statements with selected explanatory notes. Overall, greater use was made of estimates in determining carrying amounts than at fiscal year-end.

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

## 3 SCOPE OF CONSOLIDATION AND CONSOLIDATION PRINCIPLES

There were no significant changes to the scope of consolidation compared to December 31, 2008 and September 30, 2008. The same consolidation principles were applied as in the 2008 group financial statements.

## 4 CHANGES TO REPORTING METHODS FOR PARTICIPATION CERTIFICATES

In order to comply with the new statutory provisions of IAS 32 on the 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 third quarter of 2009 changed to a net profit of EUR 4.8 million (9 months 2008: EUR 26.0 million) due to the interest result decreasing by EUR 0.8 million (9 months 2008: increasing by EUR 4.7 million) and income taxes by EUR 0.3 million (9 months 2008: increasing by EUR 1.1 million). The increase in equity attributable to participation certificates came to EUR 32.5 million as of September 30, 2009 (December 31, 2008: EUR 36.2 million).

## 4 SEGMENT REPORT

## BUSINESS PERFORMANCE OF THE SEGMENTS

		Medical division	
		Nine months 2009	Nine months 2008
<b>Order intake</b>	€ million	<b>928.4</b>	<b>907.8</b>
<b>Orders on hand</b>	€ million	<b>278.2</b>	<b>280.4</b>
<b>Net sales</b>	€ million	<b>871.7</b>	<b>835.7</b>
thereof intersegment net sales	€ million	2.1	0.9
thereof third-party net sales	€ million	869.6	834.8
<b>EBITDA</b>	€ million	<b>41.6</b>	<b>66.8</b>
Depreciation/amortization	€ million	19.6	18.4
Impairment losses	€ million	1.9	0.0
<b>EBIT before non-recurring expenses</b>	€ million	<b>20.1</b>	<b>48.4</b>
Non-recurring expenses	€ million	0.0	9.3
<b>EBIT</b>	€ million	<b>20.1</b>	<b>39.1</b>
<b>Net profit (safety division: before profit/loss transfer)</b>	€ million	<b>12.9</b>	<b>27.2</b>
thereof profit/loss from investments in associates	€ million	–	–
Net profit after minority interests	€ million	–	–
<b>Earnings per share</b>			
per preferred share	€	–	–
per common share	€	–	–
<b>R&amp;D costs<sup>2</sup></b>	€ million	<b>83.0</b>	<b>72.9</b>
<b>Cash flow from operating activities</b>	€ million	<b>114.8</b>	<b>89.5</b>
<b>Capital employed</b>	€ million	<b>597.0</b>	<b>663.5<sup>3</sup></b>
<b>Assets</b>	€ million	<b>907.1</b>	<b>957.4<sup>3</sup></b>
thereof investments in associates	€ million	–	–
<b>Liabilities</b>	€ million	<b>292.5</b>	<b>269.6</b>
<b>Net financial debt</b>	€ million	<b>–192.8</b>	<b>–133.2</b>
<b>Investments</b>	€ million	<b>15.2</b>	<b>76.2</b>
Non-cash expenses <sup>1</sup>	€ million	88.2	77.1
<b>EBIT before non-recurring expenses/net sales</b>	%	<b>2.3</b>	<b>5.8</b>
<b>EBIT before non-recurring expenses/capital employed</b>	%	<b>3.4</b>	<b>7.3<sup>3</sup></b>
<b>Gearing</b>	Factor	<b>–0.3</b>	<b>–0.2</b>
<b>Total headcount</b>		<b>6,214</b>	<b>6,299</b>

<sup>1</sup> As of fiscal year 2009 including allocation during the year to current tax accruals (prior-year figures were adjusted).

<sup>2</sup> Due to restructuring in the medical division, some cost centers were assigned to other functional areas. The prior-year figures were adjusted to improve comparability.

<sup>3</sup> The goodwill from the acquisition of the 10 percent share in Dräger Medical AG & Co. KG from Siemens in 2007 is recognized in the medical segment. The prior-year figures were adjusted accordingly.

\* Net cash provided by operating activities in connection with the rental of the medical division's new buildings is reported as part of the Drägerwerk AG & Co. KGaA/ other companies segment. The prior-year figure was adjusted by EUR 45.5 million accordingly.

	Safety division		Drägerwerk AG & Co. KGaA/ other companies		Consolidation		Dräger Group	
	Nine months 2009	Nine months 2008	Nine months 2009	Nine months 2008	Nine months 2009	Nine months 2008	Nine months 2009	Nine months 2008
	506.0	509.2	12.2	9.8	-32.1	-28.5	1,414.5	1,398.3
	186.3	223.4	0.0	0.0	-1.5	-1.1	463.0	502.7
	496.4	490.5	12.2	9.8	-32.0	-28.6	1,348.3	1,307.4
	20.4	21.0	9.5	6.7	-32.0	-28.6	-	-
	476.0	469.5	2.7	3.1	0.0	0.0	1,348.3	1,307.4
	44.4	60.4	32.2	49.2	-44.7	-55.4	73.5	121.0
	16.3	16.6	7.3	6.5	0.0	0.0	43.2	41.5
	0.0	0.0	0.0	0.0	0.0	0.0	1.9	0.0
	28.1	43.8	24.9	42.7	-44.7	-55.4	28.4	79.5
	0.0	6.5	0.0	3.2	0.0	1.9	0.0	20.9
	28.1	37.3	24.9	39.5	-44.7	-57.3	28.4	58.6
	18.1	25.7	8.6	22.1	-34.8	-49.0	4.8	26.0
	-	-	0.3	0.2	0.0	0.0	0.3	0.2
	-	-	-	-	-	-	2.0	19.1
	-	-	-	-	-	-	0.01	1.22
	-	-	-	-	-	-	-0,04	1.17
	27.5	23.6	1.3	1.8	0.0	0.0	111.8	98.3
	42.7	36.3	21.9	-39,3 *	-49.0	-9.6 *	130.4	76.9
	215.8	224.9	672.8	686.4	-621.4	-626.6 <sup>3</sup>	864.2	948.2
	355.6	370.3	722.7	728.4	-633.1	-647.7 <sup>3</sup>	1,352.3	1,408.4
	0.4	0.5	0.3	0.2	0.0	0.0	0.7	0.7
	130.0	136.7	47.0	38.7	-16.8	-22.3	452.7	422.7
	41.6	52.9	353.7	362.1	0.0	0.0	202.5	281.8
	12.9	18.3	6.0	14.5	-0.2	-52.8	33.9	56.2
	34.5	37.3	11.1	13.8	0.9	1.5	134.7	129.7
	5.7	8.9					2.1	6.1
	13.0	19.5					3.3	8.4
	0.3	0.3	0.0	0.0	0.0	0.0	0.4	0.5
	4,285	4,119	425	378	0	0	10,924	10,796

Consolidation amounts essentially relate to the elimination of order intake and net sales as well as income between segments, the elimination of income from investments and, in the case of assets, the effects of accounting for acquisitions.

Key figures from the segment report break down as follows:

#### EBIT/EBITDA

in € thousand	Nine months 2009	Nine months 2008
Net profit	4,784	26,015
+ Interest result	21,793	19,644
+ Income taxes	1,813	12,948
<b>EBIT</b>	<b>28,390</b>	<b>58,607</b>
+ Non-recurring expenses	0	20,870
<b>EBIT before non-recurring expenses</b>	<b>28,390</b>	<b>79,477</b>
+ Depreciation/amortization	45,094	41,507
<b>EBITDA before non-recurring expenses</b>	<b>73,484</b>	<b>120,984</b>

#### CAPITAL EMPLOYED

in € thousand	September 30, 2009	September 30, 2008
Total assets	1,748,710	1,635,913
– Deferred tax assets	–72,064	–70,276
– Cash and cash equivalents	–296,065	–130,474
– Non-interest-bearing liabilities	–516,420	–486,970
<b>Capital employed</b>	<b>864,161</b>	<b>948,193</b>

#### ASSETS

in € thousand	September 30, 2009	September 30, 2008
Total assets	1,748,710	1,635,913
– All other financial assets	–5,630	–4,256
– Deferred tax assets	–72,064	–70,276
– Tax refund claims (current and non-current)	–22,610	–22,462
– Cash and cash equivalents	–296,065	–130,474
<b>Assets</b>	<b>1,352,341</b>	<b>1,408,445</b>

#### LIABILITIES

in € thousand	September 30, 2009	September 30, 2008
Liabilities recognized in the balance sheet	1,206,427	1,090,951
– Provisions for pensions and similar obligations	–167,242	–169,185
– Tax liabilities, tax provisions, tax accruals and deferred tax liabilities	–83,511	–82,977
– Interest-bearing liabilities	–502,925	–416,270
<b>Liabilities</b>	<b>452,749</b>	<b>422,519</b>

**NET FINANCIAL DEBT**

in € thousand	September 30, 2009	September 30, 2008
Participation capital	28,461	27,366
+ Non-current interest-bearing loans	427,815	292,499
+ Current loans and liabilities to banks	42,276	92,425
– Cash and cash equivalents	–296,065	–130,474
<b>Net financial debt</b>	<b>202,487</b>	<b>281,866</b>

**NON-CASH EXPENSES**

in € thousand	Nine months 2009	Nine months 2008
Write-downs on inventories	17,165	14,788
+ Losses from bad debt allowances	5,024	4,323
+ Allocations to provisions	112,497	110,631
<b>Non-cash expenses</b>	<b>134,686</b>	<b>129,742</b>

Gearing is the ratio of net financial debt to equity.

**GEARING**

in € thousand	September 30, 2009	September 30, 2008
Participation capital	28,461	27,366
+ Non-current interest-bearing loans	427,815	292,499
+ Current loans and liabilities to banks	42,276	92,425
– Cash and cash equivalents	–296,065	–130,474
<b>Net financial debt</b>	<b>202,487</b>	<b>281,866</b>
Equity	542,283	544,962
<b>Gearing (net financial debt/equity)</b>	<b>0.4</b>	<b>0.5</b>

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

## 6 FINANCIAL RESULT

### FINANCIAL RESULT

in € thousand	Nine months 2009	Nine months 2008
<b>Financial result (before interest result)</b>	<b>2,122</b>	<b>174</b>
Interest and similar income	3,552	5,073
Interest and similar expenses	-25,345	-24,717
<b>Interest result</b>	<b>-21,793</b>	<b>-19,644</b>

Exchange gains from non-operating financial assets and liabilities improved the financial result year-on-year.

## 7 INCOME TAXES

Income taxes for the first nine months of 2009 were calculated on the basis of an anticipated group tax rate of 38 percent. This was offset by a tax rebate for prior years of EUR 0.7 million.

## 8 NON-CURRENT ASSETS (SELECTED ITEMS)

### NON-CURRENT ASSETS (SELECTED ITEMS)

in € thousand	Carrying amount January 1, 2009	Additions	Disposals/ other changes	Depreciation/ amortization	Carrying amount June 30, 2009
Intangible assets	211,561	5,743	533	11,993	205,844
Property, plant and equipment	260,499	28,204	-3,261	33,101	252,341

## 9 INVENTORIES

### INVENTORIES

in € thousand	June 30, 2009	December 31, 2008
Finished products and merchandise	159,176	158,374
Work in process	58,840	53,632
Raw materials, consumables and supplies	94,720	102,112
Prepayments made	28,144	14,904
	<b>340,880</b>	<b>329,022</b>

Dräger Group's inventories decreased by approximately EUR 1.4 million as of September 30, 2009. Compared to the same period in the prior year however, inventories were down by EUR 34.7 million.

The EUR 13.2 million increase in prepayments made reflects the level of project business and the corresponding prepayments made by customers.

## 10 OTHER CURRENT FINANCIAL ASSETS

The decrease in other current financial assets is largely due to a EUR 6.2 million fall in the fair value of derivative financial instruments. This decrease can be attributed to the reduction in the hedging volume as trade receivables and payables denominated in foreign currency as of September 30, 2009 were lower than as of December 31, 2008.

## 11 OTHER CURRENT ASSETS

### OTHER CURRENT ASSETS

in € thousand	June 30, 2009	December 31, 2008
Prepaid expenses and tax accruals	44,955	17,501
All other current assets	14,158	10,852
	<b>59,113</b>	<b>28,353</b>

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

**12 CAPITAL RESERVES**

At the 2009 annual shareholders' meeting, majority shareholder Stefan Dräger waived his indirect entitlement to dividends. Stefan Dräger paid back the dividends of EUR 581,492 in the third quarter of 2009. Capital reserves have increased accordingly.

**13 RETAINED EARNINGS**

As of the fiscal year 2009, group net profit is disclosed under retained earnings. Group net earnings are therefore not disclosed separately in equity. Prior-year figures were adjusted accordingly.

**14 OTHER NON-CURRENT AND CURRENT PROVISIONS**

Other non-current provisions as of September 30, 2009 mainly comprised provisions for personnel obligations of EUR 17,694 thousand (December 31, 2008: EUR 17,062 thousand).

Other current provisions as of September 30, 2009 also included monthly cut-offs and chiefly consisted of tax provisions of EUR 23,294 thousand (December 31, 2008: EUR 25,011 thousand), provisions for personnel obligations of EUR 62,523 thousand (December 31, 2008: EUR 52,958 thousand) and warranty provisions of EUR 25,934 thousand (December 31, 2008: EUR 25,519 thousand).

**15 NON-CURRENT INTEREST-BEARING LOANS/CURRENT LOANS AND LIABILITIES TO BANKS**

The change in non-current interest-bearing loans is primarily due to new noncurrent note loans of a nominal EUR 140.0 million being raised (with terms of between two and six years).

Current loans and liabilities to banks decreased mainly due to the repayment of a note loan of EUR 25.0 million in January 2009.

**16 OTHER CURRENT LIABILITIES**

The EUR 12.0 million increase in other current liabilities relates to obligations under annual service agreements which are billed at the start of the year and expensed as incurred by Dräger.

**17 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS**

There were no significant changes in contingent liabilities and other financial obligations as of September 30, 2009 compared to those disclosed in the 2008 annual report.

## 18 RELATED PARTY TRANSACTIONS

Rental payments to the related companies of the Dräger family that were listed in the 2008 group financial statements and the 2009 interim financial statements do not need to be included any more, as pursuant to IAS 24 no related entities are involved in the rental companies any more.

Services were rendered for companies related to Stefan Dräger and the Dräger Foundation for EUR 40 thousand in the first nine months of fiscal year 2009 (9 months 2008: EUR 20 thousand). 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 25, 2009

The general partner  
Drägerwerk Verwaltungs AG  
represented by its Executive Board

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

## FINANCIAL CALENDAR

Report as of September 30, 2009, conference call, Lübeck	November 5, 2009
Report as of March 31, 2010, conference call, Lübeck	May 5, 2010
Annual shareholders' meeting, Lübeck	May 7, 2010
Report as of June 30, 2010, conference call, Lübeck	August 5, 2010
Report as of September 30, 2010, conference call, Lübeck	November 4, 2010

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