Dräger

Dräger Group
Q1/2007 report
(revised version)

Q1

Contents

Business performance of the Dräger Group

		Q1/2007	Q1/2006	Change in %
Total order intake	**€ million**	**444.9**	**452.2**	**–1.6**
Germany	€ million	96.0	96.4	–0.4
Rest of Europe	€ million	179.9	194.9	–7.7
Americas	€ million	84.0	84.6	–0.7
Asia/Pacific	€ million	47.0	48.9	–3.9
Other	€ million	38.0	27.4	+38.7
Total revenues	**€ million**	**392.5**	**385.3**	**+1.9**
Germany	€ million	77.0	78.0	–1.3
Rest of Europe	€ million	153.9	158.1	–2.7
Americas	€ million	86.7	76.9	+12.7
Asia/Pacific	€ million	45.7	47.4	–3.6
Other	€ million	29.2	24.9	+17.3
EBITDA [1]	**€ million**	**30.3**	**32.7**	**–7.3**
Depreciation/amortization	€ million	12.9	12.2	+5.7
EBIT [2] **before non-recurring expenses**	**€ million**	**17.4**	**20.5**	**–15.1**
Non-recurring expenses	€ million	0.0	0.0	0.0
EBIT [2]	**€ million**	**17.4**	**20.5**	**–15.1**
Net profit	**€ million**	**7.5**	**8.3**	**–9.6**
R&D expenses	**€ million**	**29.6**	**28.4**	**+4.2**
Cash flow from operating activities	**€ million**	**28.3**	**1.2**	**–**
Net financial debt	**€ million**	**306.1**	**206.2**	**+48.5**
Investments	**€ million**	**57.8**	**11.2**	**–**
Capital employed [3]	**€ million**	**953.6**	**897.7**	**+6.2**
Net working capital [4]	**€ million**	**508.1**	**520.8**	**–2.4**
EBIT before non-recurring expenses/revenues	**%**	**4.4**	**5.3**	
EBIT before non-recurring expenses/capital employed	**%**	**1.8**	**2.3**	
Gearing [5]	**Factor**	**0.6**	**0.4**	
Headcount as of March 31				
Germany		4,480	4,363	+2.7
Abroad		5,589	5,398	+3.5
Total headcount		**10,069**	**9,761**	**+3.2**

[1] EBITDA = Earnings before net interest result, income taxes, depreciation, amortization and non-recurring expenses
[2] EBIT = Earnings before net interest result and income taxes
[3] Capital employed = Total assets less deferred tax assets, current securities, cash and cash equivalents and non-interest bearing liabilities
[4] Net working capital = Current, non-interest bearing assets less current, non-interest bearing debt
[5] Gearing = Net financial debt/equity

Business performance of the Dräger Group in the first quarter of 2007

Interest held in Dräger Medical AG & Co. KG increased to 75 percent

Following the acquisition from Siemens of a 10 percent interest in Dräger Medical AG & Co. KG on February 28, 2007, the interest held in the latter company and thus in the subgroup Dräger Medical rose from 65 percent to 75 percent. This purchase was agreed as part of the revision of Siemens' contractual put option and has no effect on the Dräger Medical AG & Co. KG joint venture between Dräger and Siemens.

The acquisition had the following effect on the Group's net assets, financial position and results of operations:

Purchase price	EUR 110.0 million
Acquired share in capital	EUR 69.9 million
Acquired goodwill	EUR 40.1 million

The purchase price of EUR 110 million was primarily financed by note loans of EUR 100 million due in six, seven and eight years with an average rate of interest of 4.8 percent p.a.

The acquired share in capital – which previously formed part of minority interests disclosed under equity – is subject to capital consolidation following the acquisition. Consequently, the equity of the Group dropped by EUR 69.9 million.

Acquired goodwill represents an investment for 2007 and increases intangible assets included in non-current assets and thus capital employed.

Order intake and revenues on a par with the prior year

In the first quarter of 2007, order intake and revenues reached the same high levels of the prior year. Order intake of EUR 444.9 million was 1.6 percent lower than the prior-year figure of EUR 452.2 million, while revenues of EUR 392.5 million exceeded the prior-year quarter by 1.9 percent. The change in exchange rates, especially the US dollar exchange rate, reduced the current figures by some 3 percent compared with the prior-year quarter.

While revenues grew slightly at both subgroups – Dräger Medical up 0.7 percent, Dräger Safety up 3.0 percent – only Dräger Safety was able to generate a good increase of 11.8 percent in order intake; at Dräger Medical, order intake (before adjustment for currency effects) was down 9.2 percent on the prior-year figure, which unusually high amount had been achieved thanks to project orders.

This was noticeable in the order intake of the Dräger Group, especially in Europe excluding Germany, with a decrease of 7.7 percent. Performance in the other markets, Germany (down 0.4 percent), Americas (down 0.7 percent) and Asia/Pacific (down 3.9 percent), was slightly negative, but this was more than compensated for by an increase of 38.7 percent in growth in the other countries.

Revenues in Germany (down 1.3 percent), the rest of Europe (down 2.7 percent) and Asia/Pacific (down 3.6 percent) were slightly lower than the prior year. On the other hand, the Americas (up 12.7 percent) and also the other countries (up 17.3 percent) performed well.

Operating result still down on the prior year

At EUR 17.4 million, EBIT is down 3.1 million on the prior year (Q1/2006: EUR 20.5 million) due to a smaller increase in revenues. The Group's improved gross margin helped compensate for the rise in functional costs, which tend to follow a straight line rather than being dependent on revenues. Functional costs increased in marketing and sales especially, up 4.8 percent to EUR 118.2 million.

Research and development costs of EUR 29.6 million came to 7.5 percent of revenues in the first quarter. The interest result increased due to a rise in interest income from investments and constant interest expenses.

The lower tax expense is primarily attributable to the fall in earnings.

Due to the acquisition of the 10 percent interest in Dräger Medical AG & Co. KG, earnings per preferred share rose from EUR 0.36 in the prior year to EUR 0.39.

Net assets and financial position

The acquisition of the 10 percent interest in Dräger Medical AG & Co. KG led to a reduction in equity due to the consolidation of the acquired share in capital. Taking into account the profit for the first quarter, equity amounts to EUR 513.6 million in total, bringing the equity ratio to 31.0 percent (December 31, 2006: EUR 576.9 million and 35.3 percent). However, the main payments for dividends and the share in net profit of minority shareholders for the prior year have yet to be made from equity.

Total assets increased in the first quarter of 2007 by EUR 20.6 million compared to December 31, 2006. The reason for this was the increase of EUR 45.9 million in non-current assets as a result of goodwill from the acquisition of the interest and the continuance of construction for the new Dräger Medical building in Lübeck, Germany. These were also the main investments in the first quarter of 2007. Current assets fell by EUR 25.3 million in total mainly due to the decline in trade receivables.

On the liabilities side, non-current loans increased due to further note loans of EUR 100 million, and a tranche of older note loans and other loans of EUR 30 million were reclassified to current loans since they are due within one year.

As a result of these transactions, net financial debt increased to EUR 306.1 million (Q1/2006: EUR 206.2 million) and capital employed to EUR 953.6 million (Q1/2006: EUR 897.7 million), while net working capital decreased to EUR 508.1 million (Q1/2006: EUR 520.8 million).

Business performance of Dräger Medical		Q1/2007	Q1/2006	Change in %
Total order intake	**€ million**	**275.7**	**303.8**	**–9.2**
Germany	€ million	53.2	60.3	–11.8
Rest of Europe	€ million	109.5	129.4	–15.4
Americas	€ million	55.5	63.4	–12.5
Asia/Pacific	€ million	26.6	29.9	–11.0
Other	€ million	30.9	20.8	+48.6
Total revenues	**€ million**	**260.0**	**258.2**	**+0.7**
Germany	€ million	49.0	51.6	–5.0
Rest of Europe	€ million	95.5	100.4	–4.9
Americas	€ million	64.1	54.9	+16.8
Asia/Pacific	€ million	28.2	31.9	–11.6
Other	€ million	23.2	19.4	+19.6
EBITDA [1]	**€ million**	**14.2**	**18.8**	**–24.5**
Depreciation/amortization	€ million	5.7	5.9	–3.4
EBIT [2] **before non-recurring expenses**	**€ million**	**8.5**	**12.9**	**–34.1**
Non-recurring expenses	€ million	0.0	0.0	0.0
EBIT [2]	**€ million**	**8.5**	**12.9**	**–34.1**
Net profit	**€ million**	**6.2**	**7.5**	**–17.3**
R&D expenses	**€ million**	**22.9**	**21.0**	**+9.0**
Cash flow from operating activities	**€ million**	**36.4**	**5.5**	**–**
Net financial debt	**€ million**	**(111.2)**	**(97.3)**	**+14.3**
Investments	**€ million**	**5.4**	**7.6**	**–28.9**
Capital employed [3]	**€ million**	**630.3**	**632.2**	**–0.3**
Net working capital [4]	**€ million**	**401.0**	**409.4**	**–2.1**
EBIT before non-recurring expenses/revenues	**%**	**3.3**	**5.0**	
EBIT before non-recurring expenses/capital employed	**%**	**1.3**	**2.0**	
Gearing [5]	**Factor**	**(0.2)**	**(0.1)**	
Headcount as of March 31				
Germany		2,498	2,445	+2.2
Abroad		3,553	3,461	+2.7
Total headcount		**6,051**	**5,906**	**+2.5**

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[5] Gearing = Net financial debt/equity

Business performance of Dräger Medical

- Order intake remains below the extraordinarily high level in the prior-year period
- Stable revenue development
- EBIT for the first quarter still down on the prior year

Order intake and revenues as expected

Order intake at Dräger Medical of EUR 275.7 million was down 9.2 percent on the prior-year figure, which was extraordinarily high as a result of project orders. However, revenues increased by 0.7 percent to EUR 260.0 million. Both order intake and revenues were affected by changes in exchange rates to the tune of 2.5 percent and 3.2 percent, respectively. Adjusted for currency effects, revenues would have increased by 3.9 percent.

Order intake fell in Germany (ongoing tight rein on investments), Europe excluding Germany (high volume of project orders in the comparable period of the prior year), the Americas (projects in Latin America in the comparable prior-year period and exchange rates) and Asia/Pacific (healthcare policies in China). The “other countries”, including the Middle East and Africa, saw a rise in order intake.

The increase in revenues in the other countries and in the Americas was able to offset the decrease in the other regions and the drop in revenues resulting from exchange rates.

EBIT and net profit for the first quarter still down on the prior year

In the first quarter, EBIT of EUR 8.5 million was under the EUR 12.9 million achieved in the prior- year period. Although gross margin and gross profit almost reached the levels of the prior year, the overall rise in functional costs by EUR 3.4 million put a drain on EBIT.

Net profit at Dräger Medical comes to EUR 6.2 million, which represents a drop of EUR 1.3 million on the prior-year period, due to an improvement in the interest result and – given lower earnings – a fall in tax expense.

Innovations stay at the forefront

The progress made by the innovation campaign is evidenced by renewed high research and development expenditure of EUR 22.9 million, which corresponds to 8.8 percent of revenues in the first quarter. At the International Symposium on Intensive Care and Emergency Medicine (ISICEM) in Brussels, Belgium, Dräger Medical introduced its new “Medical Air Guard” system. This system allows the purity of medical compressed air to be monitored continuously rather than at certain intervals as was previously the case.

Well prepared for the future

In light of the effects described, business performance in the first quarter of 2007 was in line with expectations. The subgroup will press ahead with improvements to internal processes in 2007 and will continue to produce innovations to renew its portfolio. Dräger Medical remains in a strong position on the global acute point of care market.

Business performance of Dräger Safety		Q1/2007	Q1/2006	Change in %
Total order intake	**€ million**	**174.9**	**156.4**	**+11.8**
Germany	€ million	48.5	44.1	+10.0
Rest of Europe	€ million	70.4	65.5	+7.5
Americas	€ million	28.5	21.2	+34.4
Asia/Pacific	€ million	20.4	19.0	+7.4
Other	€ million	7.1	6.6	+7.6
Total revenues	**€ million**	**138.9**	**134.9**	**+3.0**
Germany	€ million	34.4	34.2	+0.6
Rest of Europe	€ million	58.4	57.7	+1.2
Americas	€ million	22.6	22.0	+2.7
Asia/Pacific	€ million	17.5	15.5	+12.9
Other	€ million	6.0	5.5	+9.1
EBITDA [1]	**€ million**	**17.3**	**15.2**	**+13.8**
Depreciation/amortization	€ million	5.0	4.3	+16.3
EBIT [2] **before non-recurring expenses**	**€ million**	**12.3**	**10.9**	**+12.8**
Non-recurring expenses	€ million	0.0	0.0	0.0
EBIT [2]	**€ million**	**12.3**	**10.9**	**+12.8**
Net profit (before profit/loss transfer)	**€ million**	**8.1**	**7.2**	**+12.5**
R&D expenses	**€ million**	**6.6**	**7.0**	**–5.7**
Cash flow from operating activities	**€ million**	**6.4**	**0.1**	**–**
Net financial debt	**€ million**	**54.5**	**39.2**	**+39.0**
Investments	**€ million**	**5.0**	**4.8**	**+4.2**
Capital employed [3]	**€ million**	**219.9**	**202.1**	**+8.8**
Net working capital [4]	**€ million**	**141.8**	**128.8**	**+10.1**
EBIT before non-recurring expenses/revenues	**%**	**8.9**	**8.1**	
EBIT before non-recurring expenses/capital employed	**%**	**5.6**	**5.4**	
Gearing [5]	**Factor**	**0.4**	**0.3**	
Headcount as of March 31				
Germany		1,761	1,713	+2.8
Abroad		2,034	1,932	+5.3
Total headcount		**3,795**	**3,645**	**+4.1**

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Business performance of Dräger Safety

- Growth across all regions
- Proportionately greater increase in EBIT

Dräger Safety recorded EBIT of EUR 12.3 million in the first quarter of 2007. EBIT for the first quarter of 2006 came to EUR 10.9 million. The subgroup thus improved EBIT by 12.8 percent on the prior year. The EBIT margin in the first quarter of 2007 was 8.9 percent versus the comparable figure of 8.1 percent for the prior-year period.

Dräger Safety's global revenues rose year on year by 3.0 percent (5.5 percent net of currency effects) to EUR 138.9 million in the first three months of 2007 (Q1/2006: EUR 134.9 million). This growth was again achieved in all product divisions through core business, but also on the back of projects.

At EUR 174.9 million, order intake was up 11.8 percent (net of currency effects 14.6 percent) on the prior-year period (EUR 156.4 million).

Growth across all regions

In terms of core business, all regions contributed to the growth of the subgroup in the first three months of 2007.

Order intake in Germany climbed 10.0 percent to EUR 48.5 million in the first quarter of 2007. Despite the strained financial situation and the resulting tight rein on public spending as well as increased competition, revenues were maintained due to the strong market position. Revenues were driven in this region by respiratory protection equipment and fire training systems for fire departments and training galleries for industry.

In Europe – excluding Germany – Dräger Safety improved its business performance and reconfirmed its market share. Order intake increased by a total of 7.5 percent. Great demand for the subgroup's respiratory protection and gas detection equipment was the driving force behind a positive performance in Europe overall: Sweden again ordered large numbers of the Dräger Interlock XT electronic immobilizer. Swiss Federal Railways commissioned the company to design, plan and deliver additional firefighting and rescue trains within the next two years. An Austrian manufacturer of power generation systems was supplied with a large number of the new portable multi-gas detection device Dräger X-am 2000.

Business in the Americas continued to do well, with revenues net of currency effects growing by 11.8 percent. Contributing to the good order intake were orders for respiratory protection equipment for the navy and the US mining industry as well as for gas detection equipment for companies in the utilities industry.

Revenues in the Asia/Pacific region were up 18.1 percent on the prior year, net of currency effects. In terms of core business, Dräger Safety extended its market position in this region, despite cost pressure on its customers. The positive development in this region is reflected in orders from the Chinese and Indian mining industries, with orders still coming for the long-term breathing apparatus Dräger PSS BG4. The strong market position of the Gas Detection System business unit is underscored by orders from the petrochemicals industry and the semi-conductor industry.

Innovations underline our competitive edge

Research and development expenses amounted to EUR 6.6 million (4.8 percent of revenues; prior year: 5.2 percent) and were largely channeled into new products such as the compressed air breathing apparatus PSS 7000, the respiratory protection mask FPS 7000 and the fire helmet HPS 6200. This personal protection equipment was developed on the basis of different customer processes in association with the users of fire protection equipment and, as part of a comprehensive respiratory protection concept, offers a high level of protection combined with ergonomic comfort for the wearer.

New business fields continue to prove very successful

Dräger Safety's two new strategic business fields, Dräger Safety Solutions and Compliance, continued to perform well. Dräger Safety Solutions won the contract for complete shutdown management for a company in the chemicals industry. This involves managing all the safety aspects of inspection and maintenance work as part of a temporary closure. Alongside planning and coordination of the safety aspects of this shutdown, the service offering includes the provision and management of personnel as well as extensive safety equipment for their personal protection. The Vietnamese police force commissioned the Compliance business field to equip its personnel with a large number of respiratory protection masks and corresponding respiratory filters.

Business performance of Drägerwerk AG, other companies

		Q1/2007	Q1/2006	Change in %
Total order intake	**€ million**	**1.7**	**2.5**	**–32.0**
Germany	€ million	1.7	2.5	–32.0
Rest of Europe	€ million			0.0
Americas	€ million			0.0
Asia/Pacific	€ million			0.0
Other	€ million	0.0	0.0	0.0
Total revenues	**€ million**	**1.7**	**2.5**	**–32.0**
Germany	€ million	1.7	2.5	–32.0
Rest of Europe	€ million			0.0
Americas	€ million			0.0
Asia/Pacific	€ million			0.0
Other	€ million	0.0	0.0	0.0
EBITDA [1]	**€ million**	**2.3**	**2.2**	**+4.5**
Depreciation/amortization	€ million	2.2	2.0	+10.0
EBIT [2] **before non-recurring expenses**	**€ million**	**0.1**	**0.2**	**–50.0**
Non-recurring expenses	€ million	0.0	0.0	0.0
EBIT [2]	**€ million**	**0.1**	**0.2**	**–50.0**
Net profit	**€ million**	**–5.6**	**–4.3**	**+30.2**
R&D expenses	**€ million**	**0.1**	**0.4**	**–75.0**
Cash flow from operating activities	**€ million**	**–9.7**	**–0.1**	**–**
Net financial debt	**€ million**	**367.5**	**269.2**	**+36.5**
Investments	**€ million**	**7.3**	**–1.2**	**–**
Capital employed [3]	**€ million**	**654.9**	**544.6**	**+20.3**
Net working capital [4]	**€ million**	**–36.8**	**–24.0**	**+53.3**
EBIT before non-recurring expenses/revenues	**%**			
EBIT before non-recurring expenses/capital employed	**%**			
Gearing [5]	**Factor**			
Headcount as of March 31				
Germany		221	205	+7.8
Abroad		2	5	–60.0
Total headcount		**223**	**210**	**+6.2**

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[4] Net working capital = Current, non-interest bearing assets less current, non-interest bearing debt
[5] Gearing = Net financial debt/equity

Business performance of Drägerwerk AG, other companies

The business performance of Drägerwerk AG and other companies is mainly shaped by the performance of Drägerwerk AG. Its functions serve to fulfill the core tasks of the Company as well as to provide services to the subgroups and their subsidiaries. These functions include the services provided to the Company and the Group by the legal, tax, insurance, treasury, public relations, investor relations, financial control and accounting departments, as well as the corporate IT, HR, internal audit and basic research departments. Real estate management services are provided by a real estate company listed under “Other companies”. The services to our subgroups are closely coordinated with them and invoiced in accordance with the arm’s length principle, as between unrelated parties.

Corporate Communications and IT are currently being organized as shared services for all group companies at Drägerwerk AG, where these activities will be pooled to allow the group companies to concentrate on their core business.

The positive EBIT of EUR 0.1 million (Q1/2006: EUR 0.2 million) is the result of the EUR 5.6 million (Q1/2006: EUR 4.7 million) in income from investments of Drägerwerk AG less the operating result generated by the companies grouped in this segment. The operating result of these companies fell slightly, which was mainly due to the above-mentioned projects and preparations for the change of Drägerwerk AG’s legal form to that of a partnership limited by shares.

Reconciliation of figures at group level

To reconcile figures at group level, consolidations between Dräger Medical, Dräger Safety and Drägerwerk AG/other companies have to be accounted for. These are detailed in the segment report of the notes to this quarterly report.

Outlook

The Dräger Group aims to continue its top and bottom-line success in 2007.

Interim financial statements of the Dräger Group as of March 31, 2007 (revised version)

Consolidated income statement of the Dräger Group for the period from January 1 to March 31, 2007

	Note	Q1/2007	Q1/2006
		€ million	€ million
Revenues	6	**392.5**	**385.3**
Cost of sales		(195.1)	(194.1)
Gross profit		**197.4**	**191.2**
Research and development costs		(29.6)	(28.4)
Marketing and selling expenses		(118.2)	(112.7)
General administrative expenses		(31.0)	(30.1)
Other operating income		1.4	1.4
Other operating expenses		(2.2)	(1.0)
		17.8	**20.4**
Profit/loss from investments in associates		0.2	0.0
Other financial result		(0.6)	0.1
Financial result (before interest result)	8	**(0.4)**	**0.1**
EBIT		**17.4**	**20.5**
Interest result [2]	8	**(5.3)**	**(6.7)**
Earnings before income taxes [2]		**12.1**	**13.7**
Income taxes [2]	9	(4.6)	(5.5)
Net profit [2]		**7.5**	**8.3**

Net profit [2]		**7.5**	**8.3**
thereof minority interests in net profit		1.6	2.8
thereof net profit for participation certificates (without minimum dividend) [2]		1.1	1.0
thereof net profit to be allotted to shareholders [2]		4.8	4.5
Earnings per share [1]			
per preferred share (in €) [2]		0.39	0.36
per common share (in €) [2]		0.37	0.34

[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 as of March 31, 2007

	Note		Mar. 31, 2007	Dec. 31, 2006
		€ million	€ million	€ million
Assets				
Intangible assets	10	223.3		185.1
Property, plant and equipment	10	219.6		213.9
Financial assets	10	5.3		4.9
Other non-current financial assets	11	16.5		15.4
Tax refund claims		1.8		1.8
Deferred tax assets		77.1		76.6
Non-current assets			**543.6**	**497.7**
Inventories	12	327.5		289.3
Trade receivables		515.3		598.3
Other current financial assets	13	64.3		47.1
Tax refund claims		13.4		18.3
Cash and cash equivalents		192.8		185.6
Current assets			**1,113.3**	**1,138.6**
Total assets			**1,656.9**	**1,636.3**

	Note		Mar. 31, 2007	Dec. 31, 2006
		€ million	€ million	€ million
Equity and liabilities				
Equity [1]			**513.6**	**576.9**
Obligations from participation certificates [1]		25.8		25.6
Provisions for pensions and similar obligations		194.9		194.0
Other non-current provisions	14	15.5		23.3
Non-current interest-bearing loans	15	276.0		212.1
Other non-current financial liabilities		8.4		8.4
Deferred tax liabilities [1]		24.1		25.1
Non-current liabilities [1]			**544.7**	**488.6**
Current loans and liabilities to banks	15	197.1		153.3
Other current provisions	14	172.1		162.6
Trade payables		93.6		111.2
All other current financial liabilities [1]	16	102.5		110.0
Tax liabilities		33.3		33.7
Current liabilities [1]			**598.6**	**570.8**
Total equity and liabilities			**1,656.9**	**1,636.3**

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

Consolidated statement of recognized income and expenses of the Dräger Group

	Q1/2007	Q1/2006
	€ million	€ million
Currency translation adjustment for foreign subsidiaries	(1.5)	(3.4)
Changes in value recognized directly in equity	**(1.5)**	**(3.4)**
Earnings after taxes [3]	7.5	8.3
Earnings after taxes and changes in value recognized directly in equity [3]	**6.0**	**4.9**
thereof minority interests	1.2	2.0
thereof net profit for participation certificates (without minimum dividend, after taxes) [3]	1.1	1.0
thereof net profit to be allotted to shareholders [3]	3.7	1.9

Consolidated cash flow statement of the Dräger Group

		Q1/2007	Q1/2006
		€ million	€ million
Operating activities			
	Group net profit [3]	7.5	8.3
+	Depreciation/amortization of non-current assets	12.9	12.4
+	Other non-cash expenses (+)/income (-) [3]	1.0	3.5[2]
–	Gain from the disposal of non-current assets	(0.1)	0.0
+/–	Other changes in other assets and other liabilities [3]	7.0	(23.0) [1,2]
	Net cash provided by operating activities	**28.3**	**1.2**
Investing activities			
–	Cash outflow for investments in intangible assets and property, plant and equipment	(57.5)	(11.3)
+	Other cash inflow from investments	0.3	0.7
+	Cash inflow from the sale of subsidiaries	0.0	10.5
	Net cash used in investing activities	**(57.2)**	**(0.1)**
Financing activities			
+	Net balance of bank loans raised/redeemed and other liabilities to banks	108.1	1.5
–	Reduction in equity due to buyback of 10 percent interest in Medical	(69.9)	0.0
–	Other changes	(0.1)	0.0
–	Profit distributed to minority interests	(0.9)	(1.3)
	Net cash provided by financing activities	**37.2**	**0.2**
	Change in cash and cash equivalents in the period under review	**8.3**	**1.3**
–	Effect of exchange rates on cash and cash equivalents	(1.1)	(1.0)
+	Cash and cash equivalents at the beginning of the fiscal year	185.6	182.7[1]
	Cash and cash equivalents as of March 31 of the fiscal year	**192.8**	**183.0**[1]

[1] Cash and cash equivalents exclusively comprise cash. Securities of EUR 0.3 million included in this item in the prior year were reclassified to other changes in other assets and other liabilities accordingly.

[2] Contrary to the prior year, the change in deferred taxes of -EUR 1.6 million (Q1/2006: EUR 0.2 million) is no longer disclosed in other changes in other assets and other liabilities, but in other non-cash expenses/income. The prior-year figures were adjusted accordingly.

[3] The values were adjusted. See note 4.

Consolidated statement of changes in equity

	Paid-in capital			Earned equity			Minority interests	Equity
	Capital stock	Additional paid-in capital	Participation capital [1]	Reserves retained	Group net earnings	Other compre-hensive income		
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
January 1, 2006	**32.5**	**38.9**	**0.0**	**202.2**	**6.0**	**–21.9**	**245.1**	**502.8**
Changes to reporting methods for participation certificates			56.1	–19.3				36.8
January 1, 2006 after changes [1]	**32.5**	**38.9**	**56.1**	**182.9**	**6.0**	**–21.9**	**245.1**	**539.6**
Distributions							–1.3	–1.3
Currency translation differences						–2.6	–0.8	–3.4
Group net profit [1]					8.3			8.3
Minority interests in net profit					–2.8		2.8	0.0
Change in consolidated group/other [1]				0.6				0.6
March 31, 2006 [1]	**32.5**	**38.9**	**56.1**	**183.5**	**11.5**	**–24.5**	**245.8**	**543.8**
January 1, 2007 [1]	**32.5**	**38.9**	**56.1**	**219.2**	**6.6**	**–27.9**	**251.5**	**576.9**
Distributions							–0.9	–0.9
Currency translation differences						–1.1	–0.4	–1.5
Group net profit [1]					7.5			7.5
Minority interests in net profits					–1.6		1.6	0.0
Buyback of 10 percent interest in Dräger Medical AG & Co. KG							–69.9	–69.9
Change in consolidated group/other [1]				1.1		0.3	0.1	1.5
March 31, 2007 [1]	**32.5**	**38.9**	**56.1**	**220.3**	**12.5**	**–28.7**	**182.0**	**513.6**

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

Notes of the Dräger Group as of March 31, 2007 (revised version)

1 Basis of preparation of the interim financial statements

As in 2005, Drägerwerk AG, Lübeck, prepared its consolidated financial statements for fiscal year 2006 in accordance with 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 2007, 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. 6 (GAS 6 – Interim Financial Reporting) of the German Accounting Standards Committee (GASC). The interim financial statements have not been audited or reviewed by an auditor.

The interim financial statements were prepared in euros. Unless stated otherwise, all figures are disclosed in millions of euros (EUR million).

2 Accounting policies

The same accounting policies as in the consolidated financial statements for 2006 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 consolidated financial statements in the annual report for 2006. 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 Consolidated group and consolidation principles

There were no changes to the consolidated group compared to December 31, 2006 and the changes compared to March 31, 2006 were insignificant. The same consolidation principles as in the consolidated financial statements for 2006 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 quarter of 2007 increased to a net profit of EUR 7.5 million (Q1/2006: EUR 8.3 million) due to the interest result increasing by EUR 1.6 million (Q1/2006: EUR 1.4 million) and income taxes by EUR 0.6 million (Q1/2006: EUR 0.5 million). The increase in equity attributable to participation certificates came to EUR 38.6 million as of March 31, 2007 (December 31, 2006: EUR 36.9 million).

5 Other changes and their effects on the interim financial statements

The acquisition of a 10 percent interest in Dräger Medical AG & Co. KG from Siemens and the resulting effects on the quarterly financial statements are detailed in the management report on page 3 of this quarterly report.

6 Segment report

Business performance of the segments			
		Dräger Medical	
		2007	2006
Order intake	**€ million**	**275.7**	**303.8**
Revenues	**€ million**	**260.0**	**258.2**
thereof intersegment revenues	€ million	0.2	0.4
EBITDA	**€ million**	**14.2**	**18.8**
Depreciation/amortization	€ million	5.7	5.9
EBIT before non-recurring expenses	**€ million**	**8.5**	**12.9**
Non-recurring expenses	€ million	0.0	0.0
EBIT	**€ million**	**8.5**	**12.9**
Net profit (Safety: before profit/loss transfer)	**€ million**	**6.2**	**7.5**
thereof profit/loss from investments in associates	€ million		
Net profit after minority interests	€ million		
Earnings per share			
per preferred share	**€**		
per common share	**€**		
Research and development expenses	**€ million**	**22.9**	**21.0**
Cash flow from operating activities	**€ million**	**36.4**	**5.5**
Capital employed	**€ million**	**630.3**	**632.2**
Assets	**€ million**	**885.1**	**844.6**
thereof investments in associates	€ million		
Liabilities	**€ million**	**220.0**	**202.4**
Net financial debt	**€ million**	**(111.2)**	**(97.3)**
Investments	**€ million**	**5.4**	**7.6**
Non-cash expenses	€ million	27.5	24.7
EBIT before non-recurring expenses/revenues	**%**	**3.3**	**5.0**
EBIT before non-recurring expenses/capital employed	**%**	**1.3**	**2.0**
Gearing	**Factor**	**(0.2)**	**(0.1)**
Headcount as of March 31		**6,051**	**5,906**
Germany		2,498	2,445
Abroad		3,553	3,461

Q1/2007 consolidation
For the purpose of reconciling figures at group level, the transactions that have to be eliminated between the three segments are shown in the consolidation column of the segment report.
The –EUR 3.5 million to be consolidated under EBIT (Q1/2006: –EUR 3.5 million) mainly relates to income from investments recognized by DWAG based on the P&L transfer agreement with Dräger Safety AG & Co. KGaA.

	Dräger Safety		Drägerwerk AG Other companies		Consolidation		Dräger Group	
	2007	2006	2007	2006	2007	2006	2007	2006
	174.9	156.4	1.7	2.5	(7.4)	(10.5)	444.9	452.2
	138.9	134.9	1.7	2.5	(8.1)	(10.3)	392.5	385.3
	6.6	7.9	1.3	2.1	(8.1)	(10.4)		
	17.3	15.2	2.3	2.2	(3.5)	(3.5)	30.3	32.7
	5.0	4.3	2.2	2.0	0.0	0.0	12.9	12.2
	12.3	10.9	0.1	0.2	(3.5)	(3.5)	17.4	20.5
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	12.3	10.9	0.1	0.2	(3.5)	(3.5)	17.4	20.5
	8.1	7.2	(5.6)	(4.3)	(1.2)	(2.2)	7.5	8.3
	0.0		0.2	0.0	0.0	0.0	0.2	
							0.39	0.36
							0.37	0.34
	6.6	7.0	0.1	0.4	0.0	0.0	29.6	28.4
	6.4	0.1	(9.7)	(0.1)	(4.8)	(4.3)	28.3	1.2
	219.9	202.1	654.9	544.6	(551.5)	(481.2)	953.6	897.7
	333.9	294.6	705.8	579.0	(569.6)	(493.8)	1,355.2	1,224.4
	0.5	0.3	0.3	0.0	0.0	0.0	0.8	0.3
	107.4	84.7	45.0	33.6	(19.4)	(10.7)	353.0	310.0
	54.5	39.2	367.5	269.2	(4.7)	(4.9)	306.1	206.2
	5.0	4.8	7.3	(1.2)	40.1	0.0	57.8	11.2
	15.5	16.4	8.0	7.8	0.0	0.0	51.0	48.9
	8.9	8.1					4.4	5.3
	5.6	5.4					1.8	2.3
	0.4	0.3	0.0	0.0	0.0	0.0	0.6	0.4
	3,795	3,645	223	210	0	0	10,069	9,761
	1,761	1,713	221	205	0	0	4,480	4,363
	2,034	1,932	2	5	0	0	5,589	5,398

The key figures from the segment report are as follows:

EBIT/EBITDA	Q1/2007	Q1/2006
Net profit	7.5	8.3
+ Interest result	5.3	6.7
+ Income taxes	4.6	5.5
EBIT	**17.4**	**20.5**
+ Depreciation/amortization	12.9	12.2
EBITDA	**30.3**	**32.7**

Capital employed	Q1/2007	Q1/2006
Total assets	1,656.9	1,515.8
– Deferred tax assets	(77.1)	(77.8)
– Current securities	(12.1)	(0.3)
– Cash and cash equivalents	(192.8)	(183.0)
– Non-interest bearing liabilities	(421.3)	(357.0)
Capital employed	**953.6**	**897.7**

Assets	Q1/2007	Q1/2006
Total assets	1,656.9	1,515.8
– All other financial assets	(4.5)	(4.3)
– Deferred tax assets	(77.1)	(77.8)
– Tax refund claims	(15.2)	(26.0)
– Current securities	(12.1)	(0.3)
– Cash and cash equivalents	(192.8)	(183.0)
Assets	**1,355.2**	**1,224.4**

Liabilities	Q1/2007	Q1/2006
Liabilities recognized in the balance sheet	1,143.3	972.0
– Pension provisions	(194.9)	(193.3)
– Tax liabilities, tax accruals and deferred tax liabilities	(92.4)	(75.7)
– Interest-bearing liabilities	(503.0)	(393.0)
Liabilities	**353.0**	**310.0**

Net financial debt

	Q1/2007	Q1/2006
Obligations from participation certificates	25.8	24.9
+ Non-current interest-bearing loans	276.0	198.2
+ Current loans and liabilities to banks	197.1	166.1
– Cash and cash equivalents	(192.8)	(183.0)
Net financial debt	**306.1**	**206.2**

Non-cash expenses

	Q1/2007	Q1/2006
Write-downs on inventories	3.6	4.1
+ Losses from bad debt allowances	1.9	0.5
+ Allocations to provisions	45.5	44.3
Non-cash expenses	**51.0**	**48.9**

Gearing is the ratio of net financial debt to equity.

Cash and cash equivalents exclusively comprise cash. Securities of EUR 0.3 million included in this item in the prior year were reclassified accordingly.

Interim tax accruals and deferrals are disclosed in the capital employed, assets and liabilities items of the segment report. The prior-year figures were adjusted accordingly.

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

7 Revenues

Revenues	Q1/2007	Q1/2006
Dräger Medical	260.0	258.2
Dräger Safety	138.9	134.9
Drägerwerk AG and other companies	3.7	4.2
Segment revenues	**402.6**	**397.3**
Intersegment revenues	(10.1)	(12.0)
Revenues	**392.5**	**385.3**

A breakdown of revenues by region is shown in the sections covering the performance of the Group and the subgroups Dräger Medical and Dräger Safety.

8 Financial result

Financial result	Q1/2007	Q1/2006
Financial result (before interest result)	**(0.4)**	**0.1**
Interest and similar income	2.5	1.3
Interest and similar expenses	(7.8)	(8.0)
Interest result (incl. distribution for participation capital)	**(5.3)**	**(6.7)**

9 Income taxes

The income taxes for the first quarter of 2007 were calculated on the basis of an anticipated effective tax rate of 38 percent.

10 Non-current assets (selected items)

Non-current assets (selected items)	Carrying amount January 1, 2007	Additions	Disposals/ other changes	Amortization/ depreciation write-downs	Carrying amount March 31, 2007
Intangible assets	185.1	42.4	(0.1)	4.1	223.3
Property, plant and equipment	213.9	15.4	(0.9)	8.8	219.6
Financial assets	4.9	0.0	0.4	0.0	5.3

11 Other non-current financial assets

Other non-current financial assets	March 31, 2007	December 31, 2006
Equipment leased out	6.2	6.3
Finance lease receivables (lessor)	1.7	1.7
Trade receivables	0.3	0.1
Other	8.3	7.3
Total	**16.5**	**15.4**

12 Inventories

Inventories	March 31, 2007	December 31, 2006
Finished products and merchandise	157.1	139.6
Work in process	68.5	55.6
Raw materials, consumables and supplies	95.1	89.8
Prepayments made	6.8	4.3
Total	**327.5**	**289.3**

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

13 Other current financial assets

Other current financial assets	March 31, 2007	December 31, 2006
Prepaid expenses	17.9	9.4
Securities	12.1	11.0
Other	34.3	26.7
Total	**64.3**	**47.1**

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

EUR 11.7 million (December 31, 2006: EUR 10.8 million) of the securities are investments resulting from the new pension plan, which are therefore subject to special restraints on disposal.

14 Other non-current and current provisions

Other non-current provisions as of March 31, 2007 mainly comprise provisions for personnel and welfare of EUR 13.6 million (December 31, 2006: EUR 21.5 million) and provisions for uncertain liabilities of EUR 1.9 million (December 31, 2006: EUR 1.8 million).

Current provisions as of March 31, 2007 also include the monthly cut-offs and largely consist of tax provisions of EUR 35.0 million (December 31, 2006: EUR 31.6 million), provisions for personnel and welfare of EUR 44.7 million (December 31, 2006: EUR 42.5 million), warranty provisions of EUR 21.2 million (December 31, 2006: EUR 21.5 million) and provisions for other obligations in the normal course of business of EUR 71.2 million (December 31, 2006: EUR 67.0 million).

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

The increase in non-current loans is primarily due to the raising of additional note loans of EUR 100.0 million to finance the buyback by Dräger Medical Holding GmbH of 10 percent of the shares in Dräger Medical AG & Co. KG.

Current loans and liabilities to banks increased mainly due to the reclassification of loans of EUR 30.0 million which are due in the first quarter of 2008.

16 All other current financial liabilities

All other current financial liabilities

	March 31, 2007	December 31, 2006
Other liabilities to employees and for social security	31.5	32.5
Prepayments received	35.0	34.8
Deferred income	19.2	16.3
Other liabilities	16.8	26.4
Total	**102.5**	**110.0**

17 Notes to the cash flow statement

The consolidated cash flow statement is presented separately in this report on the interim financial statements 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. Due to the consideration of exchange rate effects, the underlying changes recognized in the cash flow statement cannot be directly reconciled with the items of the published balance sheet.

Cash and cash equivalents exclusively comprise cash.

Cash and cash equivalents as of March 31, 2007 contain EUR 2.8 million in cash (March 31, 2006: EUR 9.2 million) which is subject to restrictions; EUR 0.5 million of this amount is attributable to the new pension plan of the German companies.

Cash and cash equivalents as of January 1, 2007 contain EUR 3.6 million in cash (January 1, 2006: EUR 10.2 million) which is subject to restrictions; EUR 1.0 million of this amount is attributable to the new pension plan of the German companies.

The development of the cash flow statement is explained in the management report accompanying these interim financial statements.

18 Contingent liabilities and other financial obligations

There were no significant changes in contingent liabilities and other financial obligations as of March 31, 2007 compared to those disclosed in the annual report for 2006.

19 Related party transactions

Business was transacted in 2007 with the following related enterprises that are part of the widespread share portfolio of the Dräger family, including Executive Board member Stefan Dräger and Supervisory Board member 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 which are located close to the latter’s Moislinger Allee head office. Rental payments came to EUR 413 thousand in the first quarter of 2007.

Services were rendered for companies and foundations related to the Dräger family for EUR 9 thousand.

In addition, Herbert Rehn GmbH generated revenues of EUR 481 thousand from glass products and installation contracts. This resulted in receivables of EUR 130 thousand from Dräger Group companies.

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

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 2007	
Q1/2007 report Conference call	May 8, 2007
Annual shareholders' meeting, Lübeck	May 11, 2007
H1/2007 report Conference call	August 9, 2007
Q3/2007 report Conference call	November 14, 2007
Annual shareholders' meeting, Lübeck	May 9, 2008

Notes

Notes

Drägerwerk Aktiengesellschaft
Moislinger Allee 53 / 55
23542 Lübeck, Germany
www.draeger.com

Corporate Communications
Tel.: +49 (0) 451 882 – 22 01
Fax: +49 (0) 451 882 – 39 44

Investor Relations
Tel.: +49 (0) 451 882 – 26 85
Fax: +49 (0) 451 882 – 32 96